URBAN LOGISTICS
REIT PLC

DRIVING PERFORMANCE

Urban Logistics REIT plc

ANNUAL REPORT AND ACCOUNTS 2022

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OUR PURPOSE IS TO ACQUIRE AND MANAGE HIGH QUALITY, SINGLE LET, LOGISTICS ASSETS TO GENERATE BOTH INCOME AND CAPITAL GROWTH FOR OUR SHAREHOLDERS.

02. OUR VISION

TO BE THE LEADER IN UK URBAN LOGISTICS WAREHOUSING.

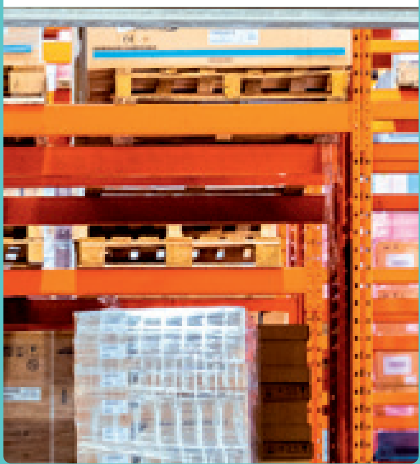
03. OUR MODEL

Urban Logistics invests in properties from which our tenants are able to serve the major urban areas of the UK.

We target a total shareholder return of 10-15%, from both dividend income and capital growth. In order to achieve that we have built a portfolio balanced between our Core assets, the rental income of which underpins our dividend, and our Active Asset Management properties, where we can use our expertise to make material improvements to the lease or property to drive capital value increase. We also undertake forward funding of developments, where we see potential for market-leading returns.

01 BUY WELL

Urban logistics properties that are well located.



02 MANAGE WELL

Undertake our asset management initiatives.

03 CREATE VALUE

Generate a 10-15% shareholder return.

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02 ACHIEVE NET ZERO IN TERMS OF SCOPE 1 AND 2 EMISSIONS

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06 PROMOTE TRANSPARENCY IN OUR ESG DISCLOSURES

See more on page 40

OUR HIGHLIGHTS

Urban Logistics is the only listed company giving investors a focused exposure to UK-based urban logistics assets, which remains real estate's top-performing sector.

FINANCIAL HIGHLIGHTS:

NET RENTAL INCOME

£36.5M

+59.8% 31 March 2021: £22.9m

IFRS PROFIT BEFORE TAX

£171.8M

+260.9% 31 March 2021: £47.6m

ADJUSTED EPS[1]

6.71P

-0.7% 31 March 2021: 6.76p

DIVIDEND PER SHARE

7.60P

31 March 2021: 7.60p

IFRS NET ASSETS

£892.6M

+130.4% 31 March 2021: £387.5m

EPRA NTA PER SHARE

188.78P

+23.9% 31 March 2021: 152.33p

TOTAL ACCOUNTING RETURN

28.9%

31 March 2021: 15.6%

TOTAL COST RATIO

21.8%

31 March 2021: 21.3%

1. A full reconciliation between IFRS profit and Adjusted earnings can be found in note 13 of the Financial Statements.
2. A reconciliation of other financial information can be found in the Supplementary Information on pages 113 to 123.

OPERATIONAL HIGHLIGHTS:

PORTFOLIO VALUATION
£1,015M
+99.9% 31 March 2021: £508m

PORTFOLIO LIKE-FOR-LIKE VALUATION GROWTH
25.4%
31 March 2021: 13.2%

CONTRACTED RENT
£47.3M
+56.1% 31 March 2021: £30.3m

GROSS TO NET RENTAL INCOME RATIO
97.2%
31 March 2021: 96.5%

WAULT
7.7 YEARS
31 March 2021: 7.4 years

EPRA VACANCY RATE[1]
6.9%
31 March 2021: 6.9%

EPC – % OF PORTFOLIO RATED A–C
75.5%
31 March 2021: 76.2%

TOTAL PROPERTY RETURN
30.3%
31 March 2021: 17.1%

1. At year end 3.7% was in solicitors' hands.

AT A GLANCE

The UK faces a structural mismatch between supply and demand in the market for mid-box logistics assets.

Our investment thesis

Our underlying belief, at IPO and today, that high-quality, single-let logistics properties represent the most interesting sub sector of the industrial and logistics market.

Our commitment to shareholders is to acquire well-located assets with the correct specification for occupiers, typically at below replacement cost. Our focus on tenant covenants, in sectors which have been less volatile historically, has served us well.

What we do

Urban Logistics REIT plc (LSE: SHED) is a property investment company which invests in strategically located, single-let logistics properties servicing high-quality tenants across the UK.

Why we do it

Logistics assets serving urban areas is one of the highest performing sectors in real estate, with structural factors driving rental growth. We believe that a focus on mid box, single let assets allow us to generate a strong return for shareholders.

A PURE PLAY ON URBAN LOGISTICS

UK REIT quoted on the premium segment of the Main Market of the London Stock Exchange

Income and **Total Return** strategy through active asset management

Invests in UK **mid-box** logistics buildings with a sweet spot in the 20,000 – 200,000 sq ft range

Assets located in key urban **"last touch"** and **"last mile"** locations

The **only** London-listed REIT with such a focus

Management team with **specific logistics experience** within the broader real estate market

16.4% p.a. average **Total Accounting Return** from IPO to 31 March 2022

DIFFERENTIATORS

Focus on "last mile"

20,000 – 200,000 SQ FT

- Most appropriate size for last-mile delivery operators

Strategic locations

63% MIDLANDS AND SOUTH EAST BIAS

- Area had among the strongest take-up of logistics space

Strong covenants

86% LOW/LOW-MODERATE RISK

- Single-let assets
- High-quality tenants
- No fashion retail

INVESTMENT CASE

Generating an industry-leading return in this market requires active asset management.

IDENTIFYING UNIQUE VALUE OPPORTUNITIES

The Company's specialist focus on single-let properties exploits a unique value opportunity in this real estate sector, underpinned by companies building resilience into their supply chains.

We have completed £302 million of property investments in the year at a weighted average NIY of 5.3%, financed by raising share issues and debt.

£302M

PROPERTY INVESTMENT IN YEAR

EXPERIENCED BOARD AND TEAM

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

We actively asset manage our portfolio, and have completed 25 lease events in the year, with 16.4% like-for-like rental increases.

16.4%

LIKE-FOR-LIKE RENTAL INCREASES

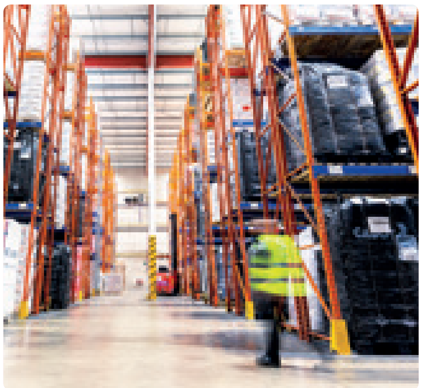
CONSERVATIVE CAPITAL STRUCTURE

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.

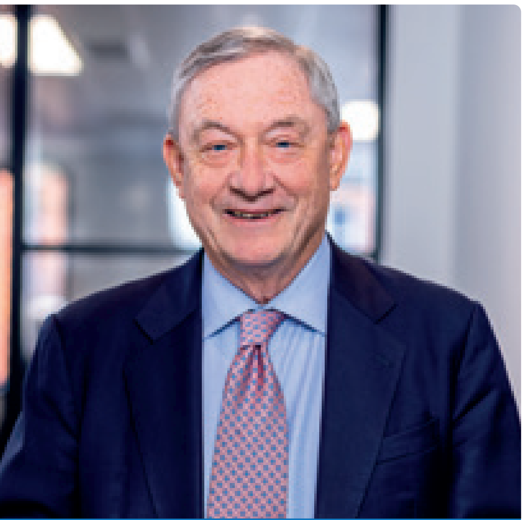
We target a long-term net LTV position of between 30-40%. Our interest expense at year end is 74% hedged, providing certainty against a significant portion of our debt cost.

30%-40%

LTV TARGET

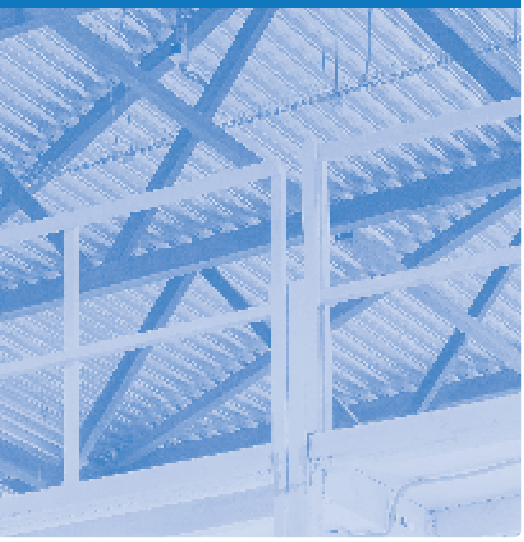


CHAIRMAN'S STATEMENT



> We are proud to have moved from the AIM to the Main Market, and to have become a constituent of the FTSE 250 Index.

Nigel Rich CBE
Chairman



Overview

We started our financial year in the depths of Covid, and are ending it with war in Ukraine and inflation levels not seen for decades dominating the news cycle. Through it all, the Company has raised a total of £358 million of new equity, and moved from being an AIM-listed company to a constituent of the FTSE 250, while the property portfolio has nearly doubled from £508 million at 31 March 2021 to £1,015 million at 31 March 2022. During the year the market for the type of assets in which we invest has strengthened considerably, driven by a continued lack of supply in the market, coupled with increased demand from companies building resilience into their supply chains. Following significant asset management and rental growth, we have seen a like-for-like increase in valuations of 25.4% (31 March 2021. 13.2%). This has driven up EPRA NTA per share from 152.33 pence to 188.78 pence per share.

Fundraising

We raised £108 million of new equity in July 2021, and a further £250 million in December, at the same time as completing our Main Market move. The majority of this equity has now been invested in line with our investment policy at the year end and the expectations set out at the time of the December raise. These assets have been acquired at a net initial yield of 5.3%, against our portfolio valuation net initial yield of 4.3%, and we are confident that our Manager will be able to actively manage these assets in the coming year to unlock further value.

ESG

As we move onto the Main Market, and the Company grows in size, we are committing to do more to promote transparency in our ESG efforts, and continue to improve. Last year we received our first ESG ratings and signed our first debt financing agreement with sustainability-linked metrics. In the current year we are presenting our first Sustainability Report with our ESG targets, including a commitment to net zero. We look forward to updating the investment community and our wider stakeholders about our plans later in the year.

Results and financing

We saw a significant increase in net rental income in the year from £23 million to £37 million, driven by acquisitions and rent increases arising from 25 lease events. At the year end we had an LTV of 11.3% with total drawn debt of £239 million at an average cost of 2.6% and weighted average maturity of 3.7 years. The debt is 74% hedged until maturity.

As we draw down debt to fund further asset purchases we will aim to keep our LTV at the lower end of the target range of 30-40%.

Dividends

A first interim dividend of 3.25 pence per share was paid in December 2021 to shareholders prior to the issuance of new shares in the same month. A second interim dividend of 4.35 pence per share will be paid on 22 July 2022 to shareholders on the register at the close of business on 1 July 2022. The total dividends declared amount to 7.60 pence per share, which is the same as in the previous year, however in respect of the second interim dividend this will be paid on a much higher number of shares.

Board and management

Following our move to the Main Market we have embarked on the search for a new Non-Executive Director. We believe the Board would benefit from further diversification, and we are also seeking to add complementary skills to the Board as we grow. A search firm has been appointed and a number of candidates have been interviewed.

The management team has been considerably increased in the past twelve months following the capital raises and the consequent acquisition of assets. The increase in personnel dedicated to Urban Logistics includes both property and administrative functions. The team sources the pipeline, executes the property transactions and then implements asset management plans. We also place considerable reliance on the Manager's very capable finance team.

The current management contract runs to April 2024, and we will shortly start discussions with the Manager about future arrangements. We will consult with shareholders at the appropriate time.

Outlook

While the current-macro economic conditions are uncertain, your Board will manage the Company's affairs accordingly.

Despite the uncertainty the occupational demand for the kind of assets we invest in remains strong, and the supply of suitable properties remains tight, with resulting upward pressure on rental rates. In recent months we have slowed the pace of investment, believing that a patient deployment allows us to take advantages of opportunities in the market which were not there a year ago. Whilst we will continue to acquire new assets in the short term using our borrowing capacity, we will target the lower end of our LTV range, at least until the macro-economic climate becomes more certain. In the round therefore we anticipate that 2023 will be a year of modest improvement in earnings, and we intend to at least maintain the dividend at the current level.

With the benefit of the momentum we have built in the business today, and with the continued strong market for logistics real estate, we look to the medium term with some confidence. Whilst the political and economic uncertainty persists, we are optimistic and vigilant in equal measure.

Nigel Rich CBE
Chairman

22 June 2022

STRATEGIC LOCATIONS

OUR LOCATIONS

We focus our investments in the fastest-growth regions of the UK, with 63% of our assets in the Midlands and South East.

113
Number of assets

4.3%
Net initial yield

8.3M SQ FT
Total area

99.9%
Portfolio increase

Geographic value breakdown:

- Midlands | **38.0%**
- South East | **25.0%**
- Other | **14.0%**
- Yorkshire & North East | **12.0%**
- North West | **11.0%**

MARKET CONTEXT

We operate in a marketplace with a long-term structural imbalance between supply and demand. Warehouse space take-up remains at record levels, with the majority of 2022 take-up in our "mid-box" sector[1].

STRONG MARKET FUNDAMENTALS

Supply chain resilience requires increased warehouse space

Resilient demand creating upward pressure on **rent and land values**

Vacancies remain at an all-time low of **sub 3%**[2]

Inflation in **construction costs** continues to drive up replacement costs

FOCUS ON "LAST MILE"

20,000 – 200,000 SQ FT

Most appropriate size for last-mile delivery operators

RECORD TAKE-UP AND SUPPLY BOTTLENECKS

2022 was another record year, with **4 million sq ft** of warehouse space take-up, **56%** above the long-term average[3]

STRUCTURAL TAILWINDS REMAIN STRONG

Development land is constrained by planning delays and high costs

The pandemic and other recent supply chain shocks highlighted the importance of **supply chain resilience**, with many businesses now adopting **"just-in-case"** mentality rather than **"just-in-time"**

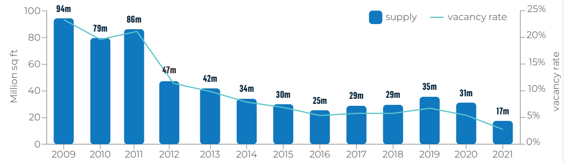
£6.50

ERV per sq ft

5.2%

Portfolio reversionary yield

Occupational market remains strong: UK vacancy rates



Source: Savills

1. Take up by floor space in 2021. Source CBRE.
2. Source Savills.
3. Source CBRE.

BUSINESS MODEL

Urban Logistics has built a portfolio of high-quality single-let properties with secure income principally let to logistics operators.

WHAT DRIVES US

OUR PURPOSE

TO ACQUIRE AND MANAGE HIGH-QUALITY, SINGLE-LET LOGISTICS ASSETS AND GENERATE BOTH INCOME AND CAPITAL GROWTH FOR OUR SHAREHOLDERS.

OUR VISION

TO BE THE LEADER IN URBAN WAREHOUSING.

UNDERPINNED BY...

OUR CULTURE

STRATEGIC DECISION MAKING, DILIGENT INVESTIGATION, CLOSE RELATIONSHIPS WITH STAKEHOLDERS AND AN APPROACH FOCUSED ON SUSTAINABLE PERFORMANCE.

MARKET DYNAMICS

FOCUS ON LAST MILE

Highest-growth segment of logistics asset class.

STRONG COVENANTS

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

86%

Low/moderate risk[1]

STRATEGIC LOCATIONS

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

63%

Midlands and South East bias

INVESTMENT THESIS

Negotiate acquisitions at 30-70% of new build cost, on assets with below-market rents and with reversionary potential in the short to medium term.

30–70%

percentage of new build cost

HOW WE ADD VALUE

CORE ACTIVITIES

01

BUY WELL

Urban logistics properties that are well located.

02

MANAGE WELL

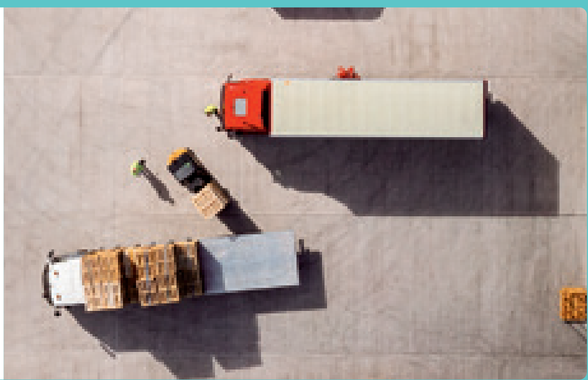
Undertake our asset management initiatives.

03

CREATE VALUE

Recycle capital or hold for income.

Our active asset management approach enables us to deliver sector-leading returns to shareholders, targeting a 10-15% total return per annum.



DELIVERING VALUE FOR OUR STAKEHOLDERS

MARKET

A closer integration of logistics and retailing across the UK.

INVESTORS

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

42.35P

Dividends paid and declared since IPO[2]

TENANTS

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

£5.59

Average rent per sq ft

FINANCING PARTNERS

The Group has a £151 million facility with Barclays, Santander and Lloyds banks and an £88 million facility with Aviva.

30–40%

Target loan to value

ESG

Urban Logistics is committed to continual improvement in the environmental performance of our portfolio, which enhances value for our shareholders, tenants and the wider public.

76%

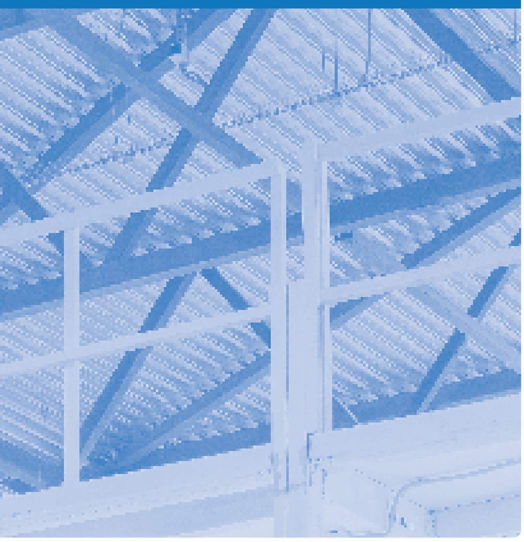
EPC ratings: A-C[3]

1. Per Dun & Bradstreet (Overall Business Risk).
2. Includes second interim dividend of 4.35 pence per share in respect of the financial year ended 31 March 2022, which will be paid on 22 July 2022.
3. EPC ratings at 31 March 2022, by floor area.

Q&A WITH THE INVESTMENT MANAGER

Our portfolio valuation has been significant this year, with properties increasing on a like-for-like basis by 25.4%.

Richard Moffitt
Chief Executive Officer of the Investment Manager



Q:

IT'S BEEN ANOTHER GROWTH YEAR FOR URBAN, WITH A SIGNIFICANT VALUATION INCREASE IN THE PORTFOLIO. DO YOU THINK THIS IS SOMETHING THAT CAN CONTINUE?

A:

Our portfolio valuation has been significant this year, with properties increasing on a like-for-like basis by 25.4%. When we look at valuation increases it's important to separate out the effects of yield compression from rental growth, as they are influenced by different things.

Yield compression is driven by macro economics, particularly interest rates and yields on capital available elsewhere. We see ten-year gilt rates climbing, and getting closer to prime yield rates, which is a signal that there is not significant room for yield compression in the near term.

On the other hand, the excess demand and undersupply of space in the country means the occupational market remains strong, and there is upward pressure on rental rates. This is evident in the national vacancy rate of just 3%, the lowest it has ever been. It is our active asset management, resulting in rental increases, longer leases and stronger covenants, which will drive valuation growth and ensure there is no sudden correction in capital values. In this market, being an active asset manager who is able to capture these rental increases is crucial to supporting valuations.

Q:

YOUR FOCUS IS STRICTLY ON URBAN LOGISTICS. HAVE YOU EVER THOUGHT OF DIVERSIFYING TO OTHER TYPES OF LOGISTICS ASSETS?

A:

From our original IPO prospectus, we have firmly believed that the mid-box urban logistics assets represented the most interesting sub sector of the logistics market.

That belief holds true today – and we can back that conviction up with some impressive results.

Our shareholders are best served by us sticking to the things we know best, and driving performance across our £1 billion portfolio.

Q:

REITS HAVE HISTORICALLY BEEN REGARDED AS A GOOD INFLATION-HEDGE. DO YOU THINK THAT'S STILL THE CASE?

A:

I think REITs can offer an inflationary hedge, but different REITs will give different levels of protection. We believe we are relatively well positioned for an inflationary world. Our assets typically have shorter property WAULTs than other commercial property, meaning we can capture rental uplift early. We also have tenants with strong covenants in place, who we believe are able to pass on inflationary pressures to their customer base. We have long steered clear of fashion retail and prefer essential products like pharmaceuticals for this reason. This, coupled with the low availability and high demand for the assets we invest in, the ability to enhance value through active asset management, and the fixed term debt we hold, mean that we represent, in my view, an excellent hedge against inflation.

Q:

YOU'VE GOT A MIDLANDS AND SOUTH EAST BIAS. WOULD YOU EVER CONSIDER EXTENDING THAT?

A:

63% of the portfolio is in the Midlands and South East, but that still leaves £371 million of assets outside these areas. We take a UK-wide approach to sourcing deals. The reason why we focus on the Midlands and South East is simply that these are the key regions for our target tenant base, reflecting population density and the density of urban areas. Our focus is on those geographies where we see opportunities for value creation, and as the government's levelling up agenda drives infrastructure investment outside of the South East we expect to see more opportunities in a more diverse range of regions.

Q:

THERE IS A HUGE AMOUNT OF CAPITAL CHASING LOGISTICS ASSETS. HOW ARE YOU ABLE TO CONTINUE TO ACQUIRE ASSETS AT THE YIELDS SET OUT AT YOUR LAST RAISE?

A:

At the time of writing we have been deploying funds from the December fundraise at exactly the 5.4% NIY that featured in our prospectus at the time. It's hard to do this of course, but we have significant decades of experience in this market. We know where the best assets are and are often able to buy off market. We value our reputation as a good counterparty to work with and have a great team in place to execute on deals. Post year end we have continued to transact and are confident of being fully deployed by the summer, as set out at the December fundraise.

Q:

WHAT ARE YOUR CURRENT THOUGHTS ON DEVELOPMENTS?

A:

We're very proud of our developments in the year, with 172,433 sq ft of space completed, and a further 547,304 sq ft under construction. We've achieved a fantastic 5.7% yield on cost on these developments, and all developments have been delivered on time and on budget.

That said, in the second half of the year we have not committed significant capital to new developments – for the very simple reason that we just won't commit unless we are confident we can deliver circa 6% yield on cost. With land prices and construction costs rising rapidly, these opportunities are few and far between, and we believe we are better placed to acquire income-producing standing assets until we see these costs reset.

OUR STRATEGY

We aim to build a balanced portfolio of last-touch logistics assets, from which tenants are able to serve the major UK urban areas. We have deliberately constructed a balanced portfolio, split between secure rental income, asset management opportunities, and a select number of development opportunities.

STRATEGIC PILLARS

01

CORE PROPERTIES
45% OF THE PORTFOLIO

Read more on page 15

STRATEGIC FOCUS

- Our Core assets are those where we have a strong tenant in place for the foreseeable future, and we have no immediate plans to seek changes.
- There is still financial performance to be captured through regular rent reviews. Our latest valuation showed an ERV of £24.0 million against a contracted rent of £22.2 million, demonstrating that these properties have room to improve both NTA and EPS.
- Our WAULT on these assets is over twelve years, and our covenant risk is typically low or low-moderate.

02

ACTIVE ASSET MANAGEMENT
51% OF THE PORTFOLIO

Read more on page 16

- Our Active Asset Management assets are those where we have plans in place to lengthen the lease, improve the covenant or let a vacant building. We also include here those assets where the environmental performance requires attention.
- The assets will typically have a Dunn and Bradstreet credit risk of low-moderate or moderate.
- These assets have a WAULT of just under four years, and an equivalent yield of 5.3% – 50 bps higher than our Core portfolio. As we lengthen leases and improve covenants, the aim is to move these assets to our Core portfolio.
- The ERV of these assets as a group is £30.6 million, significantly above the £25.1 million contracted rent, showing the real opportunity to drive EPS.

03

DEVELOPMENT
4% OF THE PORTFOLIO

Read more on page 17

- While the focus of the Company is very much on managing standing assets, we have seen opportunities for the outsized returns development opportunities can offer.
- When we invest in development assets, we aim to take on lettings risk but not construction risk. We do this by signing forward funding agreements with developers with good covenants, on fixed price contracts to protect against build cost inflation.
- We aim for a yield on cost of 6%, and when that is not available due to high land and build costs, we tend to focus elsewhere.

OUR STRATEGY IN ACTION

01 CORE PROPERTIES

Longer leases and strong covenants provide the foundation to the portfolio.

NORTHAMPTON

Our 153,473 sq ft building in Foxbridge Way, Normanton is occupied by the Unipart Group, a multi national logistics and supply chain group.

They occupy the building on a lease until 2036, and have a very strong covenant.

We will continue to engage closely with the tenant on new requirements, ESG initiatives and building improvements.

£17.5M
CAPITAL VALUE

4.4%
EQUIVALENT YIELD

OUR STRATEGY IN ACTION CONTINUED

02 ACTIVE ASSET MANAGEMENT

Highly reversionary assets with an asset management plan in place.

MIDLANDS

A well established business operating out of a unit in the Midlands with a lease expiry in 2022. Current ERV represents a 33% uplift on current contracted rent and we see potential to improve both rental income and term. We are engaging with the occupier around a lease extension which achieves both those objectives.

£5.0M
CAPITAL VALUE

5.0%
EQUIVALENT YIELD

03 DEVELOPMENT

Opportunities for outsized returns.

GOLBORNE

We are funding development of a new 120,725 sq ft unit at Golborne, with a target completion date of October 2022.

The build is on track and on budget, and we have recently signed an agreement for lease on the building, at significantly ahead of our appraisal rent, ensuring a very strong yield on capital deployed.

£13.0M
MAXIMUM COMMITMENT

7.2%
YIELD ON COST

INVESTMENT MANAGER'S REPORT

Overview

This has been a truly transformational year for Urban Logistics, with two capital raises totalling £358 million, the portfolio value rising from £508 million to £1,015 million, our move from AIM to the Main Market of the London Stock Exchange in December, all culminating in our inclusion in the FTSE 250 in March 2022.

The first half of the year was dominated by COVID-19, as the previous 18 months had been. The supply chain issues associated with the pandemic, and the rise and rise of e-commerce, need no further elaboration, but as we have learned to "live with COVID-19", pent-up demand has met those continuing supply chain issues, resulting in inflation. It is in this environment that our focus on strong tenant covenants becomes important, as demonstrated by our 99.9% rent collection rate in the year.

Towards the end of our financial year Russia attracted the attention and condemnation of the world through its invasion of Ukraine. Aside from dreadful human cost to the citizens of Ukraine, the war and subsequent sanctions have led to the effective decoupling of Russia from the western economy. Thanks to Russia's role as a major supplier of oil, gas and grain to the European markets, this has quickly fed through into higher energy and food prices, throwing further fuel on the inflationary fires.

At Urban Logistics we feel we are well positioned for an inflationary world. As an active asset manager, with strong tenant engagement, we are able to capture inflationary uplifts in rental incomes quickly. With our focus on strong covenants, and occupiers delivering essential goods, we believe our tenants will be in a good position to pass along inflationary price increases. In terms of our exposure to interest rate increases, we are 74% hedged with a 3.7-year weighted average maturity date, and post year end entered into a ten-year fixed rate term loan with Aviva Investors, further extending our debt to 5.1 years and increasing our overall fixed or hedged position to 95%. Towards the end of the year we took a decision to slow the pace of investment to allow us to take advantage of opportunities in the market in a time of economic turbulence.

The market

Investment volumes in the warehousing market have been exceptionally high in the calendar year 2021, at £18.4 billion, almost double 2020's record of £10.2 billion[1].

Despite this, we have continued to source assets off market, allowing us to generate attractive pricing, even as the yields for logistics assets continue to tighten, as we have seen in our own portfolio, now valued at a blended yield (before any portfolio premium) of 4.3%.

The reason for this, of course, is the continued supply and demand imbalance we see in the marketplace.

A few years ago, the idea that the UK's supply chain might feature in a news report would have seemed far-fetched. Over the last twelve months front page appearances have been a regular feature. Whether it is COVID-19, Brexit, Suez Canal blockages, petrol shortages, HGV driver shortages, or the war in Ukraine, we have been constantly reminded of the effects of supply chain shocks on our daily lives.

Building resilient supply chains which can deal with these shocks means holding greater stock levels, and hence greater warehousing space. This has been a key driver of demand for warehousing space across the country, and shows no sign of slowing down: take-up of warehouse space in the first quarter of 2022 was 10.4 million sq ft, double what it was in the first quarter of 2021 (CBRE Research). In a new development for the market, for the first time the majority of this take-up was from our sector – the mid-box units between 100k-300k sq ft[1].

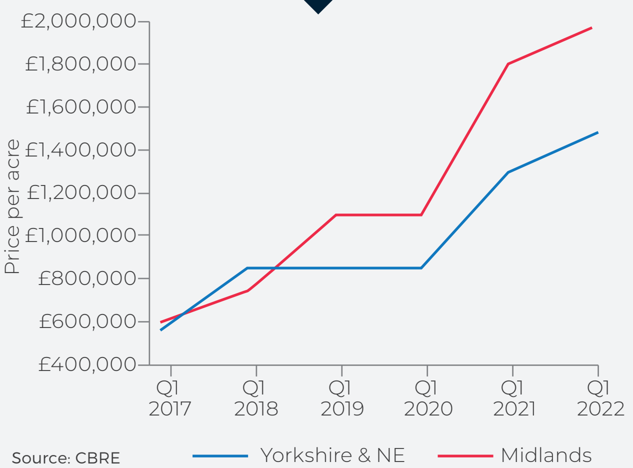
This demand-side pressure has led to a response on the supply side, as more project starts have been recorded in 2021 as compared to 2020. Nevertheless, the constraints on supply are not easy to surmount as planning for this use class is not easy to come by. In addition, build costs have been rising sharply, as has the cost of suitable land, leading new space coming to the market at well over £150 psf – which is exceptionally high when considered as a replacement value for our stock which is currently valued at £122 psf.

We predict these issues will cause speculative development opportunities to be more constrained in the future.

The inevitable effect of these pressures is an upward pressure on rental levels, and a downward pressure on vacancy rates. Savills estimate vacancies at just 2.9%, down from 5.6% at the same point twelve months earlier.[1]

We have seen this upward pressure on rentals in our own portfolio, with a like-for-like increase in rental rates of 16.4%, and it is these pressures which lead Tasos Vezyridis, the Executive Director of UK and EMEA Logistics Research at CBRE, to predict that "Despite yields being at low levels and therefore forecasting a more constrained capital value growth, the industrial and logistics sector is still expected to outperform all other sectors during the next five years" – a sentiment we agree with.

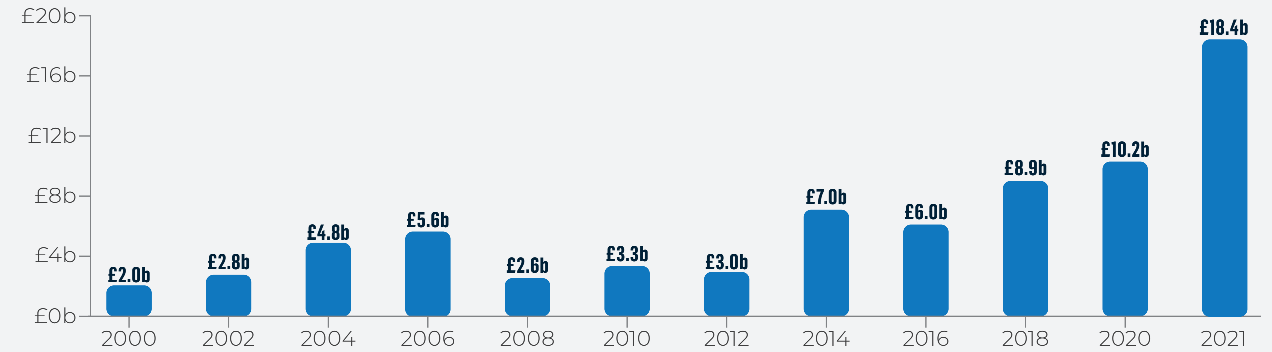
INDUSTRIAL LAND VALUES



Source: CBRE

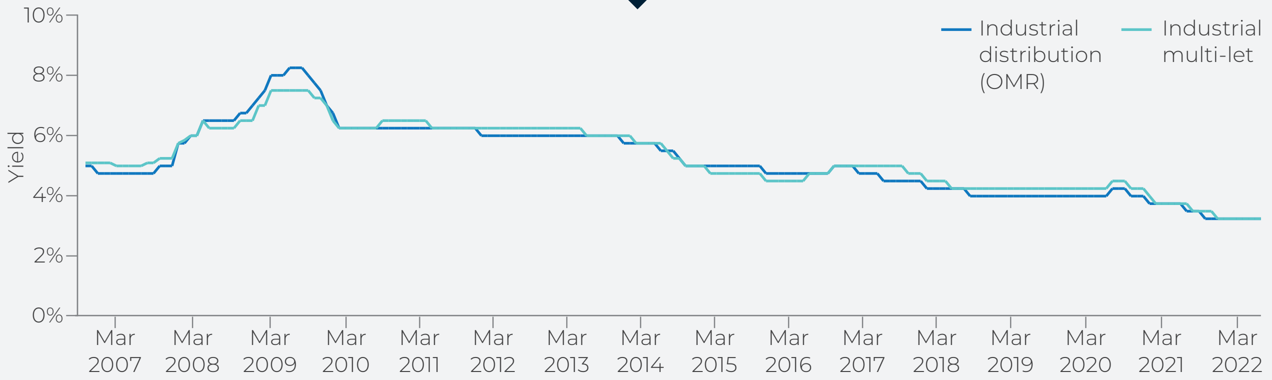
1. Savills UK Logistics: Big Shed Briefing January 2022.

INVESTMENT VOLUMES



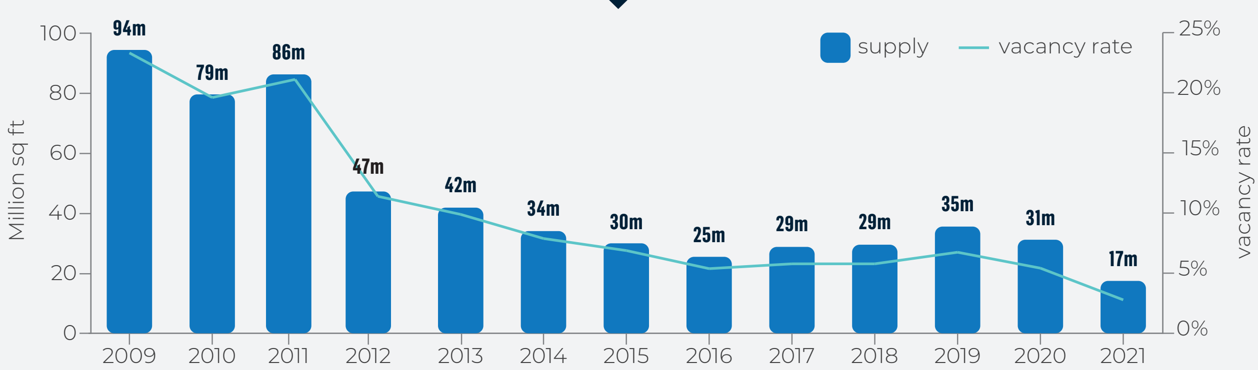
Source: Savills

PRIME INVESTMENT YIELDS



Source: Savills

UK LOGISTICS AVAILABILITY AND VACANCY RATES



Source: Savills

Portfolio overview

PORTFOLIO VALUATION	TOTAL PROPERTY RETURN[1]
£1,015M	**30.3%**
31 March 2021: £508m	31 March 2021: 17.1%

PORTFOLIO VALUATION NIY	WAULT (TO EXPIRY)
4.3%	**7.7 YEARS**
31 March 2021: 5.1%	31 March 2021: 7.4 years

PORTFOLIO EQUIVALENT YIELD	AVERAGE RENT PER SQ FT
5.2%	**£5.59**
31 March 2021: 6.0%	31 March 2021: £5.35

Two years ago, our portfolio consisted of 33 assets worth £186 million. Today it stands at 113 assets valued at over £1 billion.

During this growth, our core thesis has remained the same – we believe that single-let, last-touch logistics assets, let to tenants with good covenants, represents the sub sector of the logistics industry with the greatest potential. We have targeted and delivered both income and valuation growth to provide shareholders with impressive total returns.

To achieve this for our investors, we need a strong record on rental growth and collections to underpin the dividend, as well as active asset management and developments to generate impressive valuation growth.

We have therefore constructed a portfolio balanced between core assets underpinning our dividend payment, asset management opportunities where we can apply our expertise to move valuations on, and a carefully selected limited pool of developments, offering an opportunity for outsized returns.

Core assets	Active asset management	Developments
The foundation of our portfolio, these assets underpin our dividend and banking covenants. Core assets are typically let on long-term leases to large-scale tenants with strong covenants.	These assets are typically highly reversionary, where we have a short-term asset management plan to move rents on, extend lease term, improve covenant strength or make significant improvements to the environmental performance of the building.	These assets are forward-funded developments on a maximum commitment basis to insulate us from build cost inflation. They are done either with or without a pre-let tenancy in place. We target a yield on cost of c.6% and aim to further enhance the sustainability credentials of the portfolio with these assets.

We are weighted towards our "Core" assets – as a class these assets have an equivalent yield of 4.8%, and typically have a stronger covenant and longer WAULT than the portfolio average. They also require less management, allowing the team to focus on the active asset management opportunities. This section of the portfolio has greater room for yield compression, as it is currently valued at 5.3% equivalent yield, but more importantly greater room for rental growth, as ERV represents a 22% uplift versus current contracted rent. With a WAULT of 3.8 years, this rental growth can be captured in the near term, and these factors combine to allow potential valuation growth. Meanwhile our developments are a very small section of our portfolio, but offer a yield on cost of 7.2%, significantly above market.

This diversification within the portfolio creates a robust and resilient company, and allows us to deliver both secure income and valuation growth.

1. UK Logistics: Market Summary CBRE Research January 2022.

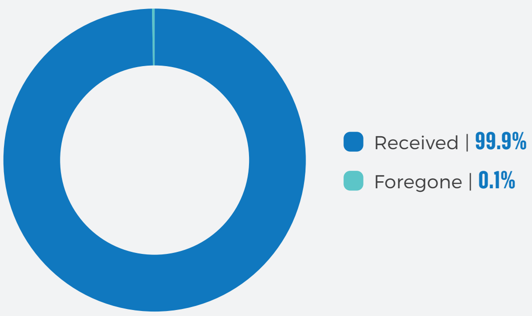
Portfolio performance

Our portfolio was valued at £1,015 million at 31 March 2022, an increase of £507 million or 99.9% year-on-year. Approximately 70% of this growth has been through acquisition and forward funding of logistics assets and 30% to revaluation surpluses. On a like-for-like basis, the portfolio has increased in value by £127 million or 25.4% (31 March 2021: £16.7 million or 13.2%).

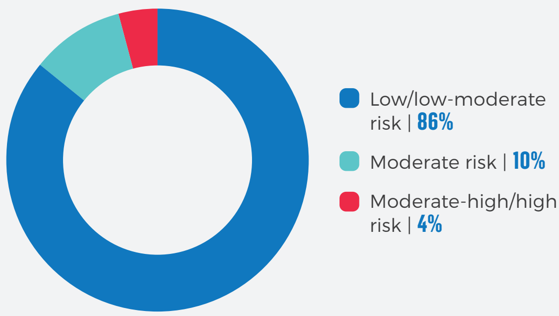
	Core	Active asset management	Development[1]	**Total**
Capital value	£453m	£523m	£39m	**£1,015m**
Percentage of portfolio	45%	51%	4%	**100%**
Contracted rent	£22.2m	£25.1m	–	**£47.3m**
ERV/expected rent	£24.0m	£30.6m	£4.3m	**£58.9m**
WAULT	12.2	3.8	NA	**7.7 years**
Equivalent yield/yield on cost[2]	4.8%	5.3%	7.2%	**5.2%**

1. Developments are included as valued by CBRE as at 31st March 2022. Further CAPEX spend is required to completion.
2. Equivalent yield from 31 March 2022 valuation is used for Core and active asset management. For development assets, a calculated yield on cost is used.

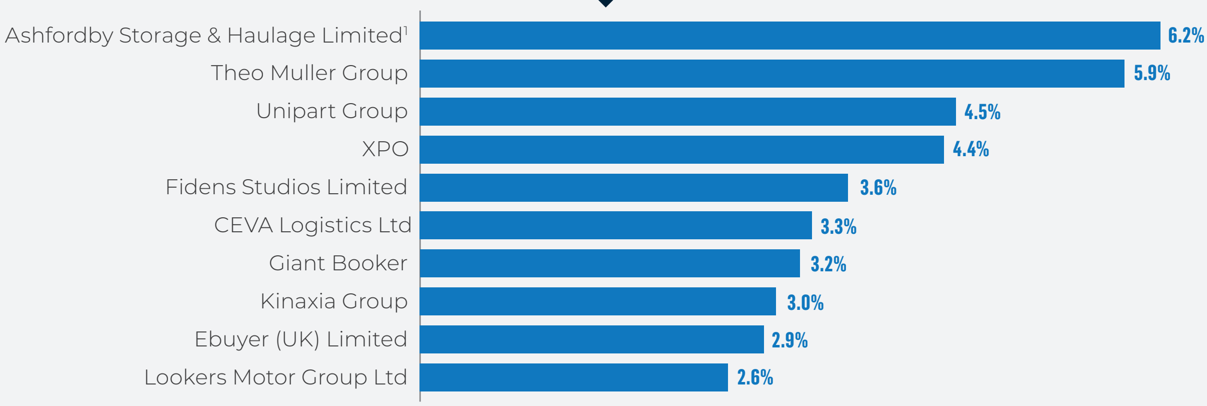
RENT COLLECTION



TENANT CREDIT RATINGS



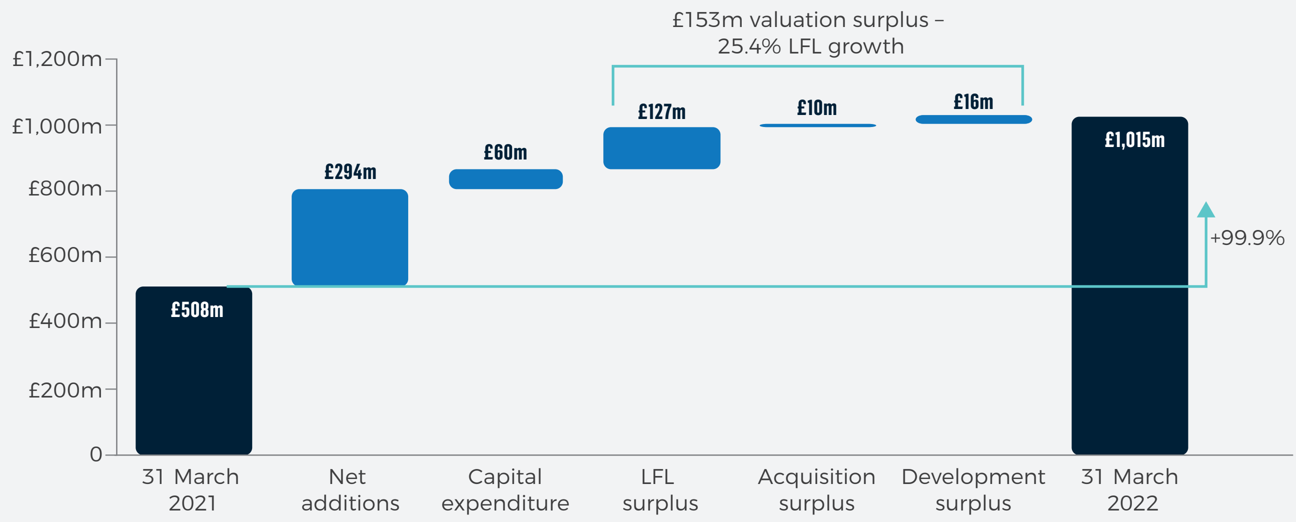
TOP 10 TENANTS



1. 100% of rent for the lease on deposit.

Portfolio performance continued

MOVEMENT IN PORTFOLIO VALUE DURING THE YEAR

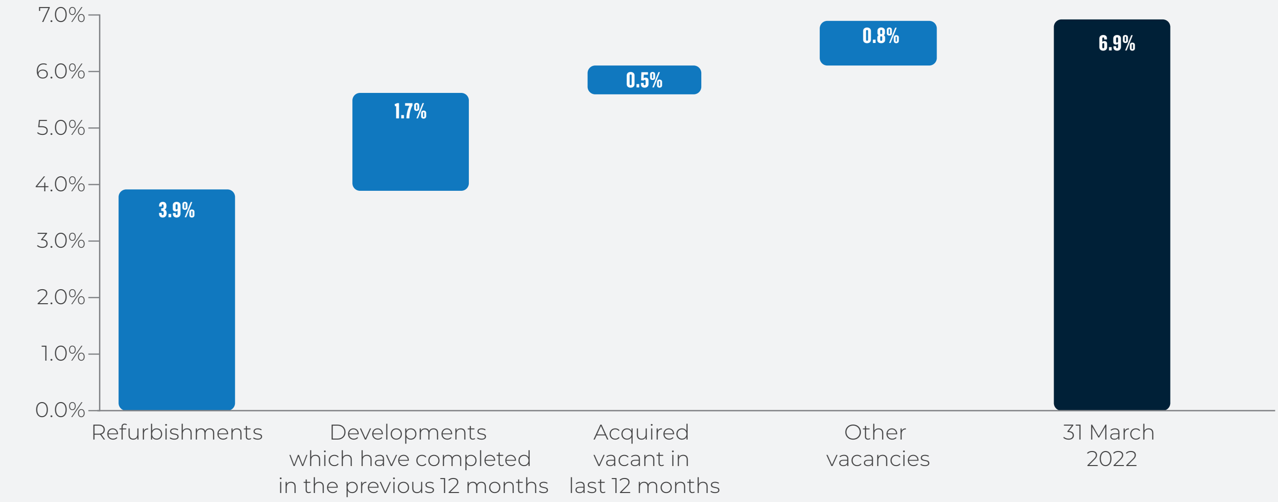


Vacancy rate

At year end our EPRA vacancy rate was 6.9%. On 31 March 2022, the majority of these vacant properties (3.7% of the total) were in solicitors' hands.

At the year end a significant driver of our vacancy rate was planned refurbishments of buildings, as well as recently completed developments. In a market of rising rental rates we took the decision to market these buildings on completion, to maximise rental income and returns on the project.

VACANCY RATE



01 BUY WELL
SAWTRY, HUNTINGDON

BUY WELL

Read more on page 27

£12.2M Purchase price	**4.5%** Acquisition NIY	**£0.6M** Passing rent
£16.4M NBV as 31 March 2022	**34%** Uplift on purchase price	**£0.9M** ERV

02 MANAGE WELL

NHS SUPPLY CHAIN, ALFRETON

MANAGE WELL

Read more on page 29

£8.9M
Purchase price

10 YEARS
Term added

18.0%
Rental uplift

£15.7M
NBV at 31 March 2022

4.2%
Valuation NIY

77%
Uplift on purchase price

03 RISK CONTROLLED DEVELOPMENTS

PROJECT LANGHAM

CREATE VALUE

Read more on page 31

£20.4M
Gross development cost

£1.3M
Contracted rent

6.4%
Yield on cost

£28.7M
NBV as 31 March 2022

4.2%
Valuation NIY

41%
Uplift on cost

Investment activity

During the year to 31 March 2022, the Group acquired assets for a combined consideration of £281.8 million (excluding development sites and purchaser costs), representing a weighted average NIY of 5.3% and a 66% Midlands and South East bias.

Acquisitions

HEADLINE PURCHASE PRICE

£282M

31 March 2021: £252m

WEIGHTED AVERAGE NIY

5.3%

31 March 2021: 6.2%

AVERAGE RENT PER SQ FT

£5.32

31 March 2021: £5.44

Disposals

HEADLINE SALES PRICE

£9.0M

31 March 2021: £30m

PREMIUM TO BOOK VALUE

10.4%

31 March 2021: 35.4%

TOTAL PROPERTY RETURN

31.6%

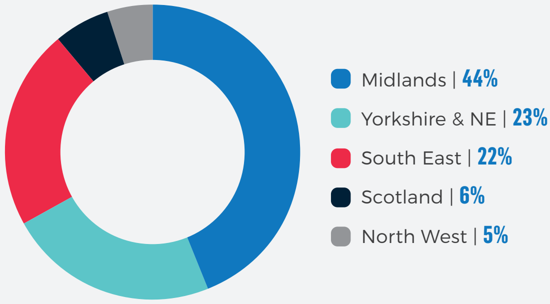
31 March 2021: 78.8%

Acquisition of high-quality logistics properties

	South East	Midlands	North West	Yorkshire & NE	Scotland
Purchase price[1]	£62.4m	£122.9m	£14.7m	£63.8m	£18.0m
Net initial yield	3.8%	5.6%	5.6%	5.6%	6.1%
Area (sq ft)	378,906	1,444,348	193,813	914,576	184,405
Contracted rent	£2.5m	£7.4m	£0.9m	£3.9m	£1.2m
Rent per sq ft	£9.75	£5.14	£4.64	£4.23	£6.76
Capital value per sq ft	£164.81	£85.12	£75.97	£69.71	£97.37

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

GEOGRAPHICAL LOCATIONS FOR ASSETS ACQUIRED DURING THE YEAR ENDED 31 MARCH 2022



Case study: Sawtry, Huntingdon

On 14 September 2021, the Company acquired a modern and high specification distribution unit for a consideration of £12.2 million, representing a 4.5% net initial yield. The unit is let to Wilsons Limited (Amari Metals Limited as guarantor) on a 15-year lease, with seven years unexpired at the time of acquisition.

Situated in Huntingdon, an established distribution centre, the property is located less than one mile from Junction 15 of the A1(M). We acquired this property in the knowledge that significant infrastructure upgrades in the area were due, including a new junction between the A1 and A14, transforming access to the estate. This was a key driver in the investment decision, and has led to significant valuation uplift.

The property was built in 2005 and has a gross internal area of 124,134 sq ft and the wider site extends to approximately 10.7 acres, representing a low site cover of 27% offering the opportunity to expand the building footprint in the future. The property has car parking and yard areas and is serviced by five level access loading doors and one raised dock leveller.

The headline rent currently reflects £4.74 per sq ft, which is subject to a RPI-linked rent review in 2024. The current ERV is £7.24 per sq ft, reflecting a 53% increase on current passing rent, providing excellent reversionary potential. This increase is being driven by local infrastructure improvements, which the Manager identified as part of its acquisition diligence.

At the year end, the unit was valued by CBRE at £16.4 million, representing a net initial yield of 3.4% and a 33.9% uplift on purchase price.

Targeted recycling of capital

During the year, the Group sold a property in Melksham for a consideration of £9.0 million, reflecting a net initial yield of 4.9% and 10.4% premium to the 30 September 2021 book value.

The property was acquired in April 2020 as part of a portfolio for a consideration of £6.7 million, reflecting a net initial yield of 5.8%, and was let to G-Plan Upholstery with an unexpired term of 3.4 years. During our ownership we agreed a new long lease with the company, increasing the term by 12.5 years and at the same time increasing the rent by 15.9% (5.3% ahead of ERV).

On sale the property generated a Total Property Return of 31.6%.

INVESTMENT MANAGER'S REPORT CONTINUED

Asset management activity

PORTFOLIO CONTRACTED INCOME

£47.3M

31 March 2021: £30.3m

AVERAGE LEASE LENGTHS ON NEW LETTINGS

13.6 YEARS

31 March 2021: 7.6 years

PORTFOLIO ERV

£54.5M

31 March 2021: £33.8m

RENT ROLL GROWTH THROUGH LEASING ACTIVITY

£6.4M

31 March 2021: £4.6m

LFL RENTAL UPLIFT

16.4%

31 March 2021: 13.9%

RENT COLLECTION

99.9%

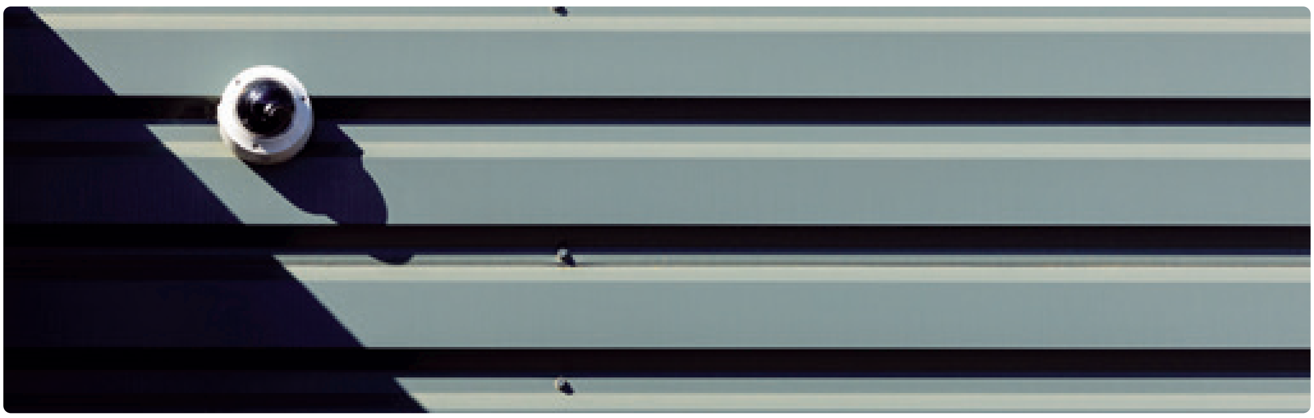
31 March 2021: 99.9%

High levels of occupier demand fuelling rental growth

In the year, the Group successfully completed 25 deals across 1.5 million sq ft, or 18% of the total portfolio gross internal area at the year end. In aggregate, these deals added £6.4 million to annual contracted income and 11.6 years of WAULT.

16 of these deals were new lettings which generated £5.9 million of contracted rent and a WAULT of 13.6 years. The rental levels achieved across these lettings represent a like-for-like increase of 17.8%, reflecting strong occupier demand for high-quality last-mile logistics assets.

	No. of deals	Additional rent	LFL rental uplift	WAULT (years)
New lettings	16	£5.9m	17.8%	13.6 years
Lease re-gears	5	£0.3m	16.4%	5.9 years
Rent reviews	4	£0.2m	13.6%	n/a
Total	**25**	**£6.4m**	**16.4%**	**11.6 years**



Case study: NHS Supply Chain, Alfreton

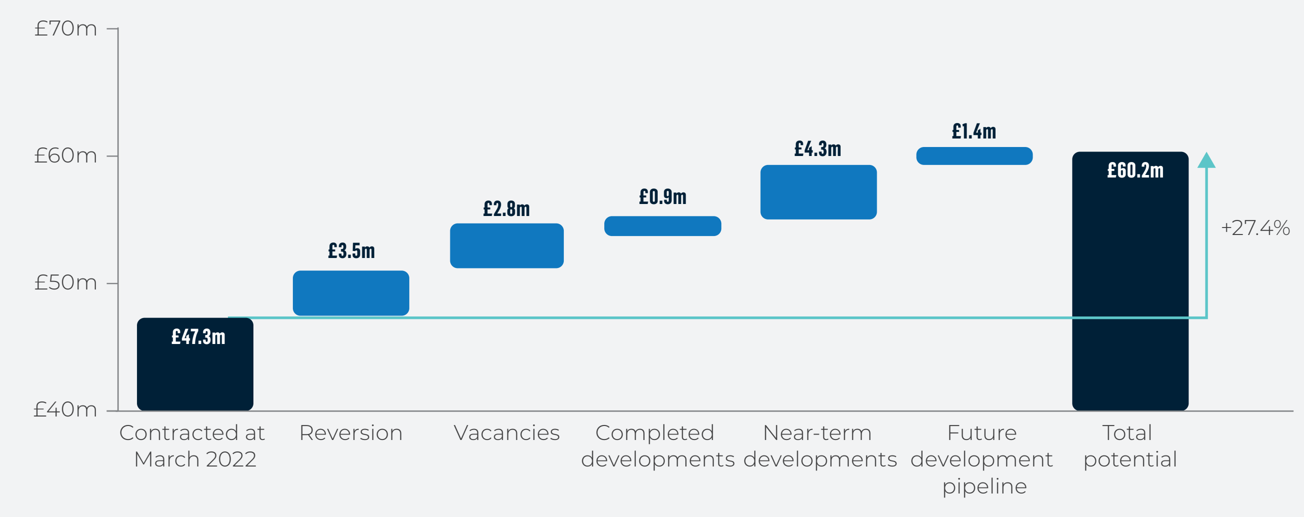
In September 2018, the Group acquired a logistics property let to Unipart Group as part of a portfolio for a consideration of £8.9 million, representing a net initial yield of 6.2% and, at the time of acquisition, the lease had an unexpired term of 3.2 years.

Unipart Group are the NHS Supply Chain's logistics provider, and have a significant ESG initiative, aimed at reducing carbon from their operations. To this end, over the time of our ownership they have spent significant CAPEX on improvements to the building, improving the ESG performance with fast-closing warehouse doors, LED lighting and a trial of electric vehicle charge points, in line with our ESG goals and their 2024 net zero targets.

The lease, which was due to expire in the year, was successfully re-geared, adding an additional ten years of term and, at the same time, increasing contracted rent by 18.0%.

At the year end, the property was valued by CBRE at £15.7 million, representing a net initial yield of 4.2% and a 77% uplift on original purchase price.

ANNUALISED RENT POTENTIAL AS AT 31 MARCH 2022



INVESTMENT MANAGER'S REPORT CONTINUED

Development activity

CAPITAL DEPLOYED IN YEAR

£52.9M

31 March 2021: £26.2m

CURRENT YIELD ON COST

6.7%

31 March 2021: 5.8%

CURRENT ERV

£5.8M

31 March 2021: £4.0m

UNDER CONSTRUCTION

547,304 SQ FT

31 March 2021: 265,073 sq ft

COMPLETED IN YEAR

172,433 SQ FT

31 March 2021: 222,935 sq ft

EPC RATING A

100%

31 March 2021: 100%

During the year to 31 March 2022, the Company invested £52.9 million across nine forward-funded development properties. In total, we completed 172,433 sq ft of new space during the year, with all of these projects completing on time and on budget, despite rising construction costs and wider supply chain issues. At 31 March 2022, 57% of the completed units are either let or under offer, generating £0.9 million of contracted rent and a further £0.6 million once the remaining space has been let, representing a 5.7% yield on cost.

All but one of the projects completed in the year were speculatively developed and had a combined gross development cost of £26.6 million. At the year end, they were collectively valued by CBRE at £34.2 million, representing a 29% uplift on cost.

Completed in year	GDC	Yield on cost	Area sq ft	ERV
DC3, Exeter Gateway	£11.4m	5.1%	54,771	£0.6m
DC4, Exeter Gateway	£4.8m	5.6%	29,082	£0.3m
Willow Farm, Castle Donnington	£5.2m	6.3%	44,608	£0.3m
Optimus Point, Leicester	£5.2m	6.4%	43,972	£0.3m
Total	**£26.6m**	**5.7%**	**172,433**	**£1.5m**

Under construction/committed	GDC	Yield on cost	Area sq ft	ERV
Bridge Street, Golborne	£13.0m	7.2%	120,725	£0.9m
Blenheim Park, Nottingham	£18.0m	6.6%	166,330	£1.2m
Kingsway, Rochdale	£12.5m	7.7%	118,749	£1.0m
Newhall Road, Sheffield	£13.8m	7.1%	131,500	£1.0m
Colchester, Unit 100	£3.1m	7.8%	10,000	£0.2m
Total	**£60.4m**	**7.2%**	**547,304**	**£4.3m**

At 31 March 2022, the Company had committed to or commenced construction on a further five development projects totalling 547,304 sq ft of new space and a gross development cost of £60.4 million. The remaining cash to be committed across these projects is £40.6 million and together they are expected to generate £4.3 million of contracted income once fully let, representing a 7.2% yield on cost.

Case study: Project Langham

In 2019, the Company acquired and agreed to forward fund three development sites, Stone Business Park, Lime Kilns Business Park in Hinckley and Tungsten Park in Southwater (together "Project Langham"), which had a gross development cost of £20.4 million, equating to a build cost of £115 per sq ft. From land acquisition through to practical completion, the Company benefited from a 6.0% interest rate coupon on funding provided and a two-year rental guarantee was negotiated from practical completion. In total, the project consisted of seven units for which practical completion was achieved towards the end of 2020 and early 2021. One letting was secured in 2021, with the remaining six lettings completed in this financial year.

During the year, we successfully completed lettings across the remaining six units. Together, all seven units have added £1.3 million to contracted income, which represents a 6.4% yield on cost and 8.2% ahead of appraised rents at the outset of the project.

All seven units achieved an EPC rating of A and at 31 March 2022, CBRE valued the properties at £28.7 million, reflecting a net initial yield of 4.2% and representing a 41% uplift on cost.

Stone Business Park

The site at Stone comprises four logistics units with a total gross internal floor area of 88,100 sq ft and is situated in an established industrial location which benefits from direct access to junctions 14 and 15 of the M6.

Lime Kilns Business Park, Hinckley

The site at Hinckley comprises two units with a total gross internal floor area of 64,651 sq ft and is situated in Lime Kilns Business Park, which has direct access to the A5 and is close to junction 1 of the M69, enabling easy onward access to the M1 and M6.

Tungsten Park, Southwater

The Southwater development comprises a single logistics unit with a total gross internal area of 24,330 sq ft and is situated in an established industrial location two miles south of Horsham in the South East of England.

INVESTMENT MANAGER'S REPORT CONTINUED

ESG

Our ESG agenda and governance has moved on considerably this year, the first full year with a Board-level ESG Committee in place, chaired by Heather Hancock. Working with the Committee we have set targets for the coming years, and we're proud to publish our Sustainability Report for the first time, where we also aim to report against EPRA sBPRs, TCFD and SECR guidelines.

We believe that the greatest impact we can have on the environment is not by acquiring and holding assets with strong environmental performance, but by acquiring assets with standard performance, and improving them. We have seen significant improvement in the portfolio, with the percentage of our property rated EPC A-B moving from 21% to 31% on a like-for-like basis.

We have also continued with the green financing we trialled in 2021, with all new financing in the year containing sustainability-linked KPIs.

The team

As the portfolio we manage has grown, so has the team, and we have added experience and depth to the property and finance teams at both senior and junior levels. This depth gives sustainability to the team, and is also key to our ability to further scale the portfolio and carry out asset management priorities. We target a ratio of 10-15 assets per member of the property team.

We are particularly proud that in a male-dominated industry we have a fairly even gender split in the team, with 53% male to 47% female. We support our team with significant training and development opportunities, paid charity days, as well as coaching and support programmes. Together with competitive pay and bonus programmes linked to share price to align all staff with the REIT performance, these measures help us recruit and retain the highest quality team members – which is key to our success.

Outlook

The last few years have taught us that trying to predict the short-term political or macro-economic future is a fool's game. However, we do firmly believe that in the medium term the country and the economy will not go back to "the way things were". An emphasis on resilient supply chains will continue as global trade rules are rewritten. E-commerce remains a fundamental part of the economy. Land prices are unlikely to fall.

All of this provides tailwinds to our business model of last-touch, mid-sized logistics assets, let to financially resilient tenants.

As an active asset manager, we don't rely on yield compression for our portfolio valuation, instead we focus on moving rental rates and covenants forward. Given our long experience in this sector, we are still able to source assets off market at attractive yields. These are important differentiators in a world where rising inflation and interest rates will make yield compression harder to find.

We are very proud of what we have achieved in the last twelve months. We have welcomed new tenants, assets, shareholders and team members. Despite rising interest rates weighing on earnings in the coming financial year, we see significant economic upside in the portfolio, and look to the future with ambition and excitement.

The Manager
22 June 2022

FINANCIAL REVIEW

IFRS reported profit

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revenue	**37,811**	24,181
Property operating costs	**(1,262)**	(1,307)
Net rental income	**36,549**	22,874
Other operating income	**1,021**	159
Administrative expenses	**(7,159)**	(4,230)
Net finance costs	**(6,840)**	(3,988)
Adjusted earnings	**23,571**	14,815
Long-term incentive plan	**(4,114)**	(295)
Exceptional items	**(459)**	—
Changes in fair value of investment property	**149,892**	25,760
Profit on disposal of investment property	**220**	7,035
Changes in fair value of interest rate derivatives	**2,663**	287
IFRS reported profit	**171,773**	47,602

Net rental income

In the financial year to 31 March 2022, the portfolio generated net rental income of £36.5 million, an increase of £13.7 million or 59.8% compared to the prior year. The increase was largely driven by the acquisitions made in the year following the July and December 2021 equity fundraises.

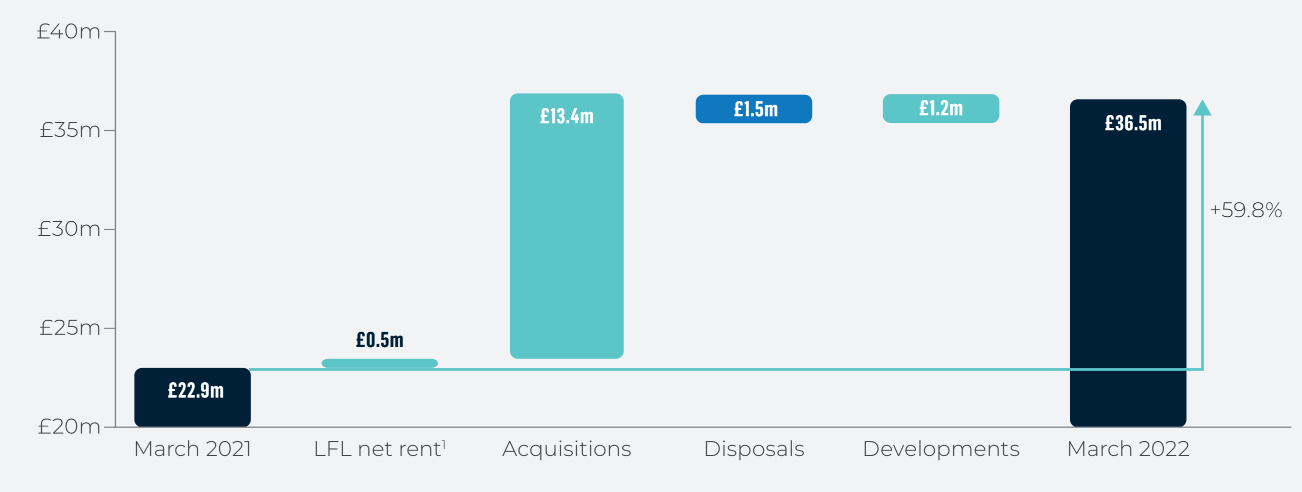
On a like-for-like basis, EPRA net rental income decreased by 1.0% year-on-year, however, the prior year comparison figure included a £0.6 million payment for back rent, which artificially inflated the comparison figure. Adjusting for this, EPRA net rental income would have instead increased by 4.6%.

Property operating costs remained broadly flat year-on-year. Our gross to net rental ratio remains high at 97.2% (31 March 2021: 96.5%), illustrating the strength of our business model.

Administrative expenses

Administrative expenses, which include all operational costs of running the business, increased by £2.9 million to £7.2 million. This is primarily due to the increase in the investment management fee following the July and December 2021 equity fundraises, and the corresponding increase in EPRA net tangible assets ("EPRA NTA").

NET RENTAL INCOME BRIDGE



1. Prior year comparison adjusted for exceptional back rent received in the period.

FINANCIAL REVIEW CONTINUED

Total cost ratio

We continue to monitor the operational efficiency of the Group through the total cost ratio, which increased to 21.8% from 21.3%. The Group's total cost ratio is expected to reduce in future periods, where gross rental income will benefit from a full period of rental income from acquisitions made in the year.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Total costs including vacant property costs	**21.8%**	21.3%
Total costs excluding vacant property costs	**20.0%**	18.9%

Net finance costs

The weighted average cost of debt for the year was 34bps lower than the previous year at 2.55% (31 March 2021: 2.89%) and the Group reported an interest cover of 4.5x (31 March 2021: 5.4x). The interest cover was higher in the prior period than ordinarily expected as a result of the March 2020 equity fundraise and corresponding debt not being drawn until August 2020. The weighted average debt maturity is 3.7 years (31 March 2021: 3.5 years). Post year end, we entered into a new £47 million term loan facility with Aviva Investors. This facility has a maturity of ten years and a fixed interest rate of 3.52%.

The net finance costs for the year, excluding fair value movement of our interest rate derivatives were £6.8 million (31 March 2021: £4.0 million), an increase of £2.8 million from the prior year. This is explained partly by gross drawn debt increasing by £40.0 million and a full year of interest on our Aviva loan, first drawn in March 2021.

Exceptional items

On 7 December 2021, the Company announced its admission to the premium segment of the Main Market of the London Stock Exchange. As part of the migration from AIM to the Main Market, the Company incurred one-off expenses totalling £0.5 million.

IFRS profit and adjusted earnings

IFRS profit after tax for the year was £171.8 million (31 March 2021: £47.6 million), representing a basic and diluted earnings per share of 48.86 pence, compared with 21.72 pence for the prior year. The growth in earnings per share has been driven primarily by the valuation uplift of £149.9 million.

Adjusted earnings for the year were £23.6 million (31 March 2021: £14.8 million), which represents an £8.8 million increase when compared to the prior year. However, on an adjusted per share basis this reduced by 0.05 pence to 6.71 pence per share. This is due to the cash drag effect of our two share issues, as it takes time to deploy this capital into income-producing assets, as well as a full year of interest on our Aviva loan facilities, first drawn in March 2021.

The Directors consider Adjusted earnings a key measure of the Company's underlying operating results, and therefore excludes non-cash and exceptional items. A full reconciliation between IFRS profit and Adjusted earnings can be found in note 13 of the Financial Statements.

ADJUSTED EARNINGS PER SHARE

Dividend

With respect to the financial year ended 31 March 2022, the Company declared the following interim dividends:

Declared	Amount pence per share	In respect of financial year ended	Paid/ to be paid
11 November 2021	3.25p	31 March 2022	17 December 2021
23 June 2022	4.35p	31 March 2022	22 July 2022

A second interim dividend of 4.35 pence per share will be paid on 22 July 2022 to shareholders on the register at the close of business on 1 July 2022. The total dividend for the year will therefore be 7.60 pence per share, which is the same as was paid in the prior year.

IFRS net assets

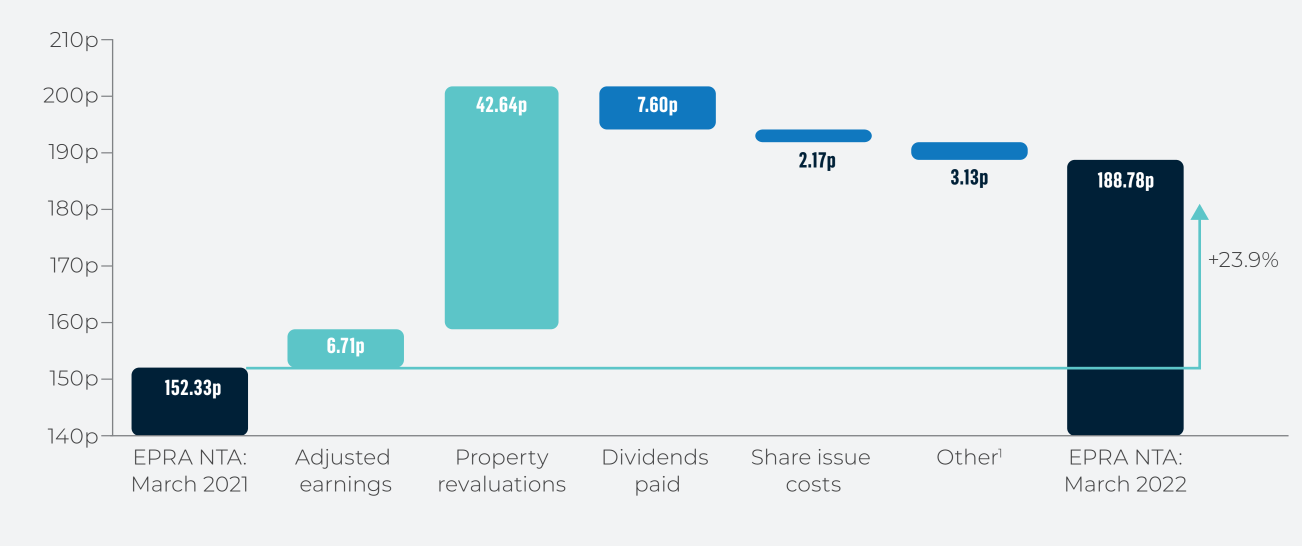
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Investment property[1]	**1,014,697**	507,571
Bank and other borrowings	**(242,422)**	(202,246)
Cash	**127,379**	60,459
Other net assets	**(8,672)**	22,719
EPRA net tangible assets	**890,982**	388,503
Interest rate derivatives	**1,603**	(1,060)
Intangible assets	**47**	12
IFRS net assets	**892,632**	387,455

1. Per CBRE independent valuation as at 31 March 2022 and 31 March 2021.

At 31 March 2022, IFRS net assets attributable to Ordinary Shareholders were £892.6 million (31 March 2021: £387.5 million), representing a basic and diluted net asset value per share of 189.12 pence (31 March 2021: 151.92 pence).

The Group considers EPRA net tangible assets ("NTA") a key measure of overall performance. At 31 March 2022, EPRA NTA were £891.0 million (31 March 2021: £388.5 million), representing an EPRA NTA per share of 188.78 pence (31 March 2021: 152.33 pence), an increase of 23.9%.

EPRA NTA PER SHARE BRIDGE



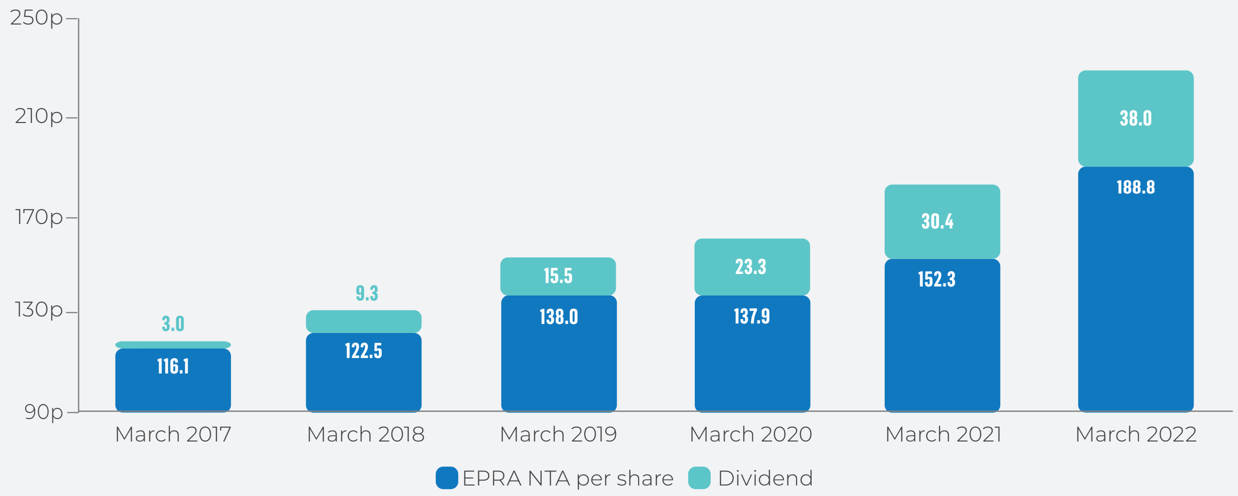
1. Other movements have arisen as a result of income statement components being calculated based on the weighted average number of shares during the year whereas EPRA net tangible assets have been calculated based on the issued share capital as at 31 March 2022.

IFRS net assets continued

On a per share basis, both IFRS and EPRA net assets increased over the financial year to 31 March 2022, primarily due to revaluation surplus as a result of value created through a combination of asset management initiatives crystallised in the year, ERV growth and yield compression.

The Total Accounting Return for the year, which reflects growth in EPRA NTA plus dividends paid in the year, was 28.9% (31 March 2021: 15.6%), ahead of the Group's target total return of 10-15% per annum. The average Total Accounting Return since IPO in 2016 has been 16.4%.

TOTAL ACCOUNTING RETURN SINCE IPO



Portfolio valuation

The value of our portfolio at 31 March 2022, which includes forward-funded developments, was £1,015 million, an increase of £507 million, or 99.9% year-on-year. In the period, the Group invested £302 million in industrial and logistics properties and advanced £53 million of funding across nine forward-funded developments. In addition, the Group incurred capital expenditure of £7 million in the year, which principally relates to two properties undergoing extensive refurbishment works, which have now finished, and has significantly enhanced capital value.

During the year, we also sold a property in Melksham for a consideration of £9.0 million, reflecting a net initial yield of 4.9% and 10.4% premium to the 30 September 2021 book value.

Portfolio movement in the year	**31 March 2022 £m**	31 March 2021 £m
Opening valuation	**507.6**	207.0
Additions	**301.9**	264.6
Capital expenditure[1]	**59.9**	31.9
Disposals	**(8.2)**	(22.2)
Revaluations	**153.5**	26.3
Portfolio valuation	**1,014.7**	507.6
Lease incentives	**5.4**	1.3
Right-of-use assets	**9.0**	6.9
Investment property	**1,029.1**	515.8

1. Capital expenditure includes land acquisition costs in relation to development properties.

The Group recognised a valuation surplus (excluding provision for profit share) of £153.5 million (31 March 2021: £26.3 million) upon revaluation of the portfolio. On a like-for-like basis, the portfolio generated a valuation surplus of £127.2 million, or 25.4% (31 March 2021: 13.2%).

The portfolio delivered a record Total Property Return ("TPR") of 30.3% (31 March 2021: 17.1%) for the year.

Financing

At 31 March 2022, the Group had two term loan facilities totalling £239 million. Our £151 million loan facility with Barclays, Santander and Lloyds was entered into in August 2020 and had a three-year term with an option to extend for a further two years. During the year, the Group exercised its option to extend the facility for one year, pushing out the expiry to August 2024.

In March 2021, the Group entered into a £48 million green loan facility with Aviva Investors, which provided a seven-year term and came at a fixed cost of 2.34%. In December 2021, the Group agreed a further £40 million interest-only facility with a term of seven years provided at a fixed rate of 2.26%. This facility includes, inter alia, margin rate improvement available on hitting environmental targets across the assets charged.

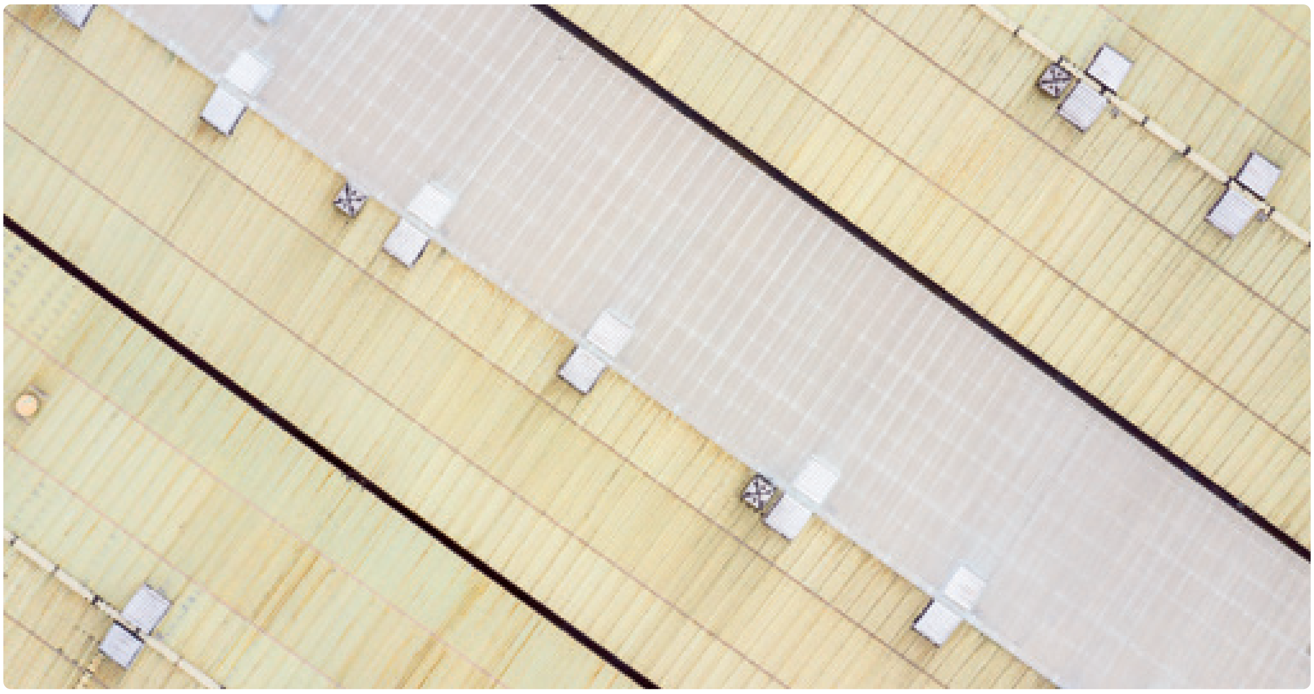
Of the total debt facilities, 74% is hedged (31 March 2021: 69%) and has a weighted average maturity of 3.7 years (31 March 2021: 3.5 years).

Cash and net debt

During the year, the Group's cash balances increased by £66.9 million, as illustrated in the table below:

	31 March 2022 £m	31 March 2021 £m
Cash generated from/(used in) operations	**57.7**	(8.0)
Cash used in investing activities	**(353.4)**	(265.3)
Cash generated from financing activities	**362.6**	201.5
Net increase/(decrease) in cash	**66.9**	(71.8)
Opening cash balance	**60.5**	132.3
Closing cash balance	**127.4**	60.5

At 31 March 2022, the Group's cash balance was £127.4 million, of which £40.6 million is earmarked for developments. Over the financial year, net debt decreased by £26.7 million, to £115.0 million, representing a loan to value ("LTV") of 11.3%, which is below our medium-term target of 30-40%. Post period end, £51 million of the Barclays loan facility was paid down and the Group entered into a new £47 million green loan facility with Aviva Investors, which came at a fixed rate of 3.52%. (see note 34 of the Financial Statements for further details).



SUSTAINABILITY REPORT

> We firmly believe that there is no tension between our environmental agenda and our pursuit of shareholder wealth – instead we believe them to be inextricably linked.

Heather Hancock
Chair of ESG Committee

Introduction

Over the past year Urban Logistics' property portfolio valuation has doubled, and we have moved from the AIM to the Main Market of the London Stock Exchange. In step with this growth, we have extended our sustainability approach; commitments and reporting. Sustainability is a core part of business operations and has always been central to how we have done business. We are now committing to new strategic sustainability programmes to manage our growing portfolio in line with best practice.

The UK's Climate Change Act places obligations on the UK Government to decarbonise the economy by 2050 and to manage the impacts of climate change. The regulation growing from this increasingly affects the operations of our sites, and our tenants' customer expectations, whether commercial or at the consumer level are firmly focused on enhanced sustainability. That's why we see consistency between managing climate risks and enhancing the value of our Company. Recognising the significance of the climate crisis and our contribution to the UK's response, we have adopted a programme to address sustainability risks.

Urban Logistics operates in the last mile or "mid-box" sector of the logistics market, with a focus on assets between 20,000 and 200,000 sq ft. The buildings we acquire range from new developments to older buildings which are still an essential part of the national infrastructure. The greatest influence we can have in making buildings more sustainable is to develop and refurbish buildings to a high standard and work with our tenants to support their endeavours.

Our focus is:

- addressing climate change:
  - improve the environmental performance and quality of our buildings as measured by EPC ratings. This "fabric first" approach to building aligns with best practices in addressing climate change, but also recognises our core responsibility in providing tenants with highly efficient buildings;
  - achieve operational net zero on our Scope 1 and 2 emissions in 2024. To do this, we will need to change the way we procure electricity and ensure that we account for fossil fuel-based heating where it exists in our buildings; and
  - develop a longer-term Scope 3 decarbonisation target in the coming years. To do this we will continue to engage with our tenants to support existing decarbonisation programmes, but also to collect baseline data and help them to understand how to operate buildings better.
- increasing the space for nature across the estates in our portfolio. This promotes biodiversity and can mitigate flood risk and improve the wellbeing of the people who work in and live near our sites; and
- transparent reporting on our activities. We are aligned with the EPRA sustainability best practice reporting guidelines, and are preparing for a fresh detailed assessment of our climate risks, in line with the recommendations of the TCFD. We are reporting our initial assessment of these risks within this report.

Our commitments reflect the multiple benefits that sustainability provides; high-quality buildings which are more efficient to operate, attracting the high-quality tenants we want to work with and enabling more favourable debt terms. By improving the quality of our stock, we are reducing our exposure to regulatory constraints, climate risks and operating costs, and at the same time are supporting the ongoing transition of the UK economy towards net zero.

How we manage sustainability at Urban Logistics

Our business model is focused on building a portfolio of high-quality assets and providing sustainable, efficient space and customer service to our tenants. Practically, sustainability has always played a core part of how the fund operates, making sure our assets are fit for the future and that we are serving our tenants' needs. Our role is in implementing the vision and strategy set out by the Board, and ESG is no different. We take on the Board's requirements for management of environmental and social issues, in particular climate-related risks and opportunities. Our approach to sustainability reflects a cost-effective approach to managing the diversity of buildings and tenant requirements.

To date we have achieved some notable successes in delivering high-quality, future-proofed buildings:

- over the past twelve months we have gone from 21% of the portfolio with an EPC of A or B to 31% on a like-for-like basis[1], and all assets with EPCs of C or below have upgrade plans in place;
- our developments at Exeter DC3 and 4, Castle Donnington and Optimus Point, which have completed in the year, have achieved BREEAM Very Good or Excellent and EPCs of A, which are the standard for how we develop and position new buildings;
- 12% of assets by floor area have EV chargers installed on site;
- we have appointed CBRE to provide strategic and technical support in how we manage our buildings and report on the progress of our sustainability initiatives;
- all staff have had sustainability training to deepen our understanding of sustainability topics, and we have a programme of integrated sustainability leads across our business. We believe this approach will maintain an integrated approach to sustainability in practice;
- 26% of our leases have green clauses, a core part of how we can integrate sustainability into our operations; and
- 9% of our assets by floor area have plans for or are actively considering solar PV installations, which will take our total coverage up to 12%.

There are other ways our business can play a part in the ESG agenda. Following the Russian invasion of Ukraine, we worked with our tenants to collect equipment to donate to the humanitarian effort. We used some of our vacant warehouse space to store the donations, before one of our logistics tenants transported it to the area. We'd like to take this opportunity to thank our tenants and team members for their response to our appeal.

We firmly believe that there is no tension between our environmental agenda and our pursuit of shareholder wealth – instead we believe them to be inextricably linked. The market will decarbonise, and our ability to manage this transition effectively will help us attract tenants, remain competitive and manage exposure to climate-related risks. This year we saw COP26 meet in Glasgow, with a commitment to keep the goal of 1.5 degrees of global warming alive. As a significant owner of commercial property, we are committed to act decisively to accelerate progress in our business and in the wider sector.

Our material impacts

Our targets and objectives have been established based on the following sustainability themes which we consider to be the most pressing to Urban Logistics, the key themes when considering risks to property value, and the needs of our tenants and other stakeholders:

- energy performance;
- climate change mitigation;
- climate adaptation;
- on-site energy generation; and
- promoting nature on our sites.

1. Based on floor area of portfolio held on 31 March 2021 and held on 31 March 2022.

Objectives and targets

TARGETS	PERIOD	METRIC	OUR PLAN FOR 2022
Reduce the environmental impact of our buildings	2021-2028	EPC coverage: 100% B or better	Develop fully costed asset management plans across all buildings currently less than a B.
Achieve net zero in terms of Scope 1 and Scope 2 emissions	2021-2024	Net zero Scope 1 and 2	Ensure that all energy procured is zero carbon, where possible.
Engage with our tenants on decarbonising operations in our buildings	2022-2024	Develop a systematic programme to engage tenants to decarbonise	Develop engagement plans which will promote and support tenant decarbonisation in our estate. This is central to reducing our overall carbon footprint, as well as to improve the EPCs of buildings. Include green clauses in all new leases, supporting our aim of providing consistent sustainability standards across an estate with a diverse range of buildings and tenant needs.
Increase on-site renewable energy	2022-2024	Solar PV capacity	Increase our PV capacity. Our buildings can provide a platform for renewable energy, and we already have PV cells fitted to a number of our buildings, including our new developments. To support our objective of increasing renewable generation of energy, we will aim to fit PV cells to 10% of our buildings by floor area by 2024.
Make more space for nature on our sites	2022-2024	Trees planted, biodiverse areas protected, grass areas introduced	Develop a plan for further enhancing the biodiversity of the sites we operate. This is not only good for nature, but we know that it will promote wellbeing for the tenants who occupy our estates.
Promote transparency on ESG disclosures	2022	GRESB score, EPRA sBPR ratings	Achieve a GRESB score above 55, and a Gold rating on EPRA sBPRs. Review resilience and climate risk management within our operations, in line with the TCFD.

Greenhouse gas reporting

We report greenhouse gases ("GHG") as Scope 1 and 2, which are acquired by us, and which we have control over. We are proud to launch our own net zero targets in relation to these emissions in this report.

Scope 3 GHG is emitted by our tenants through the operation of our buildings, and we are working towards decarbonisation targets for these emissions in due course, in partnership with our tenants.

SECR REPORTING: TONNES OF CO_2E FOR FOOTPRINT

Performance Measure	Unit	Source	2022	2021
Total energy consumption	kWh	Landlord-obtained electricity	**674,233**	943,349
		Landlord-obtained natural gas	**63,826**	265,655
		Fuel used in the Manager's vehicles	**Unavailable**	Unavailable
		Head office of the Manager	**19,893**	17,587
Total			**757,950**	1,109,026
Energy Intensity	kWh/m²/year	Landlord Energy Intensity	**9.26**	16.48
Total greenhouse gas emissions	tCO_2e	Landlord-obtained electricity	**143**	220
		Landlord-obtained natural gas	**12**	49
		Fuel used in the Manager's vehicles	**Unavailable**	Unavailable
		Head office of the Manager	**4**	4
Total			**159**	273
Greenhouse gas emissions intensity	tCO_2e/m^2 /year	Scope 1 & 2 Intensity	**0.0019**	0.0036

For further information on the methodology used for these calculations, and a narrative on performance, please see supplementary information on pages 113 to 123.

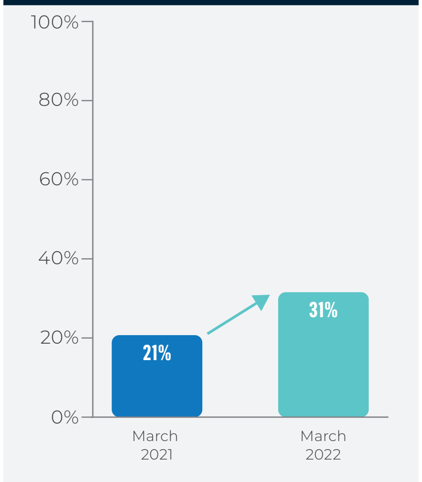
EPC improvement programme

Given that a large portion of GHG emissions are emitted through the operations of our buildings, measuring and improving EPCs is a key metric in our sustainability agenda. We firmly believe we do more good from acquiring a poor-performing building and improving it than in only acquiring buildings which already have a strong EPC performance. For this reason, our key metric on EPCs is the movement over the twelve-month period on a "like-for-like" basis.

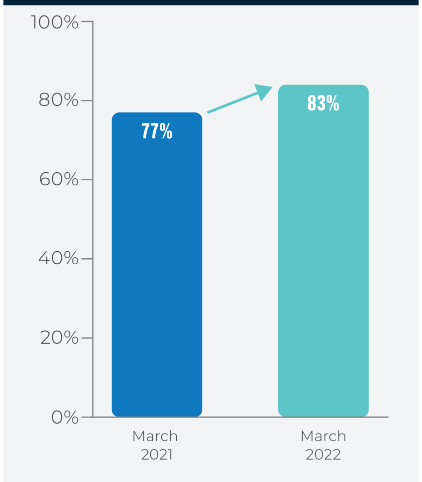
EPC ratings – like-for-like portfolio progression

Like-for-like EPC data looks at all assets owned on 31 March 2021, which were also owned on 31 March 2022, to compare like-for-like EPC movements.

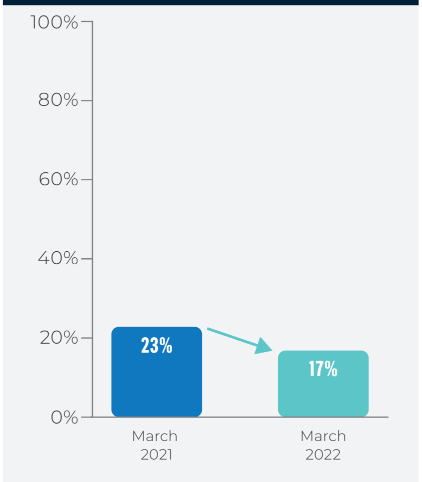
% A-B



% A-C



% D OR BELOW



NEW DEVELOPMENT: EXETER DC3

In April 2021 construction started on a new unit at Exeter Gateway Logistics Park, in partnership with developer Stoford. The building was completed in March 2022, and is let to DHL.

Just outside of Exeter, the building was constructed to the highest environmental standards, and has achieved a BREEAM rating of Very Good and an EPC of A. Environmental sustainability was built into the project at every level, and the building features solar panels on the roof to provide carbon-free power for the occupier, EV charging points to support the decarbonisation of the transport network, and market-leading insulation to ensure energy efficiency.

The local community also benefited, as not only were 151 jobs created on site when DHL took occupation, but we also included tree planting and installed an outdoor gym for the community to use.

This environmental impact also had a positive financial impact – with a total spend of £11.4 million, at the year end the building was revalued to £14.6 million – a 28% uplift.

EPC A

VERY GOOD:
BREEAM

£14.6M
Capital Value

MAJOR REFURBISHMENT: 228 OLD LONDON ROAD COLCHESTER

228 Old London Road, Colchester was acquired in July 2020, with a number of units in place with EPCs ranging from C to D.

Improving the site from a sustainability perspective meant working with the tenants in place, as it took extensive refurbishment to install a new roof, new cladding, LED lighting throughout and solar panels on the roof.

In addition to this, a protected biologically diverse wildlife area was established, creating a space for nature on the site.

The effect of this work was to move EPCs from C/D to A/B for all units, and in doing so move the valuation of the properties on significantly, resulting in a £5.4 million revaluation surplus, a 32% increase.

EPC A/B

£32,000
Spent on protecting ecosystems

£22.3 M
Capital Value

WORKING WITH TENANTS: LEIGH B, LEIGH, MANCHESTER

Leigh B is an 80,000 sq ft parcel building, operated by XPO Logistics. The property is of 1990s construction, and was acquired by way of a sale and leaseback.

During acquisition due diligence, a number of sustainability deficiencies were identified, and the asset management team worked with the tenant to find solutions.

At the time of the transaction a commitment was received by the tenant to improve the performance of the building, including installing LED lighting throughout.

The work has now been carried out, and the EPC of the building has moved from a C to an A. At the same time, the valuation of the property has moved from £6.7 million to £8.45 million – a 26% uplift.

EPC A

26%
Valuation uplift

£8.5M
Capital Value

Task Force on Climate-related Financial Disclosures ("TCFD")

We recognise the value and importance of managing climate risks, and will continue to strengthen our reporting in line with the TCFD recommendations in 2022.

REQUIREMENT	PROGRESS
Governance	The ESG Committee, chaired by Heather Hancock, is the governance body responsible for the oversight of ESG activities, including the management of climate risks. The responsibility for the direct and day-to-day oversight of ESG activities, including the management of climate risks, is delegated to the Investment Manager, with regular reporting of performance against targets and objectives. The Investment Manager is tasked with the responsibility for integrating climate risks into the operations of the assets. This is set out through our annual sustainability targets, which are incorporated into asset manager responsibilities.
Strategy	Urban Logistics will be conducting a review of climate-related risks and responsibilities in line with the TCFD framework in 2022. At this time, we have prioritised management of legislative risks, principally addressing the expected changes to the UK's Minimum Energy Efficiency Standards ("MEES") legislation, with the aim of upgrading our assets to an EPC of B or better by 2028, two years in advance of the proposed legislative requirements. In 2022 we will develop a more detailed account of climate-related risks, in line with the TCFD recommendations.
Risk management	Climate risks and other ESG-related risks are identified and assessed by the Investment Manager, and reported to the Board through the Audit Committee, chaired by Bruce Anderson, who is responsible for risk management. We have been primarily focused on climate risks as presented through legislation and compliance, specifically exposure to the updates to the Minimum Energy Efficiency Standards ("MEES") anticipated in 2022, and related costs to reduce emissions and improve energy efficiency. Alongside this, we have been monitoring our tenants' evolving demands in this area, recognising the risks in changing behaviours. We have long been aware of the physical risk of flooding, which has been considered within asset plans, but recognise the need for longer-term forecasting of this acute physical risk. Over the course of 2022 we will develop more specific climate risk management processes, which we will summarise next year in our sustainability reporting.
Metrics and targets	Urban Logistics has collated Scope 1, 2 and 3 emissions, including the estimation of the complete portfolio footprint, which can be found in the Supplementary Information section on page 115. This includes data from our largest emissions source, those Scope 3 emissions from the operations of our tenants, which account for over 95% of our carbon impacts. We view the lack of direct control over these emissions as the primary challenge in how we manage our climate risks. For this reason, we have engaged with our tenants to support their decarbonisation activities and gather data, which will inform our Scope 3 GHG targets in the coming years. While our Scope 1 and 2 emissions are not a significant proportion of our footprint, we believe our aim to be net zero by 2024 to be a significant commitment. Alongside this, transitioning our portfolio in line with UK climate legislation represents a significant transition risk to our business, and we are tracking EPCs to ensure we are well positioned against the upcoming MEES legislation. We have a target to achieve the legislation's anticipated requirements of EPC B or better, but in 2028, two years in advance of the target. Currently, 75% of our EPCs are below EPC B, representing 73% by floor area.

S172 STATEMENT AND STAKEHOLDER ENGAGEMENT

Section 172 Statement

In order to comply with section 172 of the Companies Act 2006, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which Directors have discharged this duty during the year.

The Directors of the Company have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, had regard, amongst other matters, to those matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

(A) the likely consequences of any decision in the long term;

(B) the interests of the Company's employees;

(C) the need to foster the Company's business relationships with suppliers, customers and others;

(D) the impact of the Company's operations on the community and the environment;

(E) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(F) the need to act fairly as between members of the Company.

In doing so, the Directors have considered the interests of the various stakeholders of the Company, the impact the Company has on the community and environment, maintaining a reputation for high standards of business conduct and fair treatment of shareholders and taken a long-term view on the consequences of the decisions they take.

Fulfilling this duty supports the Company in achieving its investment strategy and helps ensure that all decisions are made in a responsible and sustainable way.

To ensure that the Directors are aware and understand their duties, they are provided with all relevant Company information when they are appointed to the Board and receive regular updates and training on matters where appropriate. Directors also have access to the advice and services of the Company Secretary as well as independent advisers, should they wish. Directors receive technical updates from the Company's advisers, the Company Secretary, and the Investment Manager as and when appropriate. The Board has a schedule of matters reserved for its approval which, alongside the Terms of Reference of all Board Committees, is reviewed on at least an annual basis.

The Board continues to keep engagement mechanisms under review so that they remain effective.

Risk management

The Audit Committee has responsibility for the ongoing management of the Company's risk management and internal controls. To the extent that they are applicable, risks that are set out in s172 Companies Act 2006 are included in the Company's risk register and are subject to regular review and monitoring.

Stakeholders

During the period under review, the Board has discussed which parties should be considered as stakeholders of the Company. These are detailed in the table opposite. As an externally managed Real Estate Investment Trust, the Company has no employees and outsources its operations to various service providers.

OUR SHAREHOLDERS

Who are they?

Those who own shares in the Company.

Why are they important to us?

Continued shareholder support is critical to the sustainability of the Company and delivery of the Company's long-term business strategy.

What do they want from us?

Shareholders want a clearly articulated strategy and effective communication of our progress.

How do we engage with them?

Through the Annual and Interim Reports and announcements to the market. The Company encourages and welcomes shareholder queries at its Annual General Meeting ("AGM"). The Chairman and Manager CEO also make themselves available to shareholders at its Annual General Meeting.

Further information as to how the Company has engaged with its shareholders can be found on page 62.

OUR LOCAL COMMUNITIES

Who are they?

Those who live in areas where we work or have assets. For example, local residents, businesses, schools and charities.

Why are they important to us?

The Board places increasing emphasis on the importance of ESG factors in its investment deliberations. The Board and the Investment Manager are fully committed to managing the business and its investment strategy responsibly.

What do they want from us?

Our communities want us to encourage our tenants to be good neighbours and to engage with the local community to support a sustainable economy, jobs and environment.

How do we engage with them?

The ESG Committee continues to focus on the Company's ESG policy and holds the Investment Manager to account for their ESG decisions.

Further information as to how the Company has engaged with our communities and environment can be found on pages 38 to 45.

OUR INVESTMENT MANAGER

Who are they?

PCP2 Limited.

Why are they important to us?

The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy.

What do they want from us?

Our Manager expects the Board to provide clear direction in terms of overall strategy and investment policy.

How do we engage with them?

The Board and the Investment Manager have a close working relationship. The Manager attends the regular Board meetings and is required to seek Board approval for all major property acquisitions and disposals. The Management Engagement Committee reviews the contractual arrangements with the Investment Manager annually.

Further details on the activities of the Management Engagement Committee can be found on page 69.

S172 STATEMENT AND STAKEHOLDER ENGAGEMENT CONTINUED

OUR BANKERS/CREDITORS

Who are they?
Our principal financing partners are Barclays, Santander, Lloyds and Aviva.

Why are they important to us?
Gearing is an important part of our strategy to grow our business and deliver returns to shareholders.

What do they want from us?
Our financing partners expect us to purchase appropriate real estate in line with our investment parameters and maintain compliance with covenants and keep them well informed.

How do we engage with them?
We report regularly to our banks throughout the year and enjoy a good working relationship with them.

Further information as to how the Company has engaged with our bankers/creditors can be found on pages 7 and 37.

OUR PARTNERS

Who are they?
Those who have a direct working or contractual relationship with the Company. This includes our external service providers, such as lawyers, accountants and Company Secretary.

Why are they important to us?
As we outsource all our administrative functions to external service providers, they are critical to the administration and running of our business.

What do they want from us?
Our partners want us to be open and straightforward in our dealings with them.

How do we engage with them?
We work to find mutually effective ways to communicate and collaborate with each group and endeavour to have constructive relationships.

Further information as to how the Company has engaged with our various service providers can be found on page 69.

OUR TENANTS

Who are they?
Everyone who uses our buildings: our warehouse occupiers, their employees and guests.

Why are they important to us?
Our tenants provide us with rental income, so it is essential we serve their needs, and the needs of their stakeholders.

What do they want from us?
Tenants want us to understand and respond to their changing needs so their businesses can thrive.
That means providing sustainable, efficient space and customer service.

How do we engage with them?
Through regular contact with our warehouse occupiers to understand what is important to them and to evaluate the services we provide.

Further information as to how the Company has engaged with its tenants can be found on pages 11, 38 and 39.

Decision-making and stakeholder impact

The Board's principal decisions each year typically include approving acquisitions, capital expenditure, capital raises (debt and equity) and dividend payments. Examples of the key decisions the Board has made during the year under review can be found in the table below. The importance of stakeholder considerations in the context of decision-making and to act fairly between members of the Company is taken into account at every Board meeting.

Key Board decisions during the year	Stakeholders affected
Admission to the Main Market	**Our shareholders and our partners**
As a Board, we considered that the market capitalisation of the Company justified a move from AIM to the premium segment of the London Stock Exchange's Main Market. On 7 December 2021, the Company's entire issued share capital was admitted to listing on the Main Market. This decision was made following feedback from shareholders, and following discussions with professional advisers. It was judged to be in the best interests of both institutional and private retail shareholders, due to increased liquidity, future capital raising potential, potential inclusion in the FTSA indices and improved governance rules.	
Decision to make an equity raise of £250 million in November 2021	**Our shareholders and our customers**
Having fully deployed or committed £134 million of capital following the Company's £108 million July fundraising, the Manager identified a further pipeline of high-quality, last-mile logistics assets, strategically located in targeted logistics hubs, totalling in excess of £400 million. The Company was pleased to announce on 2 December 2021 that due to the strength and quality of demand from investors it had increased the size of the issue from £200 million to £250 million.	
Decision to make an equity raise of £108 million in July 2021	**Our shareholders and our customers**
The Company's funds at the time were fully invested or committed and the Manager, on behalf of the Company, had identified a significant pipeline of attractive investment opportunities. The Company was pleased to announce on 9 July 2021 that gross proceeds of £108 million had been raised.	
Decision to pay interim dividends	**Our shareholders**
In the Interim Report the Company stated that we expected, subject to unforeseen circumstances, to pay a similar dividend per share over the full year as was paid last year, in support of the Company's target of an annual total return of between 10% and 15% through a combination of dividends and growth in NAV. Detail on the dividends paid to date can be found on page 35.	
Decision to make acquisitions	**Our shareholders, our communities & environment and our customers**
The Board is responsible for the ongoing review of investment activity and performance and the control and supervision of the Investment Manager. Details on our acquisitions for the year to date can be found pages 18 to 32. Acquisitions are made with the Company's long-term strategy in mind, following thorough consideration of the benefits each acquisition would bring to our shareholders and other stakeholders over the long term, as well as the environmental credentials of the target property.	

KEY PERFORMANCE INDICATORS

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

TOTAL ACCOUNTING RETURN (%)

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

Performance:

TAR of 28.9% for the year ended 31 March 2022 (31 March 2021: 15.6%).

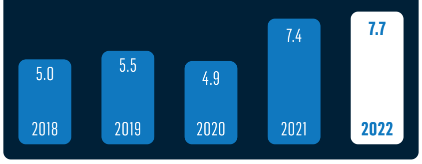
LOAN TO VALUE (%)

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.

Performance:

LTV of 11.3% at 31 March 2022 (31 March 2021: 27.9%).

WAULT (YEARS)

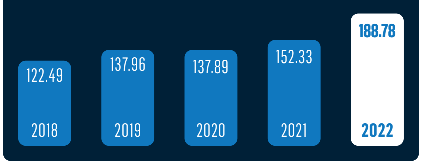


WAULT is the average unexpired lease term across the invested portfolio, weighted by annual passing rents. It is used to determine the quality of our investment portfolio. Our medium-term target is five to seven years across the portfolio.

Performance:

WAULT of 7.7 years for the year ended 31 March 2022 (31 March 2021: 7.4 years).

EPRA NTA PER SHARE (p)

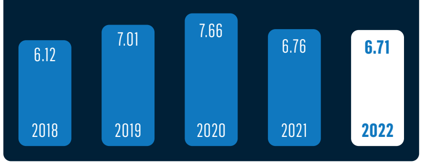


EPRA NTA per share is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. Our aim is to build on long-term asset value growth whilst managing liabilities.

Performance:

EPRA NTA per share of 188.78 pence at 31 March 2022 (31 March 2021: 152.33 pence).

ADJUSTED EARNINGS PER SHARE[1] (P)



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 of the Financial Statements.

Performance:

Adjusted EPS of 6.71 pence per share for the year ended 31 March 2022 (31 March 2021: 6.76 pence).

TOTAL COST RATIO (%)

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 21.8% for the year ended 31 March 2022 (31 March 2021: 21.3%).

1. A full reconciliation between IFRS earnings per share and Adjusted earnings per share can be found in note 13 of the Financial Statements.
2. For other non-financial key metrics, please refer to the Operational Highlights on page 3 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Appetite Statement

The Company's assets are made up of UK commercial property. Its principal risks are therefore related to the commercial property market in general and also to the particular circumstances of the individual properties and the tenants within the properties. Taking this into account, the Company's risk appetite policies and procedures alongside the appropriate controls and financial reporting are regularly reviewed and updated to ensure they remain in line with regulation, corporate governance and expected industry practice.

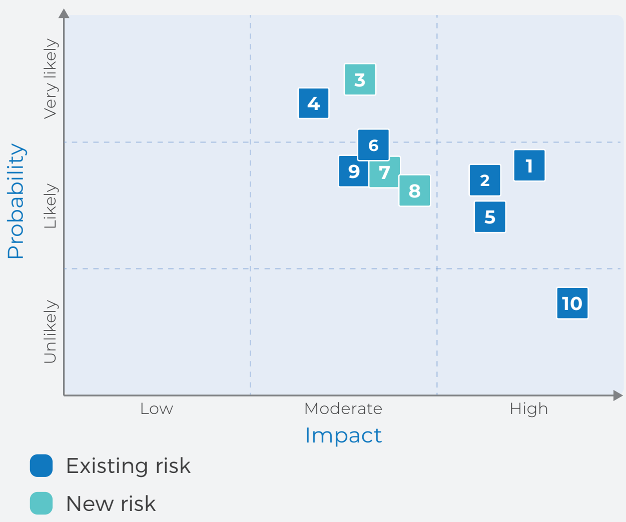
Urban Logistics utilises three lines of defence in terms of risk management. Line one comprises the management team at PCP2 Ltd (the "Investment Manager") who take ownership of the risk, manage the internal controls to mitigate it, and report to the Board against our agreed risk matrix. The second line of defence is built around oversight and challenge, which is the responsibility of the Board and reported on by the independent Directors who make up the Audit Committee, and the third line is the comfort the Directors take from the independent assurance provided by the external auditor.

The Board has performed a robust assessment of the principal strategic and operational risks facing the Company as well as assessing identifiable emerging risks. The Board formally reviews its risk matrix twice yearly but is made aware of any risk exposure either as and when it happens or at the quarterly Board meetings. The Audit Committee, which I chair, will review the process on how risk is allocated and reported while also making sure the appropriate discussions are had with the Investment Manager on their existing concerns or any threats from the external environment.

Risks are measured based on probability and potential impact, using a scoring matrix. This is populated by each of the Directors independently and then collated into a heat map which seeks to identify the most prescient of risks. The output from the heat map draws out ten risks which are detailed here, and the movement from the prior year. The commentary below discusses both how the Board sees the potential impact of the risk, as well as the actions being taken to mitigate it.

Bruce Anderson ACMA FCIOBS
Chairman of the Audit Committee

Risk heat map



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 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 Company's success.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
01. **A significant fall in property valuation.**	An adverse change will have a negative impact on the Company's financial performance and may also lead to a breach in our banking covenants.	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. The Board has regular soundings taken on the market from external advisers.	No change
02. **Weakening macro-economic environment in the sector in which we operate.**	A downturn in economic conditions may impact the Group's performance by way of reduced rental income and in turn negatively affect property values.	The Company focuses on well-located assets and has a diverse tenant base across a range of sectors with limited exposure to any one tenant or sector. This protects us from downturns affecting any one industry. In addition, our tenants tend to focus on essential goods like pharmaceutical and food. The Company focuses on acquiring assets with resilient values, typically 30-70% replacement cost, and are often sourced off-market.	Increased
03. **Higher inflation in the UK and global markets.**	A prolonged period of higher inflation may impact the Group's performance due to higher cost of capital, increased vacancy rate due to tenant failure and reduction in real returns due to an inability to capture inflationary uplift due to long leases.	To mitigate the risk of tenant failure, before a lease is signed, or a property with a tenant in place is acquired, the Manager performs significant diligence into the financial position of the company, and monitors the financial position on an ongoing basis. To mitigate the risk of the impact of rising interest rates in an inflationary environment, the Company uses hedging strategies and fixed rate debt. This sub sector of the market typically has shorter rent review cycles, allowing the Company to capture inflationary uplift. Our leases are generally either open market, or explicitly linked to an inflation measure.	N/A - New Risk

Increased Decreased No change

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
04. **Development projects not producing targeted financial returns.**	The Company's development projects provide an opportunity for outperformance and enhanced sustainability in exchange for slightly enhanced risk. An increase in construction costs or weakening occupational market may negatively impact underlying income and property values.	Detailed due diligence is carried out prior to committing to a development, which includes consideration of the return and funding profile relative to associated risk. We limit our development exposure to 10% of gross asset value.	
05. **Loss of key personnel.**	The Company places reliance on the Manager's extensive experience within the logistics sector and on its ability to provide relevant information on a regular basis.	Key personnel are partners in the LLP which benefits from the management contract. The management contract contains an LTIP which crystallises in September 2023, providing an incentive for them to stay. As the portfolio has grown, the Manager has added to the team, to give further depth and resilience to loss of individual personnel. In addition, the portfolio size and quality make it possible to attract high-quality candidates for any replacements required.	
06. **Interest rate exposure.**	The Group uses leverage, which brings exposure to increases in the total interest rate paid, which could impact earnings and distributable profits.	The Group employs hedging strategies, and at year end the outstanding debt position is 74% hedged until maturity, providing protection from interest rate exposure.	
07. **Increased CAPEX spend connected to hitting environmental legislation, and potentially negative impact on distributable income.**	MEES (Minimum Energy Efficiency Standards) regulations prohibit granting a new lease on a property which does not meet minimum standards. In 2024 this moves to a D, and in 2026 this moves to a C. The CAPEX associated with this move has the potential to be considerable, and could impact distributable income.	The Company has significantly expanded governance around ESG, and EPCs in particular. The vast majority of assets are already an EPC of C or above, and all assets have a plan to improve them to a B. The Company believes that by the Manager working in close partnership with the tenants, who have their own ESG agenda, the necessary upgrades can be done either at the expense of the tenant or in connection with a new letting.	**N/A - New Risk**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
08. **Reluctance of tenants to take leases in buildings with a lower than average environmental performance.**	If tenants are reluctant to take leases in poor-performing buildings, rental rates for those buildings will fall, and vacancy rates will rise. This will impact Company earnings. The impact will feed through to property valuations, and therefore NAV.	Before every acquisition, the Company performs forward-looking environmental due diligence, to understand where the EPC is now, and what it would take to improve it. All assets with a rating of C or below have an asset management plan to get them to a B. If the Company does not believe an asset can be improved sufficiently it will not be acquired.	**N/A – New Risk**
09. **Cyber security attack.**	A cyber security attack could lead to significant business disruption, loss of data and reputational damage.	The IT capabilities of the Manager are outsourced to a dedicated service provider, who perform regular testing of the IT security systems. Employees of the Manager undertake regular awareness training on cyber risk. In addition, a business continuity plan is in place and is regularly updated.	Decreased
10. **Non-compliance 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 Company's REIT status. The Board has ultimate responsibility for ensuring we comply with the UK REIT regulations.	No change

Increased **Decreased** **No change**

VIABILITY STATEMENT

The Board has assessed the prospects of the Group over a period longer than the twelve months required by the relevant "going concern" provisions. In reviewing the Company's viability, the Directors have assessed the viability of the Company for the period to 31 March 2025 (the "Period"). The Board believes that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy, difficulties in accurately forecasting ahead given the cyclical nature of property investment, and the principal risks documented in the Strategic Report on pages 51 to 54.

In making this statement, the Directors have considered and challenged the reports of the Investment Manager in relation to the resilience of the Group, taking account of its current position, the principal risks faced in severe but reasonable scenarios, including a stressed scenario, the effectiveness of any mitigating actions and the Group's risk appetite.

In addition, the Board also considered a number of other factors when assessing the viability of the Company:

- strong rent collection rates. 99.9% of all rent demanded was has been collected in the year;
- the weighted average unexpired lease length of 7.7 years;
- substantial liquidity with £127.4 million of cash available at the year end, and
- 74% of the Group's debt facilities are hedged and at the year end had a weighted average debt maturity of 3.7 years.

Sensitivity analysis has been undertaken to consider the potential impacts of such risks on the business model, future performance, solvency and liquidity over the Period, both on an individual and combined basis. In particular, this has considered:

- a weakening macro-economic environment leading to a significant fall in property valuation;.
- changes in the occupational market impacting lettings; and
- higher inflation in UK and Global markets leading to higher cost of capital and increased vacancy rate due to tenant failure.

Reverse stress testing was also undertaken over the Period. In isolation, it would take at least a 45% reduction in property values during the Period to breach the gearing covenant. Rental income would need to decrease by approximately 38% prior to any breach of the interest cover covenants.

The Directors have determined that a three-year look forward to March 2025 is an appropriate period over which to provide its viability statement. This is consistent with the outlook period used in medium-term forecasts regularly prepared for the Board by the Investment Manager and the discussion of any new strategies undertaken by the Board in its normal course of business.

These reviews consider both the market opportunity and the associated risks, principally the ability to raise third-party funds and invest capital, or mitigating actions taken, such as a reduction of dividends paid to shareholders or utilisation of additional borrowings.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the period to 31 March 2025.

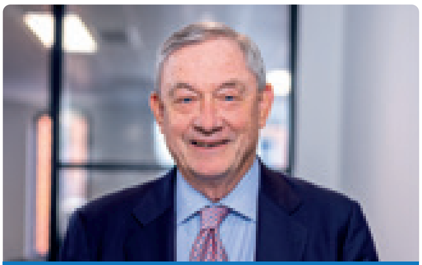
Approval of Strategic Report

The Strategic Report, including Financial Highlights, Chairman's Statement, Investment 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 CBE
Chairman

22 June 2022

BOARD OF DIRECTORS



Nigel Rich CBE FCA
Independent Non-Executive Chairman

M N E A

Date of appointment
January 2017

External appointments
Nigel is Chairman of Foxtons Group plc, a Director of Matheson & Co. Limited and a Director of Chelsea Square Gardens Limited.

Experience and contribution
Nigel brings a wealth of Board experience, having operated across the globe in senior positions.

He served as the Group Chief Executive of Trafalgar House plc from 1994 to 1996 and previously spent 20 years with the Jardine Matheson Group in Asia and Africa, before becoming Managing Director of the Group from 1989 to 1994.

Nigel has served as the Chairman of the Board of Exel, Hamptons, Xchanging and most recently Segro. He has been a Director of Granada, ITV, Harvey Nichols, ABI Global and Pacific Assets. He has also been a member of the Takeover Panel (UK).

Annual remuneration
£85,000

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
540,536 Ordinary Shares

Richard Moffitt
Non-Independent Director & CEO of Investment Manager

Date of appointment
January 2016

External appointments
Richard is Chairman of ELREP Asset Management LLP and M1 Agency LLP. Further information can be found in note 32 of the Financial Statements.

Experience and contribution
Previously an Executive Director at CBRE, where he was Head of the UK Industrial team, Richard has over 30 years' specific real estate logistics experience.

He has an in-depth understanding of the market dynamics, credibility with owners and operators of logistics assets, a thorough understanding of both owner and tenant requirements and an extensive network of contacts across the real estate universe.

He is a member of the Chartered Institute of Logistics and Transport.

Annual remuneration
Richard has waived his right to receive any remuneration as a Director of the Company.

Employment by the Investment Manager
Richard leads the investment management team at PCP2 Ltd.

Other connections with the Company or Investment Manager
M1 Agency LLP.

Shared external directorships with any other Company Directors
None

Shareholding in Company
1,142,843 Ordinary Shares

Jonathan Gray
Independent Non-Executive Director & Senior Independent Director

E A M N

Date of appointment
January 2016

External appointments
Jonathan currently works as a financial consultant to a variety of international companies and has other non-executive directorships including Argentex PLC.

Experience and contribution
Jonathan has considerable financial services experience having worked as a corporate financier for over 25 years in the City with senior roles at HSBC, UBS and NCB.

He has advised 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.

Annual remuneration
£50,000

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
Jonathan is a Director of Argentex Group PLC, a listed company in which Pacific Investments has a shareholding.

Shared external directorships with any other Company Directors
None

Shareholding in Company
60,000 Ordinary Shares

Committee key

Chairman
Member

E ESG Committee
A Audit Committee

M Management Engagement Committee
N Nomination Committee

Bruce Anderson ACMA FCIOBS

Independent Non-Executive Director

A E M N

Date of appointment
January 2016

External appointments
Bruce is currently a Non-Executive Director at Green Property Limited, an adviser to the Housing Growth Partnership Fund and a Trustee of Edinburgh Athletic Club.

Experience and contribution
Bruce has considerable real estate and financial services experience having worked in senior roles at Lloyds, HBoS and Bank of Scotland with 20 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 a qualified Accountant.

Annual remuneration
£50,000

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
50,000 Ordinary Shares

Mark Johnson

Non-Independent Director

Date of appointment
January 2017

External appointments
Mark is the CEO of the Pacific Investments Group, having co-founded the business over 25 years ago.

Experience and contribution
After qualifying as a lawyer, Mark worked in corporate finance at Barclays Merchant Bank and Barclays de Zoete Wedd before co-founding Pacific.

Mark was the CEO of the Riverside Group, and oversaw its successful sale.

Mark is (and was) a founding partner and shareholder/director of Pacific's investment portfolio of companies, including Liontrust Asset Management, Thames River Capital, River & Mercantile Group, Argentex, and Pacific Asset Management.

Annual remuneration
Mark has waived his right to receive any remuneration as a Director of the Company.

Employment by the Investment Manager
PCP2 Ltd is a wholly owned subsidiary of Pacific Investments, of which Mark is the CEO.

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
309,986 Ordinary Shares

Heather Hancock LVO DL

Independent Non-Executive Director

E A M N

Date of appointment
June 2020

External appointments
Heather is Master of St. John's College, Cambridge, a Director of Amerdale Limited and Non-Executive Director of Rural Solutions Limited. She is also a Trustee of the Chatsworth Settlement Trust, chairs the Prince's Countryside Fund, and is a Deputy Lieutenant of North Yorkshire.

Experience and contribution
Heather brings to the Board many years of high-level experience in strategy, governance and leadership, gained in the real estate sector and wider economy. In her current roles, she oversees extensive real estate portfolios of investment, development, strategic site and agricultural property assets across the UK.

Previously, Heather has been Chair of the Food Standards Agency, Managing Partner at Deloitte and has served as the Executive Director of Yorkshire Forward, leading on the assembly of a £35 million property portfolio.

Heather served as a trustee for the Prince's Trust, for which she was awarded the LVO in 2013.

Annual remuneration
£50,000

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

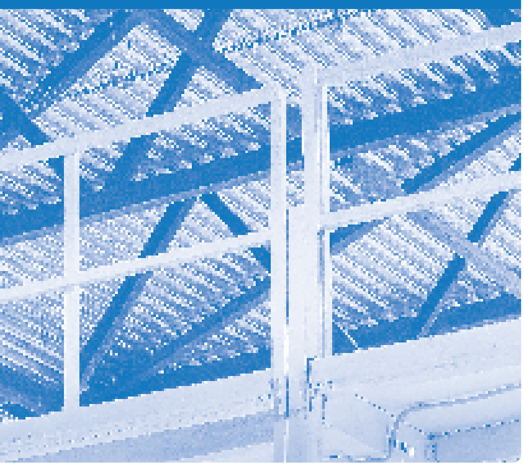
Shared external directorships with any other Company Directors
None

Shareholding in Company
14,388 Ordinary Shares

CORPORATE GOVERNANCE STATEMENT

The Board is committed to the highest standards of corporate governance and recognises its responsibility to serve the interests of shareholders by creating sustainable growth.

Nigel Rich CBE
Chairman



The Board 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.

On 7 December 2021, the Company was admitted to the premium segment of the London Stock Exchange's Main Market. Prior to this, the Company complied with the QCA Corporate Governance Code (the "QCA Code"). Following admission to the Main Market, the Company has complied with the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"), which sets out a framework of best practice in respect of the governance of investment companies. By reporting against the AIC Code, the Company is meeting its obligations under the UK Corporate Governance Code (the "UK Code") and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies and is endorsed by the FRC. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules of the FCA.

A copy of the AIC Code can be found at **www.theaic.co.uk**. A copy of the UK Code can be obtained at **www.frc.org.uk**.

The Company has complied with all provisions of the AIC Code except for Provision 9.2(37) on the establishment of a Remuneration Committee and Provision 8.2(29) whereby Nigel Rich CBE, as Chairman of the Board, is a member of the Audit Committee.

As the Board is comprised wholly of Non-Executive Directors, there is no executive remuneration and as the Company has no employees, being an externally managed REIT, it is not currently felt necessary to establish a separate Remuneration Committee. Instead, the Board as a whole deals with matters of Directors' remuneration.

The Board also considers the Chairman's membership of the Audit Committee appropriate given the size of the Board and his knowledge of the industry.

Strategy and business model

The Company has a clear and established strategy and business model which promotes long-term value for shareholders. Further detail on the Company's strategy and business model can be found in the Investment Manager's Report on pages 18 to 32.

APPLICATION OF AIC CODE PRINCIPLES

The table below outlines the main principles of the AIC Code and signposts to sections of the report where we have applied these principles.

Board leadership and purpose		
Principle A	A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. (Incorporates relevant content from UK Code Principle A)	Strategic Report, pages 1 to 55 Board of Directors, pages 56 and 57 Business model, page 10
Principle B	The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture. (UK Code Principle B)	Strategic Report, pages 1 to 55 Our culture, pages 10 and 62 Our purpose, page 10 How we add value, pages 10 and 11
Principle C	The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. (UK Code Principle C)	Sustainability Report, pages 38 to 45 Principal risks and uncertainties, pages 51 to 54 Risk management and internal control, page 63
Principle D	In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties. (UK Code Principle D)	Stakeholders, pages 47 and 48 Section 172 statement, pages 46 to 49 Shareholder engagement, page 62
Division of responsibilities		
Principle F	The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information. (UK Code Principle F)	Role of the Chairman, page 60 The Board, page 61
Principle G	The Board should consist of an appropriate combination of Directors (and, in particular, independent Non-Executive Directors) such that no one individual or small group of individuals dominates the Board's decision-making. (Incorporates relevant content from UK Code Principle G)	Board of Directors, pages 56 and 57 Board Committees, page 63
Principle H	Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account. (Incorporates relevant content from UK Code Principle H)	Board composition and succession, page 61 Management Engagement Committee report, page 69
Principle I	The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. (UK Code Principle I)	The Board, page 61 Section 172 statement, pages 46 to 49 Induction of new Directors, page 61
Composition, succession and evaluation		
Principle J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. (Incorporates relevant content from UK Code Principle J)	Board composition and succession, page 61 Diversity, page 61 Nomination Committee report, page 65
Principle K	The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed. (UK Code Principle K)	Board of Directors, 56 and 57 Nomination Committee Report, page 65 Board Committees, page 63 Board succession and composition, page 61
Principle L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively. (UK Code Principle L)	Board performance, page 62

APPLICATION OF AIC CODE PRINCIPLES CONTINUED

Audit, risk and internal control		
Principle M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements. (Incorporates relevant content from UK Code Principle M)	▶ Risk management and internal control, page 63 ▶ Audit Committee Report, pages 66 and 67 ▶ Notes 3 and 4 to the Financial Statements , pages 93 to 97
Principle N	The Board should present a fair, balanced and understandable assessment of the Company's position and prospects. (UK Code Principle N)	▶ Strategic Report, pages 1 to 55 ▶ Fair, balanced and understandable, page 68 ▶ Audit Committee Report, pages 66 to 68 ▶ Independent Auditor's report, pages 80 to 85 ▶ Financial Statements, pages 80 to 123
Principle O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. (UK Code Principle O)	▶ Principal risks and uncertainties, pages 51 to 54 ▶ Viability statement, page 55 ▶ Audit Committee Report, pages 66 to 68 ▶ Management Engagement Committee report, page 69 ▶ Risk management and internal control, page 63 ▶ Note 24 to the Financial Statements, page 107
Remuneration		
Principle P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. (Incorporates relevant content from UK Code Principle P)	▶ Strategic Report, pages 1 to 55 ▶ Directors' remuneration report, pages 72 to 74 ▶ Directors' remuneration policy, page 74
Principle Q	A formal and transparent procedure for developing policy on remuneration should be established. No Director should be involved in deciding their own remuneration outcome. (Incorporates relevant content from UK Code Principle Q)	▶ Directors' remuneration report, pages 72 to 74
Principle R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances. (UK Code Principle R)	▶ Directors' remuneration report, pages 72 to 74

Role of the Chairman

As Chairman of the Board, I have overall responsibility for the quality of the corporate governance arrangements of the Company and the approach that is taken to ensure corporate governance compliance is achieved. The Board as a whole has responsibility and a legal obligation to promote the interests of the Company and is responsible for defining the Company's corporate governance arrangements.

My role as Chairman is to lead the Board and I am responsible for its overall effectiveness in directing the Company. I strive to promote a culture of openness and debate amongst the Board and to facilitate effective contribution from all Board members.

The AIC Code requires the Chairman to be independent upon appointment. I have been considered independent since my appointment in January 2017 and I have no relationships that may create a conflict of interest with shareholders.

Senior Independent Director

The Company's Senior Independent Director is Jonathan Gray. He provides a channel for any shareholder concerns regarding the Chairman and leads the Chairman's annual performance evaluation.

A full description of the responsibilities of the Chairman and the Senior Independent Director can be found on the Company's website **www.urbanlogisticsreit.com.**

The Board

The Board is responsible for determining the Company's strategy, investment policy and overseeing the Company's performance and business conduct. The Board is also responsible for the continuing appointment and ongoing performance of the Investment Manager.

The Board holds formal, scheduled meetings each quarter, with additional ad hoc meetings arranged as required. The Board (and Board Committees) are provided with high-quality information in advance of each meeting which enables proper debate and consideration of all matters being presented.

The Board has a schedule of matters reserved for its decision which is reviewed on an annual basis, and is available on the Company's website at **www.urbanlogisticsreit.com**

The Board regularly reviews the Manager's investment performance and assesses the progress of new investment opportunities. The Company's strategy is regularly reviewed in the context of a broader market outlook and future financial forecasting as well as historic financial performance is considered. The Board works closely with the Company's brokers, Singer Capital Markets and Panmure Gordon, as well as its other advisers. The Board receives reports regarding investor relations as well as regular updates from the Manager and the Company Secretary on regulatory and compliance matters.

The Board has direct access to the services of its Company Secretary, Link Company Matters Limited ("Company Matters"), as well as a range of other service providers. Company Matters, in its role as Company Secretary, is responsible to the Board for ensuring that Board and governance procedures are followed, and that applicable rules and regulations are complied with. When deemed necessary, the Board may seek independent professional advice in the furtherance of their duties, at the Company's expense.

The Company has arranged a Directors' and Officers' liability insurance policy which includes cover for legal expenses. The policy was reviewed at the time of the Main Market move, and remains in force as at the date of this report.

Board composition and succession

The Board comprises four independent Non-Executive Directors and two non-independent Non-Executive Directors. There were no changes to the composition of the Board during the year. The Board possesses a sufficient balance of skills, relevant sector experience, and knowledge to ensure, as a whole, it functions well and that discussions and/or decisions are not dominated by any one Director. The collective experience amongst the Board includes senior Board level/chairmanship positions, financial services experiences, and directorships within the property sector, all of which contribute expertly to the deliberations of the Board.

The Board, led by the Nomination Committee, is actively considering succession planning and is currently undertaking an active search for a new Non-Executive Director. Further details can be found in the Nomination Committee Report on page 65.

The majority of Directors are independent from the Manager. Those Directors deemed to be independent can be found in the Director biographies on pages 56 and 57 and in the table below on page 63.

As the Company is subject to the AIC Code, there is no requirement for a limit on the tenure of the Chairman or the Company's Board members. However, the Board recognises the value of regular refreshing of its composition and remains committed to ensuring that it has the right mix of skills and experience that are aligned with the evolution of the strategic plans of the Company, while maintaining its independence of character and judgement. The Board expects to maintain a tenure of nine years or less for all of its Directors, including the Chairman, thus preserving the cumulative valuable experience and understanding of the Company, while benefiting from fresh perspectives and helping to promote diversity. Furthermore, all Directors will be subject to annual re-election.

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. Each Director is satisfied that they have sufficient time to commit to their individual role and responsibilities on the Board. The time commitment involved from each Director involves preparation for meetings, meeting attendance, as well as ad hoc meetings with the Manager and external advisers as required. Individual Directors are responsible for their own professional development and for ensuring their skills and expertise are refreshed in order to support their role on the Board.

Diversity

In accordance with the AIC Code, the Board is comprised of a mixture of individuals who have an appropriate balance of skills and experience to meet the future opportunities and challenges facing the Company. Appointments to the Board are made primarily on merit, though the Board understands the importance of diversity in modern governance and takes into consideration a variety of demographic attributes and characteristics when making decisions on its composition. The Board is aware of the new Listing Rules that are on a 'comply or explain' basis which incorporate the recommendations of the Parker and Hampton-Alexander Reviews which considered how ethnic, cultural and gender diversity could be improved on UK Boards and will continue to be cognisant of these when making future succession and composition plans. The Company will report its compliance against this requirement in the Annual Report for the year ending 31 March 2023.

Induction of new Directors

A procedure for the induction of new Directors is in place which includes the provision of an induction pack containing relevant information about the Company and its processes and procedures. New Directors appointed to the Board have the opportunity to meet with the Chairman, the Investment Manager and the Company Secretary.

Board performance

In order to review the effectiveness of the Board as a whole, its Committees, the individual Directors (including the independence of each Director) and the Chairman, the Company undertakes a thorough Board evaluation process by way of an extensive, tailored Board evaluation questionnaire. This process enables each Director to evaluate, assess and reflect on the Board's operations, individual Director contributions and the Company's leadership with a view to identify any shortcomings and address any areas requiring improvement.

For the year ended 31 March 2022, the Board evaluation process was led by the Chairman and the evaluation of the Chairman was led by the Senior Independent Director, Jonathan Gray.

The results of the evaluation confirmed that Directors and Committee members continued to work well collectively and that all Directors contributed to promoting the success of the Company and advancing its strategy and business model.

Culture

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 and strives to promote a culture that is based on sound ethical values and behaviours, values diversity and is responsive to the views of shareholders and the Company's stakeholders. This is achieved by ensuring robust corporate governance frameworks and Company policies are in place and ensuring the Manager is appropriately challenged and held to account for its investment decisions. This culture is consistent with the Company's business model and strategy and facilitates the best possible opportunity to build a high-quality, diversified logistics property portfolio by conducting exceptional asset management and delivering sector-leading returns to investors.

The Board expects all service providers, including its Manager, to exhibit high standards of ethical behaviour and for the employees of the service providers to behave in a professional and respectful manner. The Board feels that all Directors continue to act with integrity, lead by example and promote the Company's culture. Further detail regarding the Management Engagement Committee's review of all service providers can be found on page 69.

The Company's section 172 statement can be found on pages 46 to 49.

Shareholder engagement

We are confident in our approach to ongoing communication with our shareholders and recognise the value in positive shareholder engagement. We strive to understand and meet our shareholders' needs and expectations.

Our website is kept up to date with information to help investors keep in touch and to understand our business.

The Manager meets with 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.

In addition, the Chairman will write to the largest shareholders, offering to meet with them and engage directly.

We encourage two-way communication with both institutional and private investors, and shareholders are encouraged to write to the Company via the Company Secretary at the registered office address, should they wish. We endeavour to respond promptly to all enquiries.

Annual General Meeting

In accordance with current UK government guidance regarding COVID-19, the AGM is currently intended to be an open meeting allowing shareholders to attend in person. However, whilst there are not expected to be any government restrictions on public gatherings at the time of the AGM, the Board recommends that shareholders continue to monitor and review the UK government guidance and consider whether your travel to, and attendance at, the AGM is necessary. Shareholders are asked to exercise good judgement and not to attend the AGM in person if you have any symptoms of, or have tested positive for, COVID-19.

For further information please see the Notice of Annual General Meeting which has been dispatched to all shareholders. An electronic copy of the Notice of AGM is also available on the Company's website at **www.urbanlogisticsreit.com**.

Any further updates regarding the Annual General Meeting will be made via the appropriate Regulatory Information Service and on the Company's website at **www.urbanlogisticsreit.com**. Shareholders will be given the opportunity to ask questions in advance of the Annual General Meeting. Shareholders are encouraged to email ir@urbanlogisticsreit.com and they will be responded to in writing on the Company's website.

In addition, the Manager seeks to engage directly with major shareholders via regular meetings, round table events, capital markets days and other outreach. The Chairman proactively contacts the largest shareholders to make himself available for meetings and communication.

The voting results of the 20 July 2022 Annual General Meeting will be announced to the market once it has been held.

Risk management and internal control

The Directors acknowledge that they have overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. As such, the Board, in consultation with the Audit Committee:

- approves the Company's/Group's Risk Appetite Statements;
- receives reports on, and reviews the effectiveness of, the Group's risk and control processes to support its strategy objectives;
- approves the procedures for the detection of fraud, bribery, tax evasion and money laundering;
- reviews quarterly management accounts against budget, full-year forecasts against both budget and analyst expectations;
- signs off all investments; and
- ensures that there is a segregation of duties between the Manager's property team who recommend property investments, and the Manager's finance and operations team who perform due diligence and authorise payments.

In addition to the high-level internal controls exercised by the Board, further internal controls are also in place at the Manager. These controls which include those in relation to the financial reporting process for the undertakings included in the consolidation are reviewed and tested as part of the external audit process and updated as required from both internal feedback and external feedback from auditors and others.

An ongoing process has been implemented for identifying, evaluating and managing the principal and emerging strategic and operational risks faced by the Company. This process has been in place for the year ended 31 March 2022 and is reviewed on an annual basis.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives and it should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss. pages 51 to 54 set out the Company's Principal Risks and Uncertainties. The Company's Risk Appetite Statement can be found on page 51.

Board Committees

The Board has delegated a number of responsibilities to its Environmental, Social & Governance ("ESG"), Audit, Nomination and Management Engagement Committees. Each Committee has Terms of Reference in place, which outline the duties of those Committees that are delegated from the Board, including their statutory and regulatory responsibilities. The Terms of Reference are reviewed on at least an annual basis. 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 year ended 31 March 2022 can be found in the individual Committee reports.

During the year, the Board considered the potential merits of establishing a Remuneration Committee but, after due and careful consideration, has decided not to at the current time. Director remuneration continues to be considered by the Board as a whole. Further information regarding Director remuneration can be found in the Directors' Remuneration Report on pages 72 and 73.

A copy of each Committee's Terms of Reference can be found on our website **www.urbanlogisticsreit.com**

The membership of the Board Committees is as follows:

Name	Independent	ESG Committee	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich CBE	✓	Member	Member	Chairman	Chairman
Bruce Anderson	✓	Member	Chairman	Member	Member
Heather Hancock	✓	Chairwoman	Member	Member	Member
Jonathan Gray[1]	✓	Member	Member	Member	Member
Richard Moffitt	✗	—	—	—	—
Mark Johnson	✗	—	—	—	—[2]

1. Senior Independent Director.
2. Mark stepped down from the Nomination Committee on 12 November 2021.

Richard Moffitt and Mark Johnson are not deemed to be independent due to their existing roles at, and interest in, the Manager. Both Richard and Mark exclude themselves from voting on matters concerning PCP2 Limited and during the approval of property sales and acquisitions proposed to the Board by the Manager, or where there is any other perceived potential conflict of interest. Despite their non-independence, 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.

Meeting attendance

During the year ended 31 March 2022, there were six scheduled Board meetings. The Directors also met on an ad hoc basis during the year to undertake business such as to discuss and approve various acquisitions and meetings related to the Company's admission to the Main Market of the London Stock Exchange. The Company Secretary attends all meetings of the Board and its Committees. Representatives of the Investment Manager, the external auditor and other advisers are invited to attend as required.

Name	Board	ESG Committee	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich CBE	6/6	2/2	3/3	1/1	1/1
Bruce Anderson	6/6	2/2	3/3	1/1	1/1
Heather Hancock	6/6	2/2	3/3	1/1	1/1
Jonathan Gray	6/6	2/2	3/3	1/1	1/1
Richard Moffitt	6/6	–	–	–	–
Mark Johnson	6/6	–	–	–	–

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 for the benefit of its shareholders as a whole. 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.

The Manager regularly uses M1 Agency LLP for its purchase and sale of assets. The Company incurs fees from M1 Agency LLP, a partnership in which Richard Moffitt is a member. These fees are incurred in the acquisition of investment properties and sale of investment properties. The Board, with the assistance of the Investment Manager, excluding Richard Moffitt, carefully reviews and scrutinises each fee payable to M1 Agency LLP, and ensures the fees are in line with market rates and on standard commercial property terms.

Environmental, Human Rights, Employee, Social and Community Issues

The Board recognises the requirement under the Companies Act 2006 to detail information about employees, human rights, environmental and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply directly to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third-party service providers. The Company has therefore not reported further in respect of these provisions, however information on our commitment to sustainability can be found within the Sustainability Report on pages 38 to 45.

While the Company is not within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement, the Company considers its supply chains to be of low risk as its principal service providers are the professional advisers set out in the Company Information section on page 127. Further information on the Company's anti-bribery and corruption policy is set out below.

There are six Directors, five male and one female. Further information on the composition of the Board is detailed on pages 56 and 57.

Anti-bribery and corruption

The Manager has a zero-tolerance anti-bribery and corruption policy and is committed to carrying out business fairly, honestly and openly. The Manager undertakes annual regulatory training on anti-money laundering 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 whistleblowing policy with appropriate links to the Chairman and/or Audit Committee Chairman.

Nigel Rich CBE

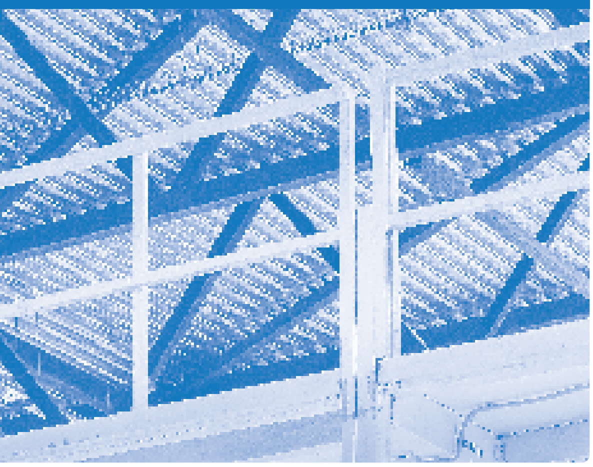
Chairman

22 June 2022

NOMINATION COMMITTEE REPORT

"The results of the Board evaluation confirmed that Directors and Committee members continue to work well."

Nigel Rich CBE
Chairman of the Nomination Committee



Composition

Nigel Rich CBE is Chairman of the Nomination Committee. The Nomination Committee comprises all of the independent Directors.

The Directors deemed to be independent are shown in the Director biographies on pages 56 and 57 and in the table on page 63.

Responsibilities

The role of the Nomination Committee is to regularly review the structure, size and composition of the Board and to lead the appointment of new Directors to the Board as and when appropriate. The Nomination Committee considers resolutions relating to the election and re-election of Directors at each Annual General Meeting and considers the orderly succession planning of the Board.

Matters considered during the year

The Committee met once during the year ended 31 March 2022 and considered the structure, size and composition of the Board as a whole, particularly its balance of skills, knowledge, experience and diversity and made recommendations to the Board with regard to any changes. The Committee gave consideration to succession planning for the Directors and key members of the management team taking into account the challenges and opportunities facing the Company, and the skills and expertise required on the Board in the future. The Committee also agreed upon the Board's performance evaluation process and considered the requirements for external performance evaluations to be undertaken in the future.

Board composition and succession planning

The Nomination Committee is mindful of the fact that, as the Company evolves, the mix of skills and experience on the Board will change and Board composition may change to reflect this. The Committee is also mindful of the recently announced rules on diversity and inclusion on company Boards.

The Nomination Committee has therefore appointed a recruitment firm, which is independent of the Board and the Company, and there are no connections with any of the Directors. The Committee members met a number of candidates, and the Committee hope to appoint a suitable candidate, with experience of both property and the public markets, in the coming months.

The planned activities of the Committee include an external Board evaluation. In addition, a number of Directors were appointed in 2016, giving a length of service at the time of this report of over six years. The Board aims for a maximum length of service of nine years, and will therefore consider succession planning in the coming year. In addition to this, the Board will continue consideration of environmental, social and governance matters, the identification of further professional development opportunities for Board members and the consideration of further engagement with key investors and stakeholders.

Nigel Rich CBE
Chairman of the Nomination Committee

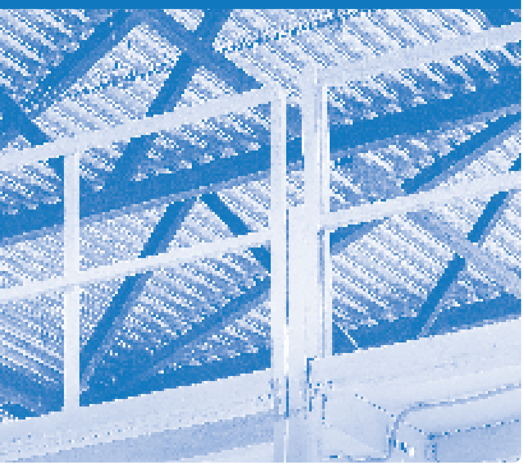
22 June 2022

AUDIT COMMITTEE REPORT

“”

I am pleased to present the Audit Committee Report for the year ended 31 March 2022.

Bruce Anderson
ACMA FCIOBS
Chairman of the Audit Committee



Composition

The Audit Committee is comprised of myself as Chairman, Nigel Rich CBE, Jonathan Gray and Heather Hancock, all of whom are independent Non-Executive Directors. All Audit Committee members consider that, individually and collectively, they are each independent and appropriately experienced to fulfil their role on the Audit Committee within the sector in which the Company operates. Further detail regarding individual Director experience can be found within the Director biographies on pages 56 and 57.

The Chairman of the Company, Nigel Rich CBE, is a member of the Audit Committee. The Board believes his membership of the Audit Committee is appropriate because he has significant experience in relation to financial matters as a qualified accountant, and has a wealth of experience in both property and the public markets given his previous chairmanship of Segro PLC.

Responsibilities

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly reported and monitored. The Audit Committee reviews the annual and half-year accounts, the accounting policies of the Company and key areas of accounting judgement, management information statements, financial announcements, internal control systems, risk management, the processes employed by the AIFM and the auditor to determine the underlying valuation of the investment portfolio, and the continuing appointment of the auditors. It also monitors the whistleblowing policy and procedures over fraud and bribery.

Terms of Reference for the Audit Committee have been adopted and are reviewed on a regular basis by the Board.

The Audit Committee's Terms of Reference are available on the Company's website **www.urbanlogisticsreit.com**

Matters considered during the year

The Committee met on three occasions during the year. Details of the attendance at those meetings can be found on page 64. At those meetings, the Audit Committee has:

- reviewed and considered the Company's property portfolio valuation in conjunction with the independent valuer at the half year and year end;
- reviewed the Company's Financial Statements for the half year and year end and made recommendations to the Board;
- reviewed the Company's going concern statement;
- considered the Company's navigation of the COVID-19 pandemic and the management of any impact of this on the Company's portfolio;
- considered the Company's additional disclosure requirements following the Company's move to the Main Market;

- assisted the Board in its consideration of environmental, social and governance matters;
- reviewed the internal controls and risk management procedures of the Company and of the Manager;
- recommended the re-appointment of RSM UK Audit LLP ("RSM") as auditor of the Company to the Board for approval and for the approval of shareholders at the 2022 Annual General Meeting; and
- reviewed its own performance as an Audit Committee and its own Terms of Reference.

The independent Directors meet in private with the lead partner of the Company's auditor on an annual basis and this will continue with RSM going forward. The Audit Committee Chairman has regular contact with the external auditor throughout the year and particularly during the preparation of the Annual Report and Financial Statements.

The significant matters considered by the Audit Committee were:

Valuation process and asset management

The Company uses CBRE as its property valuer, who conduct a valuation of the Company's properties on a half-yearly basis. Discussions have been held with the Manager and the independent valuer about the property portfolio valuation process, asset management and the systems in place at the Manager to ensure the accuracy of the valuation of the Company's property portfolio. The Audit Committee has received assurances from the Manager about the robustness of their valuation system and asset management capabilities. To enable a full discussion of the valuation, the valuer attended the Audit Committee meeting in May 2022. Further information regarding the valuation of the portfolio can be found below on page 68. In line with other service providers, the Committee feels it is best practice for regular external tender for services. Following a five-year appointment, the valuation services will therefore be put out to tender in the coming financial year.

Internal controls

During the year, the Audit Committee has reviewed and updated, where appropriate, the Company's risk matrix. This is considered on an ongoing basis and is in line with the Company's Risk Appetite Statement.

The Manager reports in writing to the Audit Committee and Board on operational and compliance issues prior to each quarterly meeting, and otherwise as necessary. The Manager reports directly to the Audit Committee concerning the internal controls applicable to the Manager's investment and office procedures, including information technology systems.

Going concern and long-term viability of the Company

The Committee considered the Company's financial requirements for the next twelve months and concluded that it has sufficient resources to meet its commitments. The Financial Statements therefore have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the period ended 31 March 2022, covering a three-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability.

The Company's going concern and viability statement can be found within the Strategic Report on page 55.

External auditor

RSM UK Audit LLP was appointed as the Company's auditor following an external audit tender process undertaken last year. RSM UK Audit LLP audited the Annual Report and Accounts of the Company for the financial year ended 31 March 2022. In accordance with the statutory requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period 1 April 2030.

Following consideration of the performance of RSM, the services provided during the year and a review of their independence and objectivity, the Committee has recommended to the Board the re-appointment of RSM as the Company's auditor. Shareholder approval of the auditor's re-appointment will be sought at the Annual General Meeting to be held on 20 July 2022.

Effectiveness of the external audit

The Committee reviews the effectiveness of the external audit carried out by the auditor on an annual basis. The Chairman of the Audit Committee maintained regular contact with the Company's audit partner throughout the year and met with them prior to the finalisation of the audit of the Annual Report and Financial Statements for the year ended 31 March 2022, without the Investment Manager present, to discuss how the external audit was carried out, the findings from the audit and whether any issues had arisen from the auditor's interaction with the Company's various service providers.

The Audit Committee will continue to monitor the performance of the auditor and make any appropriate recommendations.

Audit and non-audit fees and independence and objectivity of the auditor

The audit fee for the review of the Annual Report, including non-audit fees and related assurance services, is shown in the table below:

	2022 £'000	2021 £'000
Audit fees including related assurance services	**180**	100
Non-audit fees – reporting accountant services connected with equity raises	**119**	–
Total	**299**	100

The Audit Committee reviews the scope and nature of all proposed non-audit services before engagement to ensure that the independence and objectivity of the auditor is safeguarded. The Board's policy is that non-audit services may be carried out by the Company's auditor unless there is a conflict of interest or someone else is considered to have more experience.

The Committee recognises the importance of auditor objectivity and has reviewed the level of non-audit fees as noted in the table above to ensure the independence of RSM (who carried out the non-audit services to date) was not compromised. In reviewing auditor independence, the Committee has considered the nature of non-audit services provided, quantum of fees charged, the expectation of fee recurrence, and the internal controls applied by RSM to mitigate potential or perceived conflicts.

Euan Banks is the RSM audit partner responsible for the audit of the Financial Statements for the year ended 31 March 2022. The Committee is satisfied that the auditor's independence and objectivity is not impaired by the performance of their non-audit services and that the auditor has fulfilled its obligations to the Company and its shareholders.

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 relies on the Manager's internal systems and controls. The Finance Director of the Manager is invited to attend all 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 Half-Yearly and Annual Reports. The Audit Committee will continue to keep this matter under review.

Valuation of property portfolio

The Group has investment properties totalling £1,015 million as at 31 March 2022. 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 2022, in accordance with the RICS valuation – Professional Standards UK January 2020 (the "Red Book"). The Committee met with the team from CBRE in May 2022 and discussed the assumptions underlying the individual property valuations and has concluded that the valuation is appropriate.

Maintenance of REIT status

The UK REIT regime enables the Group, so long as strict criteria are met, to benefit from favourable income and capital gains tax treatment. 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.

During the year ended 31 March 2022, the Audit Committee has therefore monitored the Company's compliance status and has considered the requirements for the maintenance of the Company's REIT status throughout the year. The Audit Committee is satisfied that there is full compliance with the UK REIT regulations and notes the significant headroom for the financial year.

Evaluation of the Audit Committee

During the year, a thorough evaluation of the Committee's performance was carried out as part of the overall evaluation of the Board. The findings of the evaluation showed that the Committee continued to work well together as a unit and the cumulative skills, knowledge and experience of the Committee members remained adequate and appropriate for the needs of the Company and its obligation to its shareholders. Further information on the Board's evaluation of its performance and of its Committees can be found within the Corporate Governance Statement on pages 62 and 63.

Fair, balanced and understandable

As a result of the work performed, the Audit Committee has concluded that the Annual Report for the year ended 31 March 2022 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board.

CMA Order

The Company has complied with the provisions of the CMA Order throughout the year ended 31 March 2022.

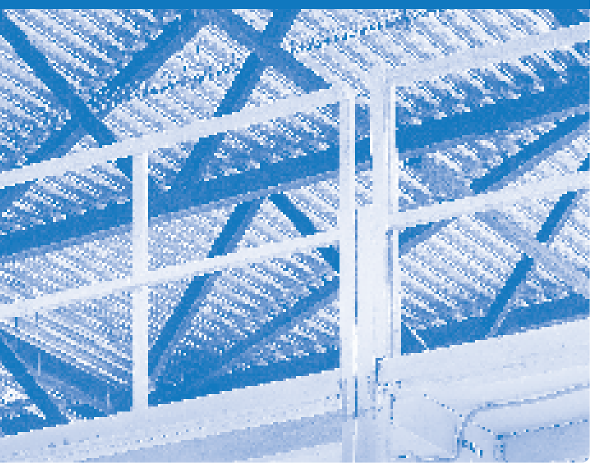
Bruce Anderson ACMA FCIOBS
Chairman of the Audit Committee

22 June 2022

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

The Manager maintains a high standard of performance and the continuation of their services was considered to be in the best interests of shareholders as a whole.

Nigel Rich CBE
Chairman of the Management Engagement Committee



Composition

Nigel Rich CBE is Chairman of the Management Engagement Committee, which comprises all of the independent Directors. The Directors deemed to be independent are shown in the Director biographies on pages 56 and 57 and in the table on page 63.

Responsibilities

The key responsibility of the Management Engagement Committee is to review the services and performance of the Company's Manager and other external service providers. The Management Engagement Committee has a formal process in place to conduct an annual review of all third-party service providers and will conduct ad hoc reviews of any service provider where necessary. The results of their review are shared with individual service providers. The Management Engagement Committee also reports the results of the review to the Board.

Matters considered during the year

The Management Engagement Committee met once during the year and the reviews were undertaken.

The Manager

The Board delegates the execution of its investment strategy and business model to the Manager, subject to the Board being kept informed of all material property acquisitions and disposals, including development projects.

The Management Engagement Committee reviewed the contractual relationship and engagement terms of the Manager and their performance. The Management Engagement Committee agreed no changes were deemed necessary to the Manager's contractual engagement terms at present. The Manager's performance was considered to be of a high standard.

Other service providers

All other service providers were reviewed, and their terms of engagement and performances were considered to be satisfactory and in the best interests of the Company.

The Management Engagement Committee reviewed the relationship with M1 Agency LLP, in which Richard Moffitt, a Director of the Company, is a Partner. As noted in the Corporate Governance Statement, the Company uses M1 Agency LLP regularly as an agent for the purchase and disposal of assets, but not exclusively. The Management Engagement Committee was satisfied that M1 Agency LLP provided a valuable service to the Company and that its fees were market competitive and fully disclosed to the market as required. The Finance team at the Manager and the independent members of the Board scrutinised all proposals received from M1 Agency. Further details of how conflicts of interest are managed can be found on page 64.

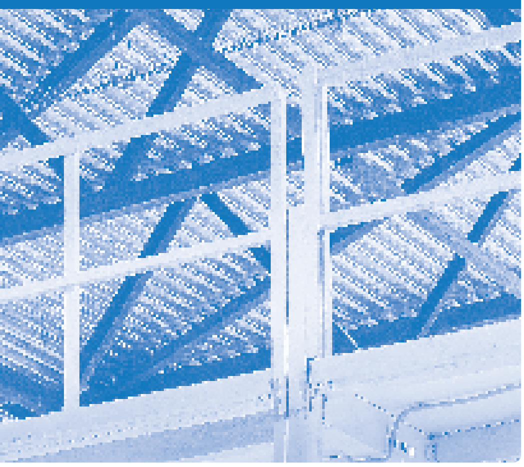
Nigel Rich CBE
Chairman of the Management Engagement Committee

22 June 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") COMMITTEE REPORT

> I am pleased to present the ESG Committee Report for the year ended 31 March 2022.

Heather Hancock LVO DL
Chairwoman of the ESG Committee



Statement from the Chairwoman

The ESG Committee was duly set up in April 2021 to scrutinise performance across the full suite of ESG commitments that Urban Logistics places on the Manager, as well as relevant obligations and governance requirements falling directly on the Company. It refers and reports, as appropriate, to the Board, and where appropriate to other Committees of the Board e.g. the Audit Committee on risk.

Composition

The ESG Committee is comprised of myself as Chairwoman, Nigel Rich CBE, Bruce Anderson and Jonathan Gray, all of whom are independent Non-Executive Directors. All ESG Committee members consider that, individually and collectively, they are each independent and appropriately experienced to fulfil their role on the ESG Committee within the sector in which the Company operates. Further detail regarding individual Director experience can be found within the Director biographies on pages 56 and 57.

Responsibilities

The ESG Committee advises on and recommends to the Board its ESG policy and ensures this remains up to date with the Board's strategic objective regarding ESG, which is to achieve high governance standards and to scrutinise the Manager's progress in addressing the Board's ESG priorities and targets. The ESG Committee takes a strategic approach and identifies and pursues sustainability issues whereby the Company has optimal capacity to make a meaningful impact.

Terms of Reference for the ESG Committee have been adopted and are reviewed on a regular basis by the Board.

The ESG Committee's Terms of Reference are available on the Company's website **www.urbanlogisticsreit.com**

Matters considered during the year

The ESG Committee meets at least once a year or more often if required. The Committee met on two occasions during the year.

Details of the attendance at those meetings can be found on page 64. At those meetings, the ESG Committee has:

- advised on and recommended to the Board its ESG policy;
- proposed targets and KPIs to achieve the Board's policy objectives;
- scrutinised the Manager's progress in addressing the Board's ESG priorities and targets;
- overseen compliance with legal and regulatory requirements relevant to sustainability, including corporate governance principles and standards;
- advised the Audit Committee on specific risks relating to ESG, for consideration within the Company's risk register;
- monitored the Company's approach and performance in relation to competitors, relevant benchmarks and regulator expectations;
- overseen ESG reporting within the Company's Annual Report and reporting to ESG Ratings Agencies as appropriate, ensuring adherence to reporting requirements; and
- reviewed its own performance as an ESG Committee and its own Terms of Reference.

Further information regarding the Company's approach to ESG can also be found on pages 38 to 45.

Heather Hancock LVO DL
Chairwoman of the ESG Committee

22 June 2022

DIRECTORS' REMUNERATION REPORT

The Board is pleased to present the Directors' Remuneration Report for the year ended 31 March 2022.

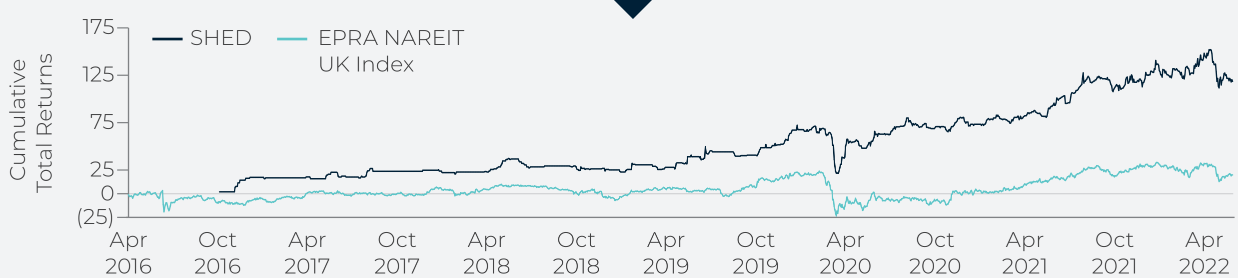
As disclosed on page 63 the Board as a whole deals with matters of Directors' remuneration and fulfils the functions of a Remuneration Committee and considers any changes to the Directors' remuneration policy. No Directors are involved in deciding their own remuneration.

In July 2021, Mark Johnson and Richard Moffitt, as unpaid Directors, considered the level of Directors' fees for the year ended 31 March 2022 and undertook a benchmarking exercise against peer group companies' director remuneration. Following this exercise, they recommended to the Chairman an increase to the annual Directors' fees of £5,000. They also recommended to the independent Directors an increase to the annual Chairman's fee of £5,000. Both recommendations were accepted, in order to reflect the specific circumstances of the Company, the increasing duties and responsibilities of the Directors following the growth of the Company, and the value and amount of time committed by each Director to the Company's affairs. As a result of this exercise the base annual fee was increased by £5,000. The fee increases took effect from 1 July 2021. Further, to allow headroom for future appointments, the Board is proposing to increase the aggregate limit of Directors' fees payable under the Company's Articles of Association from £400,000 to £500,000. Approval from shareholders for this provision will be sought at the Company's upcoming Annual General Meeting.

Performance of the Company

The Company does not have a specific benchmark against which performance is measured. The graph below compares the total return (assuming all dividends are reinvested) to holders of ordinary shares since IPO, compared to the total shareholder return of the EPRA NAREIT UK Index, which is the closest broad index against which to measure the Company's performance..

REVIEW OF PAST PERFORMANCE



Directors' remuneration (audited)

The remuneration paid to the Directors during the year ended 31 March 2022 is set out in the table below:

	Year ended 31 March 2022 £			Year ended 31 March 2021 £		
	Fees	**Expenses**	**Total**	Fees	Expenses	Total
Nigel Rich CBE (Chairman)	**83,750**	**27**	**83,777**	78,750	–	78,750
Bruce Anderson[1]	**48,750**	**1,832**	**50,582**	42,500	202	42,702
Jonathan Gray	**48,750**	**–**	**48,750**	42,500	–	42,500
Heather Hancock[2]	**48,333**	**–**	**48,333**	31,753	–	31,753
Mark Johnson[3]	**–**	**–**	**–**	–	–	–
Richard Moffitt[3]	**–**	**–**	**–**	–	–	–
Total	**229,583**	**1,859**	**231,442**	195,503	202	195,705

1. The Directors are entitled to all reasonable travel, hotel and other expenses incurred in the performance of their duties. As such, Bruce's travel from Scotland and overnight stays in London to attend Board meetings have been covered by the Company.
2. Heather Hancock was appointed Chairwoman of the ESG Committee with effect from 6 May 2021.
3. Mark Johnson and Richard Moffitt have waived their right to remuneration as Directors of the Company.

The annual percentage change in remuneration paid to the Directors is set out in the table below:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £	Change to 2022 %	Change to 2021 %
Nigel Rich CBE	**83,750**	78,750	**6%**	5%
Bruce Anderson	**48,750**	42,500	**15%**	21%
Jonathan Gray	**48,750**	42,500	**15%**	21%
Heather Hancock[1]	**48,333**	31,753	**52%**	—
Mark Johnson[2]	**–**	—	**–**	—
Richard Moffitt[2]	**–**	—	**–**	—

1. Heather Hancock was appointed to the Board with effect from 15 June 2020, and appointed Chairwoman of the ESG Committee with effect from 6 May 2021.
2. Mark Johnson and Richard Moffitt have waived their right to remuneration as Directors of the Company.

Relative importance of spend on pay (unaudited)

The table below sets out significant use of profit and cash in respect of the year ended 31 March 2022 and 31 March 2021:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £	Change %
Directors' remuneration	**229,583**	195,503	+17%
Investment management fee	**5,431,124**	2,945,030	+84%
Dividends paid to shareholders	**21,654,282**	9,508,458	+128%

Note: the items listed in the table above are as required by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of the investment management fee, which has been included because the Directors believe it will aid shareholders' understanding of the relative importance of the spend on pay.

Directors' shareholdings (audited)

The interests of the Directors (and any person closely associated) in the shares of the Company are set out below.

	Number of Ordinary Shares held	Percentage of issued share capital as at 31 March 2022 (%)
Nigel Rich CBE (Chairman)	540,536	0.11
Bruce Anderson	50,000	0.01
Jonathan Gray	60,000	0.01
Heather Hancock	14,388	0.003
Mark Johnson[1]	309,986	0.07
Richard Moffitt[1]	1,142,843	0.24

1. Mark Johnson and Richard Moffitt are members of Pacific Industrial LLP, which holds 206,813 Ordinary Shares.

The Company has adopted a share dealing code in relation to the Company's shares, which is based on the requirements of the Listing Rules and MAR.

There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company.

None of the independent Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

There have been no changes to any of the above holdings between 31 March 2022 and the date of this report.

Remuneration policy

Introduction

As the Company is now a constituent of the Main Market of the London Stock Exchange, Directors are required to seek shareholder approval for a Remuneration Policy at least every three years, except in the event that a change to the Policy is proposed or the advisory vote on the Directors' Remuneration Report is not passed in any year subsequent to the approval of the Policy. Accordingly, the Directors have recommended that the Policy be submitted for shareholder approval for the first time at the 2022 Annual General Meeting.

Policy

The Company follows the principles of the AIC Code in that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of the role, and that our remuneration policies and practices support the Company's strategy and promote its long-term sustainable success. The Board's policy is that the remuneration of Non-Executive Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments. Furthermore, the Board considers that the level of remuneration should be sufficient to attract and retain the calibre of Directors required to implement the Company's strategy.

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined by the Articles or by ordinary resolution (not exceeding in aggregate £500,000 (subject to the passing of an ordinary resolution at the AGM) per annum or such other sum as the Company in general meeting shall from time-to-time determine). Save for the Chairman, the fees are £45,000 for each Director per annum. An additional fee of £5,000 is paid to Committee chairs, as well as to the Senior Independent Director. Mark Johnson and Richard Moffitt have waived their right to remuneration as Directors. The Chairman's fee is £85,000 per annum. The fee for any new Director appointed to the Board will be determined on the same basis. The Directors are also entitled to all reasonable travelling, hotel and other expenses properly incurred in the proper performance of their duties. No amount has been set aside or accrued by the Company to provide pensions, retirement or other similar benefits. The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively. There are no performance conditions attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for Non-Executive Directors.

Under the Company's Articles of Association, if by arrangement with the Board, or any committee authorised by the Board, any Director shall perform or render any special duties or services outside his or her ordinary duties as a Director and not in his or her capacity as a holder of employment or executive office, he or she may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board, or any committee authorised by the Board, may from time to time determine.

No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed pursuant to a letter of appointment entered into with the Company. The terms of their appointment provide that Directors shall retire and be subject to election at the first AGM after their appointment. Thereafter, they will be subject to annual re-election. The Directors' letters of appointment do not provide for compensation upon termination of employment. The Directors' appointments can be terminated in accordance with the Articles. Directors' appointments may be terminated earlier by either party giving to the other three months' prior written notice. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from Board meetings for six consecutive months or more; or (iii) written request of all of the other Directors.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors. The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

An ordinary resolution will be put to shareholders at the Company's AGM on 20 July 2022 to receive and approve the Directors' remuneration policy.

On behalf of the Board.

Nigel Rich CBE
Chairman

22 June 2022

DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 31 March 2022.

Corporate governance

The Corporate Governance Statement can be found on pages 58 to 64 and forms part of the Directors' Report.

Directors

The current Directors of the Company were in office during the whole of the year ended 31 March 2022. The biographies of all Directors can be found on pages 56 and 57.

All Directors that were in office at 31 March 2022 will stand for re-election at the Company's Annual General Meeting on 20 July 2022.

The rules concerning the appointment and replacement of Directors are governed within the Company's Articles of Association and relevant company law.

Share capital

At the Company's Annual General Meeting on 12 July 2021, the Company was granted authority to allot Ordinary Shares up to a maximum nominal amount of £510,091.64 (representing approximately 20% of the issued Ordinary Share capital of the Company as at 8 June 2021) until the earlier of the conclusion of the Annual General Meeting to be held in 2022 and 30 September 2022.

The authorities to allot Ordinary Shares granted at the 2021 AGM were fully utilised in July 2021, when the Company issued 51,009,164 shares on 13 July 2021.

A special resolution was also passed at the Company's Annual General Meeting on 12 July 2021 granting the Directors authority to repurchase up to 14.99% of the Company's issued Ordinary Share capital during the period expiring on the conclusion of the Company's Annual General Meeting in 2022. Renewal of this buy-back authority will be sought at each Annual General Meeting of the Company or more frequently if required.

The Company made no purchase of its own shares during the year and the rights attached to the Company's shares are set out in the Company's Articles of Association.

At the Company's general meeting held on 12 November 2021, the Company was granted authority to issue up to 350 million Ordinary Shares and/or C Shares on a non-pre-emptive basis with effect from the Company's admission to the premium segment of the London Stock Exchange's Main Market.

The Company was further granted authority to issue up to an aggregate maximum nominal amount of £1,072,224.74 (equating to 107,222,474 Ordinary Shares and representing approximately 33% of the Ordinary Share capital of the Company as at 26 October 2021) provided that this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2022.

The Company was also granted a general authority to issue up to 64,983,318 Ordinary Shares (representing approximately 20% of the Company's issued share capital (as at 26 October 2021)) on a non-pre-emptive basis.

The Company's issued share capital as at 31 March 2022 consisted of 471,975,411 Ordinary Shares of £0.01 pence each. At the date of this report, 471,975,411 Ordinary Shares of £0.01 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange.

At 31 March 2022 and at the date of this report, the total voting rights of the Company were 471,975,411.

Further details regarding the Company's issued share capital are set out in note 27 of the Financial Statements.

Information about securities carrying voting rights

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set out in note 27 to the Financial Statements and in the previous paragraph;
- the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights, no special rights with regard to control attached to securities, and no agreements between holders of securities regarding their transfer known to the Company.

Substantial shareholdings

So far as is known to the Company, and which is notifiable under the Disclosure Guidance and Transparency Rules, as at 31 March 2022, there were no persons who held, directly or indirectly, 3% or more of the issued Ordinary Shares of the Company's voting rights. During the period between 31 March 2022 and 22 June 2022 (being the latest practicable date prior to the publication of this document) the Company has been notified by Waverton Investment Management Limited of a change in the percentage represented by their holding. As at 28 April 2022, Waverton Investment Management Limited had a holding of 18,974,592 shares, which represented 4.02% of the Company's voting rights.

The Manager

The Company initially appointed Pacific Capital Partners Limited as its AIFM and Manager. On 18 June 2021, the Company announced that, as part of an internal reorganisation of the Pacific Group, Pacific Capital Partners Limited novated its appointment as the Company's Alternative Investment Fund Manager to PCP2 Limited, another wholly owned subsidiary in the Pacific Group. The Company and the Manager have entered into the Management Agreement, pursuant to which the Manager has, subject to overall supervision and direction of the Board, agreed to provide investment management services to the Company. PCP2 Limited acts as the Company's Manager for the purposes of the AIFMD and certain other ancillary services. The Manager has delegated the day-to-day administration of the Company to the Pacific Group.

They are supported administratively by 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 £2.0 million (31 March 2021: £2.1 million). For details as to which Directors are independent of the Manager, please see the Director biographies on pages 56 and 57 and the table on page 63.

The Management Engagement Committee annually reviews the Manager's performance and makes recommendations to the Board as to their continuing appointment. Further information can be found in the Management Engagement Committee Report on page 69.

The Investment Management Agreement was extended in July 2018 and runs to April 2024, including a twelve-month termination provision.

The Company has a Long-Term Incentive Plan ("LTIP"), which crystallises in September 2023, accounted for as an equity-settled share-based payment for the Manager and its Affiliates. The Board believes that the success of the Company depends, in part, on the future performance of the Pacific Group and the Management Team. The Directors also recognise the importance of ensuring that the Pacific Group and the Management Team are incentivised and identify closely with the long-term success of the Company, in alignment with the shareholders. The LTIP was established, which the Board believes meets this objective.

The Board reviewed the Company's management incentive arrangements during the year and the following terms were agreed to the annual management fee and the LTIP. These terms were last reviewed when set by the Board in 2018 and no further changes have been made since.

Annual management fee

The Company will pay the Manager the following fees, payable quarterly in arrears:

- 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.

LTIP

The excess return on both elements of the LTIP payable to the Manager is 5%.

The LTIP is calculated by reference to total value created as follows:

- the excess EPRA NTA return payable to the Manager shall be calculated by reference to the increase in the Company's EPRA NTA (adjusted for any new issue of shares) rather than by reference to an increase in the EPRA NTA per Ordinary Share;
- the excess share price return payable to the Manager shall be calculated by reference to the increase in the market capitalisation of the Company (adjusted for any new issue of shares) rather than by reference to an increase in the market price of an Ordinary Share; and
- the LTIP payment shall be capped at three times the average annual management fees paid from 7 February 2020 to the next calculation date, being September 2023.

For further information, please see note 14 of the Financial Statements on page 100.

Related party transactions

Details on related party transactions can be found in note 32 of the Financial Statements on pages 111 and 112.

Financial results and dividends

IFRS profit after tax for the year was £171.8 million (31 March 2021: £47.6 million), representing a basic and diluted earnings per share of 48.86 pence, compared with 21.72 pence for the prior year.

Adjusted earnings for the year were £23.6 million, which represents a £8.8 million increase when compared to the prior year.

The Company is targeting an annual total return of between 10% and 15% through a combination of dividends and growth in NAV.

The Company pays dividends on the Ordinary Shares on a half-yearly basis with dividends declared in respect of the six months ending on 30 September and 31 March in each year.

The following interim dividends totalling 7.60 pence have been paid or declared in respect of the year ended 31 March 2022:

Description	Pence per share	Payment date	Financial year
Second interim dividend	4.35	July 2022	2022
First interim dividend	3.25	December 2021	2022

No final dividend is being proposed. Further information on dividends paid or declared can be found in note 15 to the Financial Statements and in the Financial Review section on pages 33 to 37.

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in note 24 of the Financial Statements and in the Principal Risks and Uncertainties section on pages 51 to 54.

Going concern and viability statements

The Company's going concern and viability statements can be found on pages 55.

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.

Employees

There are no senior management or other employees within the Group at either 31 March 2022 or 31 March 2021.

Political donations

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

DIRECTORS' REPORT CONTINUED

Significant agreements

On 7 August 2020, the Company entered into a £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 facility provides a three-year term and includes an option to extend for a further two years.

On 12 March 2021, the Company entered into a £48 million loan facility with Aviva Investors, and in December 2021 entered into a further £40 million facility. These are in addition to the £151 million loan facility with Barclays, Santander and Lloyds which was secured in August 2020.

Further details regarding the principal agreements between the Company and its service providers, including the Investment Manager, are set out in note 22 to the Financial Statements on page 106 and 107.

Articles of Association

During the year, the Company's Articles of Association were amended to reflect the regulatory and governance requirements of the premium segment of the Main Market of the London Stock Exchange. Amendments to the Company's Articles of Association may only be made by passing a special resolution of the shareholders of the Company. The Company's Articles of Association can be found on the Company's website or by application to the Company Secretary.

Greenhouse gas emissions and Taskforce on Climate-related Financial Disclosures ("TCFD")

Information about the Group's greenhouse gas emissions and the Company's voluntary reporting against the TCFD recommendations is set out in the Strategic Report on page 41.

Streamlined Energy and Carbon Reporting

Further detail on the Company's environmental reporting can be found in the Sustainability Report on pages 38 to 45 and in the Supplementary Information on pages 113 to 123.

Independent auditor

RSM UK Audit LLP has expressed its willingness to continue as auditor for the financial year ending 31 March 2023. A resolution to re-appoint RSM UK Audit LLP will be put to shareholders at the 2022 Annual General Meeting.

Audit information

The Directors in office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is not aware.

Each Director has taken all reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotment of shares is set out on page 75. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Annual General Meeting

The Company's AGM is scheduled to be held on Wednesday 20 July 2022. A full description of the business to be conducted at the meeting is set out in the separate notice of AGM.

Future developments

Further information regarding the future developments of the Company can be found within the Strategic Report on pages 1 to 55..

Post balance sheet events

On 21 April 2022, the Group exercised a right to pay down £51 million in respect of the Barclays loan facility. The Company has the contractual right to redraw this debt on ten days' notice.

On 29 April 2022, the Group acquired a portfolio of five assets for a total consideration of £13.7 million at a 5.8% NIY.

On 12 May 2022, the Group acquired a site totalling 6,742 sq ft, on a 1.34 acre plot, in Papworth for a consideration of £1.4 million at a 5.1% NIY.

On 18 May 2022, the Group acquired a 13,301 sq ft property in Nottingham for a consideration of £3.3 million at a 4.2% NIY.

On 31 May 2022, the Group entered into a new £47 million loan facility with Aviva Investors. This facility provides a ten-year term at a fixed cost of 3.52%.

This report was approved by the Board on 22 June 2022.

Nigel Rich CBE
Chairman

22 June 2022

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Strategic Report and the Directors' Report, the Directors' Remuneration Report, the separate Corporate Governance Statement and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards. The Directors have elected under company law to prepare the Company Financial Statements in accordance with UK-adopted International Accounting Standards.

The Group and Company Financial Statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group and the Company; the Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
d. 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 56 and 57, confirms that, to the best of each person's knowledge:

a. the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
b. the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Urban Logistics REIT Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Nigel Rich CBE
Chairman

22 June 2022

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 2022 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 Changes in Equity and Company Statement of Changes in Equity and notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company Financial Statements is applicable law and UK-adopted International Accounting Standards 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 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with 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 as applied to listed public interest entities 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.

Key audit matters	**Group** • Valuation of Investment Property **Parent Company** • No key audit matters
Materiality	**Group** • Overall materiality: £11,790,000 (2021: £7,600,000) • Performance materiality: £8,800,000 (2021: £5,700,000) **Parent Company** • Overall materiality: £6,890,000 (2021: £4,750,000) • Performance materiality: £5,170,000 (2021: £3,560,000)
Scope	Our audit procedures covered 100% of revenue, 98% of total assets and 95% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in relation to the parent company.

Valuation of Investment Property	
Key audit matter description	This is detailed in the Audit Committee report on pages 66 to 68; the significant accounting judgements and estimates on pages 93 and 94; significant accounting policies on pages 94 to 97 and notes to the Financial Statements on pages 93 to 112. The Group owns a portfolio of investment properties located across the UK and the total value of the portfolio at 31 March 2022 was £1,015 million. The Directors' assessment of the value of the investment properties at year end date is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process. The valuation is carried out by external valuers, CBRE, in line with the methodology set out in note 16.
How the matter was addressed in the audit	We audited the independent valuations of investment properties to ensure that they had been prepared on a consistent basis for all properties and correctly recorded in the Financial Statements and in line with the Accounting Standards. We assessed the external valuer's qualifications and expertise and considered their terms of engagement, we also considered their objectivity and any other existing relationships with the Group and concluded that there was no evidence that the valuer's objectivity had been compromised. We engaged a property valuation specialist as our auditor expert to assist in the review and challenge of the valuations. In addition, we selected a sample of 13 sites that had valuation or yield movements that were higher or lower than expected from our overall review of the portfolio and requested they complete a detailed assessment of each valuation. We discussed with the Manager and the valuer the overall movement in property values and also challenged them on any properties whose movement was not consistent with overall movements of the entire portfolio, to gain an understanding of why these exceptions were reasonable. We tested inputs provided by the Manager to the valuer to ensure these reflected the key observable inputs for each property and considered whether market data for a sample of properties was consistent with the valuation report.
Key observations	We concluded that the fair values of the investment properties being adopted by the Group were appropriate.

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

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the Financial Statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£11,790,000 (2021: £7,600,000)	£6,890,000 (2021: £4,750,000)
Basis for determining overall materiality	1% of total assets	1% of total assets
Rationale for benchmark applied	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the property valuation.	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of the investments held by the parent company in its property holding subsidiaries.
Performance materiality	£8,800,000 (2021: £5,700,000)	£5,170,000 (2021: £3,560,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £440,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £258,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 17 components, located in the UK and Jersey. Full scope audits were performed for eleven components, specific audit procedures for 3 components including the Jersey entity and analytical review procedures were performed for dormant subsidiaries Urban Logistics Acquisitions 7 Limited, Urban Logistics Acquisitions 8 Limited and Urban Logistics Acquisitions 9 Limited. All work was performed by RSM UK Audit LLP.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	11	89%	92%	93%
Specific audit procedures	3	11%	8%	7%
Analytical procedures	3	0%	0%	0%
Total	**17**	**100%**	**100%**	**100%**

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included review of sensitivity analysis and forecast compliance with covenants. We concluded that the Directors' assessment was appropriate in the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited 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; or
- a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and the part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code, specified for our review by the Listing Rules.

Corporate governance statement continued

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 51 to 54 and 67;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 55;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 67;
- Directors' statement on fair, balanced and understandable set out on page 68;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 63;
- Section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 63; and
- Section describing the work of the Audit Committee set out on pages 66 to 68.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement set out on page 79, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Financial Statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the Financial Statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the Financial Statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and parent company operate in and how the Group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the Financial Statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/ Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
REIT status compliance regulations	Input from a tax specialist was obtained regarding the Group's compliance with the REIT requirements. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 15 February 2021 to audit the Financial Statements for the year ending 31 March 2021 and subsequent financial periods.

The period of total uninterrupted consecutive appointment is 2 years, covering the years ending 31 March 2021 to 31 March 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with ISAs (UK).

Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Euan Banks
(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

25 Farringdon Street
London
EC4A 4AB

22 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Continuing operations			
Revenue	5	**37,811**	24,181
Property operating expenses	7	**(1,262)**	(1,307)
Net rental income		**36,549**	22,874
Administrative and other expenses		**(7,159)**	(4,230)
Other income		**1,021**	159
Long-term incentive plan charge	14	**(4,114)**	(295)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**26,297**	18,508
Changes in fair value of investment property	6, 16	**149,892**	25,760
Profit on disposal of investment property		**220**	7,035
Operating profit	8	**176,409**	51,303
Finance income		**58**	90
Finance expense	10	**(6,898)**	(4,078)
Changes in fair value of interest rate derivatives		**2,663**	287
Exceptional items	11	**(459)**	–
Profit before taxation		**171,773**	47,602
Tax charge	12	**–**	–
Profit and total comprehensive income (attributable to the shareholders)		**171,773**	47,602
Earnings per share – basic	13	**48.86p**	21.72p
Earnings per share – diluted	13	**48.86p**	21.72p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Non-current assets			
Investment property	16	**1,029,071**	515,794
Intangible assets		**47**	12
Interest rate derivatives	23	**1,603**	—
Total non-current assets		**1,030,721**	515,806
Current assets			
Trade and other receivables	19	**20,965**	35,411
Cash and cash equivalents	20	**127,379**	60,459
Total current assets		**148,344**	95,870
Total assets		**1,179,065**	611,676
Current liabilities			
Trade and other payables	21	**(23,752)**	(7,484)
Deferred rental income		**(9,065)**	(5,568)
Total current liabilities		**(32,817)**	(13,052)
Non-current liabilities			
Long-term rental deposits		**(5,698)**	(4,125)
Lease liability		**(8,720)**	(6,748)
Interest rate derivatives	23	**–**	(1,060)
Other borrowings		**(3,058)**	(2,882)
Bank borrowings	22	**(236,140)**	(196,354)
Total non-current liabilities		**(253,616)**	(211,169)
Total liabilities		**(286,433)**	(224,221)
Total net assets		**892,632**	387,455
Equity			
Share capital	27	**4,720**	2,550
Share premium	28	**438,418**	89,644
Capital reduction reserve	29	**228,760**	228,760
Other reserves	14	**4,465**	351
Retained earnings	31	**216,269**	66,150
Total equity		**892,632**	387,455
Net asset value per share – basic	33	**189.12p**	151.92p
Net asset value per share – diluted	33	**189.12p**	151.92p

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 22 June 2022 and signed on its behalf by:

Nigel Rich CBE
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Non-current assets			
Investment subsidiaries	18	**552,766**	297,766
Intangible assets		**47**	12
Total non-current assets		**552,813**	297,778
Current assets			
Trade and other receivables	19	**109,374**	34,476
Cash and cash equivalents	20	**27,695**	1,791
Total current assets		**137,069**	36,267
Total assets		**689,882**	334,045
Current liabilities			
Trade and other payables	21	**(4,426)**	(1,316)
Total current liabilities		**(4,426)**	(1,136)
Total liabilities		**(4,426)**	(1,136)
Total net assets		**685,456**	332,729
Equity			
Share capital	27	**4,720**	2,550
Share premium	28	**438,418**	89,644
Capital reduction reserve	29	**228,760**	228,760
Other reserves	14	**4,465**	351
Retained earnings	31	**9,093**	11,424
Total equity		**685,456**	332,729

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 £19.3 million (31 March 2021: £16.0 million).

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 22 June 2022 and signed on its behalf by:

Nigel Rich CBE
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		**171,773**	47,602
Add: amortisation and depreciation		**97**	49
Less: changes in fair value of investment property	6, 16	**(149,892)**	(26,250)
Less: changes in fair value of interest rates swaps		**(2,663)**	(287)
Less: profit on disposal of investment property		**(220)**	(7,035)
Less: finance income		**–**	(90)
Add: finance expense	10, 23	**6,898**	4,078
Add: long-term incentive plan	14	**4,114**	295
Decrease/(increase) in trade and other receivables		**9,024**	(34,831)
Increase in trade and other payables		**18,636**	8,436
Cash generated from/(used in) operations		**57,767**	(8,033)
Net cash flow generated from/(used in) operating activities		**57,767**	(8,033)
Investing activities			
Purchase of investment properties	16	**(315,788)**	(171,314)
Capital expenditure on investment properties	16	**(44,754)**	(30,525)
Disposal of investment properties	16	**8,380**	29,239
Acquisition of subsidiary, net of cash acquired	17	**(1,270)**	(92,722)
Net cash flow used in investing activities		**(353,432)**	(265,322)
Financing activities			
Proceeds from issue of Ordinary Share capital	27	**358,300**	92,337
Cost of share issue	28	**(7,356)**	(2,032)
Bank borrowings drawn	22	**40,000**	199,364
Bank borrowings repaid	22	**–**	(75,701)
Loan arrangement fees paid		**(1,300)**	(2,670)
Other borrowings drawn		**–**	2,882
Interest paid	10	**(5,405)**	(3,228)
Interest received		**–**	90
Dividends paid to equity holders	15	**(21,654)**	(9,508)
Net cash flow generated from financing activities		**362,585**	201,534
Net increase/(decrease) in cash and cash equivalents for the period		**66,920**	(71,821)
Cash and cash equivalents at start of period		**60,459**	132,280
Cash and cash equivalents at end of period		**127,379**	60,459

COMPANY STATEMENT OF CASH FLOWS

	Note	31 March 2022 £'000	31 March 2021 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**19,323**	15,966
Add: depreciation		**13**	5
Less: finance income		**(34)**	(85)
Less: dividends received from subsidiaries		**(23,040)**	—
Add: long-term incentive plan	14	**4,114**	295
Increase in trade and other receivables		**(203)**	(8)
Increase in trade and other payables		**2**	491
Cash generated from operations		**175**	16,664
Net cash flow generated from operating activities		**175**	16,664
Investing activities			
(Increase)/decrease in loan due from Group undertakings		**(50,147)**	106,939
Investment in subsidiary	18	**(253,400)**	(203,966)
Purchase of intangible assets		**(48)**	—
Net cash flow used in investing activities		**(303,595)**	(97,027)
Financing activities			
Proceeds from issue of Ordinary Share capital	27	**358,300**	92,337
Cost of share issue	28	**(7,356)**	(2,032)
Interest received		**34**	85
Dividends paid to equity holders	15	**(21,654)**	(9,508)
Net cash flow generated from financing activities		**329,324**	80,882
Net increase in cash and cash equivalents for the period		**25,904**	519
Cash and cash equivalents at start of period		**1,791**	1,272
Cash and cash equivalents at end of period		**27,695**	1,791

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022	Share capital £'000	Share premium £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2021	2,550	89,644	228,760	351	66,150	387,455
Profit for the period	—	—	—	—	171,773	171,773
Total comprehensive income	**–**	**–**	**–**	**–**	**171,773**	**171,773**
Dividends to shareholders	**–**	**–**	**–**	**–**	**(21,654)**	**(21,654)**
Long-term incentive plan	**–**	**–**	**–**	**4,114**	**–**	**4,114**
Issue of Ordinary Shares	**2,170**	**348,774**	**–**	**–**	**–**	**350,944**
31 March 2022	**4,720**	**438,418**	**228,760**	**4,465**	**216,269**	**892,632**
1 April 2020	1,886	228,764	—	56	28,056	258,762
Profit for the period	—	—	—	—	47,602	47,602
Total comprehensive income	—	—	—	—	47,602	47,602
Dividends to shareholders	—	—	—	—	(9,508)	(9,508)
Long-term incentive plan	—	—	—	295	—	295
Issue of Ordinary Shares	664	89,640	—	—	—	90,304
Transfer to capital reduction reserve	—	(228,760)	228,760	—	—	—
31 March 2021	2,550	89,644	228,760	351	66,150	387,455

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022	Share capital £'000	Share premium £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2021	2,550	89,644	228,760	351	11,424	332,729
Profit for the period	—	—	—	—	19,323	19,323
Total comprehensive income	**—**	**—**	**—**	**—**	**19,323**	**19,323**
Dividends to shareholders	**—**	**—**	**—**	**—**	**(21,654)**	**(21,654)**
Long-term incentive plan	**—**	**—**	**—**	**4,114**	**—**	**4,114**
Issue of Ordinary Shares	**2,170**	**348,774**	**—**	**—**	**—**	**350,944**
31 March 2022	**4,720**	**438,418**	**228,760**	**4,465**	**9,093**	**685,456**
1 April 2020	1,886	228,764	—	56	4,966	235,672
Profit for the period	—	—	—	—	15,966	15,966
Total comprehensive income	—	—	—	—	15,966	15,966
Dividends to shareholders	—	—	—	—	(9,508)	(9,508)
Long-term incentive plan	—	—	—	295	—	295
Issue of Ordinary Shares	664	89,640	—	—	—	90,304
Transfer to capital reduction reserve	—	(228,760)	228,760	—	—	—
31 March 2021	2,550	89,644	228,760	351	11,424	332,729

NOTES TO THE 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 the Main Market of the London Stock Exchange. The registered office address is 6th Floor, 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

2. Basis of preparation

The Group and parent company have elected to prepare the Financial Statements in accordance with UK adopted International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under UK adopted IFRS.

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 and presentational 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 Group has chosen to adopt European Public Real Estate Association ("EPRA") best practice guidelines for calculating key metrics such as net tangible assets and earnings per share (**www.epra.com/finance/financial-reporting/guidelines**).

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 £19.3 million (31 March 2021: £16.0 million).

All amounts presented in the notes to the Financial Statements are to the nearest £1,000 unless otherwise stated.

Going concern and viability statement

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.

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

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

3. Significant accounting judgements, estimates and assumptions

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

Key sources of estimation uncertainty

Fair value of investment property and properties under construction

The Group values its investment properties using a yield capitalisation methodology. Principal assumptions and management's underlying estimation of the fair value of those relate to: capitalised occupancy levels; expected future growth in rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in minimal net impact on the valuation. A more detailed explanation of the background, methodology and judgements made by management that are adopted in the valuation of the investment properties is set out in note 15 to the Financial Statements.

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

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

3. Significant accounting judgements, estimates and assumptions continued

Judgement of business combinations

The Directors assess whether the acquisition of a property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where this is not the case the transaction is treated as an asset purchase. The Directors assess when the risks and rewards associated with an acquisition or disposal have transferred.

4. Principal accounting policies

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

Basis of consolidation

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

Business combinations

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

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

Investment in subsidiaries

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

Borrowings

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

Borrowing costs

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

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 changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

In accordance with IAS 40, investment property held as a leasehold is stated gross of the recognised lease liability. Leasehold properties are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the leasehold is included in the balance sheet at the present value of minimum lease payments.

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

Financial instruments

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

Financial assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Trade receivables are subsequently measured at amortised cost using the effective interest method less loss allowance. 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 amortised cost less impairment due to their short-term nature.

Financial liabilities

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

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

Derivative financial instruments

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties.

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

Hedge accounting has not been applied in these Financial Statements.

Revenue recognition

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

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

Licence fees receivable

The Group receives licence fee income from the date of initial investment in a forward funded agreement to the date of practical completion. This is payable by the developer to the Group on practical completion and typically reflects the approximate level of rental income that is expected to be payable under the lease. IAS 40.20 states that investment property should be recognised initially at cost, being the consideration paid to acquire the asset, therefore such licence fees are deducted from the cost of the investment property and recognised within revenue, as licence fee income, within the Statement of Comprehensive Income.

Exceptional items

The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.

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 include fixed payments. 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 investment properties and the lease liability included in the Statement of Financial Position.

4. Principal accounting policies continued

Long-term incentive plan

There is a long-term incentive plan ("LTIP") in place whereby Pacific Industrial LLP, an affiliate of PCP2 Limited (the "Manager") has subscribed for C Ordinary Shares issued in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc (the "Company"). Under the terms of the LTIP, the Company is obliged to acquire the C Ordinary Shares in Urban Logistics Holdings Limited, in return for services provided by Pacific Industrial LLP, subject to certain conditions.

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

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

Further details have been provided in note 14.

Taxation

Taxation on the profit or loss for the year 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 year, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

Dividends

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

Standards and interpretations effective in the current year

In the current year, the following amendments have been adopted which were effective for the periods commencing on or after 1 January 2021:

Name	Description
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 16 (amendments)	COVID-19 related rent concessions
IFRS 16 (amendments)	COVID-19 related rent concessions beyond 30 June 2021

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

Standards and interpretations in issue buy not yet effective

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

Name	Description
IAS 16 (amendments)	Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022)
Annual Improvements 2018-2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 4) (effective 1 January 2022)
IFRS 3 (amendments)	Reference to the Conceptual Framework (effective 1 January 2022)
IAS 37 (amendments)	Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
IAS 1 (amendments)	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effect Date (effective 1 January 2023)

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

Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance, but they have been included as the Directors consider them to be important comparable and key measures used within the business for assessing performance. The key non-GAAP measures identified by the Group have been defined in the supplementary information and, where appropriate, reconciliation to the nearest IFRS measure has been given.

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 in both financial years.

All revenue is recognised over the period for which space is occupied by the tenant on a time apportionment basis.

	31 March 2022 £'000	31 March 2021 £'000
Rental income	**36,626**	23,240
Service charge income	**193**	473
Licence fee	**992**	468
Total revenue	**37,811**	24,181

6. Changes in fair value of investment property

	31 March 2022 £'000	31 March 2021 £'000
Revaluation surplus	**153,474**	26,250
Provision for profit share	**(3,582)**	(490)
Total changes in fair value of investment property	**149,892**	25,760

A provision for profit share is included in other creditors where there is a third party interest.

7. Property operating expenses

	31 March 2022 £'000	31 March 2021 £'000
Vacant property costs	**685**	489
Letting and marketing fees	**122**	126
Premise expenses	**63**	114
Service charge expenses	**392**	569
Other	**–**	9
Total property operating expenses	**1,262**	1,307

8. Operating profit

Operating profit is stated after charging:

	31 March 2022 £'000	31 March 2021 £'000
Directors' remuneration (note 9)	**257**	218
Long-term incentive plan (note 14)	**4,114**	295
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	**25**	25
– Fees payable for the ISRE 2410 review of the Company's interim accounts	**20**	–
– Fees payable for the audit of the Company's subsidiaries	**135**	75
– Fees payable for other services	**119**	–
Total auditor's fee	**299**	100

Fees payable for other services related to the provision of reporting accountant services in connection with the equity fundraise in December 2021. These fees have been treated as share issue expenses and offset against share premium.

9. Directors' remuneration

	31 March 2022 £'000	31 March 2021 £'000
Directors' fees	**230**	196
Employer's National Insurance	**27**	22
Total	**257**	218

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration 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 32.

10. Finance expense

	31 March 2022 £'000	31 March 2021 £'000
Interest on bank borrowings	**4,938**	2,738
Swap interest paid	**467**	450
Amortisation of loan arrangement fees	**1,086**	665
Other interest payable	**178**	123
Interest on lease liability	**229**	102
Total	**6,898**	4,078

11. Exceptional items

On 7 December 2021, the Company announced its admission to the premium segment of the Main Market of the London Stock Exchange. As part of the migration from AIM to the Main Market, the Company incurred one-off expenses totalling £0.5 million (31 March 2021: nil).

12. 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 2022 and 31 March 2021, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

13. Earnings per share

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

	31 March 2022	31 March 2021
Profit attributable to Ordinary Shareholders		
Total comprehensive income (£'000)	**171,773**	47,602
Weighted average number of Ordinary Shares in issue	**351,533,233**	219,191,930
Basic earnings per share (pence)	**48.86p**	21.72p
Number of diluted shares under option/warrant	**–**	–
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	**351,533,233**	219,191,930
Diluted earnings per share (pence)	**48.86p**	21.72p
Adjustments to remove:		
Changes in fair value of investment property (£'000)	**(149,892)**	(25,760)
Changes in fair value of interest rate derivatives (£'000)	**(2,663)**	(287)
Profit on disposal of investment properties (£'000)	**(220)**	(7,035)
EPRA earnings (£'000)	**18,998**	14,520
EPRA earnings per share (pence)	**5.40p**	6.62p
Adjustments to add back:		
LTIP adjustment (£'000)	**4,114**	295
Exceptional items (£'000)	**459**	–
Adjusted earnings (£'000)	**23,571**	14,815
Adjusted earnings per share (pence)	**6.71p**	6.76p

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

EPRA earnings per share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the year after tax excluding changes in fair value of investment property, changes in the fair value of interest rate derivatives and profit or loss on disposal of investment properties. The Group then makes further Company-specific adjustments for the impact of exceptional items and IFRS 2 share-based payment charges. The Group discloses an adjusted earnings per share measure as it provides a clearer understanding of the Group's underlying trading performance.

The potential dilutive impact of the long-term incentive plan ("LTIP") shares under option has not been reflected in the table above due to the settlement of the LTIP being at the Board's discretion. The settlement of the LTIP in equity would have an immaterial impact on the earnings per share, therefore, this has not been disclosed.

14. Long-term incentive plan ("LTIP")

The Company has an LTIP, accounted for as an equity-settled share-based payment. At 31 March 2022 and 31 March 2021 Pacific Industrial LLP, an affiliate of PCP2 Limited, has subscribed for 1,000 C Ordinary Shares of £0.01 each issued in Urban Logistics Holdings Limited, a subsidiary of the Company.

31 March 2022	Class of share	Fair value £'000	Charge for the year £'000
Option granted in August 2017			
– Share price element	C Ordinary	131	21
– EPRA NTA element	C Ordinary	7,418	4,093
		7,549	**4,114**

31 March 2021	Class of share	Fair value £'000	Charge for the year £'000
Option granted in August 2017			
– Share price element	C Ordinary	131	22
– EPRA NTA element	C Ordinary	869	273
		1,000	**295**

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

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

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

The Directors have made an assessment of the EPRA NTA element based on Company forecasts. An assessment has been made at 31 March 2022, and will be made at each subsequent year end, with any adjustment to expected value being charged as an expense in the Statement of Comprehensive Income.

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

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

The balance included within Other reserves at 31 March 2022 and 31 March 2021 relates solely to the LTIP.

The LTIP payment is capped at three times the average annual management fees paid from 7 February 2020 to the Second Calculation Date. Based on current Company forecasts the cap is c.£17 million.

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

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

15. Dividends

	31 March 2022 £'000	31 March 2021 £'000
Ordinary dividends paid		
2020: second interim dividend: 3.85 pence per share	–	3,378
2021: first interim dividend: 3.25 pence per share	–	6,130
2021: second interim dividend: 4.35 pence per share	11,094	—
2022: first interim dividend: 3.25 pence per share	10,560	—
Total dividends paid in the year (£'000)	**21,654**	9,508
Total dividends paid in the year (per share)	**7.60p**	7.10p
Total dividends declared in respect of the financial year (per share)	**7.60p**	7.60p

On 11 November 2021, the Company declared an interim dividend for the first half of the financial year ended 31 March 2022 of 3.25 pence per Ordinary Share. The dividend was paid as a property income distribution on 17 December 2021 to shareholders on the register on 11 November 2021.

On 23 June 2022, the Company declared a second interim dividend of 4.35 pence per Ordinary Share in respect of the six months to 31 March 2022. The dividend will be paid as a property income distribution on 22 July 2022 to shareholders on the register on 1 July 2022. The second interim dividend has not been recognised in the Financial Statements for the year ended 31 March 2022.

16. 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 2022, 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.

31 March 2022	Investment properties freehold £'000	Investment properties leasehold £'000	Development properties £'000	Total £'000
At 1 April 2021	399,311	107,760	500	507,571
Property acquisitions through corporate acquisitions	1,270	—	—	1,270
Property acquisitions	268,129	32,476	15,183	315,788
Capital expenditure	4,088	3,214	37,452	44,754
Property disposals	(8,160)	—	—	(8,160)
Revaluation surplus	114,689	22,955	15,830	153,474
Transfer of completed development properties	34,230	—	(34,230)	—
At 31 March 2022	**813,557**	**166,405**	**34,735**	**1,014,697**
Add: tenant lease incentives	4,400	1,021	—	5,421
Investment properties excluding head lease ROU assets at 31 March 2022	**817,957**	**167,426**	**34,735**	**1,020,118**
Add: right-of-use asset	—	8,953	—	8,953
Total investment properties at 31 March 2022	**817,957**	**176,379**	**34,735**	**1,029,071**

16. Investment properties continued

31 March 2021	Investment properties freehold £'000	Investment properties leasehold £'000	Development properties £'000	Total £'000
At 1 April 2020	151,559	46,020	9,400	206,979
Property acquisitions through corporate transactions	84,118	10,589	—	94,707
Property acquisitions	109,369	60,555	1,390	171,314
Capital expenditure	3,802	1,902	24,821	30,525
Property disposals	(18,198)	(4,006)	—	(22,204)
Revaluation surplus in year	18,263	7,448	539	26,250
Transfer of completed development properties	35,650	—	(35,650)	—
Reclassification between freehold and leasehold	14,748	(14,748)	—	—
At 31 March 2021	399,311	107,760	500	507,571
Add: tenant lease incentives	991	287	—	1,278
Investment properties excluding head lease ROU assets at 31 March 2021	400,302	108,047	500	508,849
Add: right-of-use asset	—	6,945	—	6,945
Total investment properties at 31 March 2021	400,302	114,992	500	515,794

The allocation between Freehold and Leasehold investment properties as at 31 March 2021 has been updated to reflect a reclassification where £14,748,000 has been reallocated to freehold investment property when it was previously allocated to leasehold investment property. This reclassification has no impact on the total investment property value recognised in the Consolidated Statement of Financial Position.

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £36.6 million (31 March 2021: £23.2 million).

Tenant lease incentive at 31 March 2022 totalled £5.42 million (31 March 2021: £1.28 million).

Investment property – level 3

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

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

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

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

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

The table below analyses:

- the fair value measurement at the end of the reporting year;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- for level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

Valuation techniques

The yield capitalisation approach is used when valuing the Group's commercial investment properties which uses market rental values with a market capitalisation rate. The resulting valuations are cross-checked against the net initial yields and the fair market vales based on recent market transactions.

For investment properties under development, properties are valued using a residual method approach. The fair value is calculated by estimating the fair value of the completed property using the yield capitalisation approach less estimated costs to complete and a risk premium.

The key unobservable inputs made in determining the fair values are as follows:

31 March 2022	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment	979,962	Yield capitalisation	ERV Equivalent yield	£30,000-£3,033,446 per annum 3.8%-12.2%
Development property	34,735	Residual method	Various	
	1,014,697			

31 March 2021	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	507,071	Yield capitalisation	ERV Equivalent yield	£64,125-£2,043,000 per annum 4.0%-12.0%
Development property	500	Residual method	Various	
	507,571			

Sensitivities

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

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

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

A 5% increase in estimated rental value ("ERV") would increase the completed property portfolio valuation by £50.7 million and a 5% decrease would decrease the completed property portfolio valuation by £50.7 million. Similarly, a decrease in net initial yield ("NIY") by 0.25% would increase the completed property portfolio valuation by £49.8 million and an increase of 0.25% would decrease the completed property portfolio valuation by £45.3 million.

17. Acquisition of subsidiaries

On 16 December 2021, the Group obtained sole control of Urban Logistics Dundee Limited, a property investment company incorporated in Scotland, through the acquisition of the entire issued share capital. The company was acquired for £1 and then in turn acquired the investment property.

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

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

	Book value £'000	Redemption of liabilities £'000	Fair value adjustments £'000	Total £'000
Investment properties	—	—	1,270	1,270
Total	**—**	**—**	**1,270**	**1,270**
Net cash outflow arising on acquisition				
Total consideration				1,270
Less: cash and cash equivalents acquired				—
Cash consideration net of cash acquired				**1,270**

18. Investments

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2021	—	297,766
Additions	—	255,000
At 31 March 2022	**—**	**552,766**

The Company additions in the year related solely to capitalised inter-company debt.

Details of the Group's subsidiary undertakings as at 31 March 2022, all of which are included in the consolidated Financial Statements, are given below:

Company name	Country of incorporation	Principal activity	Effective Group interest
Urban Logistics Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 1 Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 2 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 3 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 4 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 5 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 6 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 7 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 8 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 9 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Prop Co 1 (AC) Limited	England and Wales	Property Investment	99.99%
Urban Logistics Hoddesdon Limited	England and Wales	Property Investment	99.99%
Urban Logistics K Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics K Properties Limited	England and Wales	Property Investment	99.99%
Urban Logistics Dundee Limited	Scotland	Property Investment	99.99%
EOS Property Unit Trust	Jersey	Property Investment	99.99%
Sheds General Partner 2 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 1 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 2 Limited[1]	England and Wales	Dormant	99.99%

1. At 31 March 2022, these companies were in liquidation.

Unless otherwise stated, the registered office address for companies incorporated in England and Wales: 124 Sloane Street, London, SW1X 9BW.

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

Registered office address of the company incorporated in Scotland: 5th Floor, 1 Exchange Crescent, Conference Square, Edinburgh, Scotland, EH3 8UL.

Registered office address for Urban Logistics Acquisitions 9 Limited is 3rd Floor, 19-20 Bond House, Woodstock Street, London, W1C 2AN

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.

19. Trade and other receivables

	Group 31 March 2022 £'000	**Company 31 March 2022 £'000**	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Trade receivables	**3,992**	**–**	1,211	2
Other receivables	**15,234**	**114**	33,372	—
Amounts due from Group undertakings	**–**	**109,174**	—	34,387
Prepayments	**1,231**	**86**	773	87
Licence fee receivable	**508**	**–**	55	—
Total	**20,965**	**109,374**	35,411	34,476

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 (including licence fee receivable) approximates their book value.

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

Trade receivables comprise rental income which is due on contractual quarter days. At 31 March 2022, £4,021,745 (31 March 2021: £1,210,520) was due from tenants. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has written off £29,764 (31 March 2021: £15,200), equivalent to 0.05% (31 March 2021: 0.07%) of all rent demanded over the year.

Included within Other receivables is £13,300,560 (31 March 2021: £1,850,584) due from HMRC in relation to VAT recoverable arising from investment properties acquired close to the year end which did not qualify as transfers of a going concern ("TOGC"), as such VAT was charged on the transaction. The full amount was recovered post year end.

20. Cash and cash equivalents

	Group 31 March 2022 £'000	**Company 31 March 2022 £'000**	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Cash and cash equivalents	**127,379**	**27,695**	60,459	1,791
Total	**127,379**	**27,695**	60,459	1,791

Group cash and cash equivalents available include £5.70 million (31 March 2021: £4.13 million) of restricted cash in the form of rental deposits held on behalf of tenants.

21. Trade and other payables

	Group 31 March 2022 £'000	Company 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Falling due in less than one year				
Trade and other payables	**3,092**	**17**	3,077	1,130
Social security and other taxes	**–**	**369**	–	51
Accruals	**13,586**	**2,299**	2,813	76
Amounts owed to Group companies	**–**	**1,600**	–	–
Lease liability	**262**	**–**	218	–
Other creditors	**6,812**	**141**	1,376	59
Total	**23,752**	**4,426**	7,484	1,316

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, accruals and lease liabilities approximates their book value.

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

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

31 March 2022	**Bank borrowings £'000**
Balance at 1 April 2021	196,354
Bank borrowings drawn in the year	40,000
Loan arrangement fees paid	(1,300)
Non-cash movements:	
Amortisation of loan arrangement fees	1,086
Total bank borrowings per the Consolidated Group Statement of Financial Position	**236,140**
Being:	
Drawn debt	239,364
Unamortised loan arrangement fees	(3,224)
Total bank borrowings per the Consolidated Group Statement of Financial Position	**236,140**

31 March 2021	Bank borrowings £'000
Balance at 1 April 2020	74,696
Bank borrowings drawn in the year	199,364
Bank borrowings repaid in the year	(75,701)
Loan arrangement fees paid	(2,670)
Non-cash movements:	
Amortisation of loan arrangement fees	665
Total bank borrowings per the Consolidated Group Statement of Financial Position	196,354
Being:	
Drawn debt	199,364
Unamortised loan arrangement fees	(3,010)
Total bank borrowings per the Consolidated Group Statement of Financial Position	196,354

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

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

The £151.0 million facility is hedged by way of interest rate swaps, on a notional loan amount of £89.3 million. The weighted average capped rate at 31 March 2022 was 0.74% (31 March 2021: 0.74%).

On 12 March 2021, the Group entered into a new £48.4 million loan facility with Aviva Investors ("Tranche A"). This facility provides a seven-year term at a fixed cost of 2.34%. The loan facility includes an accordion, allowing the total loan facility to increase to a maximum of £200.0 million.

On 21 December 2021, the Group drew a further £40.0 million from the existing facility with Aviva Investors ("Tranche B"). Tranche B is an extension to the existing seven-year facility and has a fixed cost of 2.26%.

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

23. Interest rate derivatives

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Non-current assets/(liabilities): derivative interest rate swaps:		
At beginning of year	**(1,060)**	(1,347)
Change in fair value in the year	**2,663**	287
Total	**1,603**	(1,060)

24. 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, lease liabilities and accruals, interest rate derivatives and bank borrowings. The main purpose of these financial instruments is to provide finance for the acquisition and development of the Group's investment property portfolio.

	Book value 31 March 2022 £'000	**Fair value 31 March 2022 £'000**	Book value 31 March 2021 £'000	Fair value 31 March 2021 £'000
Financial assets				
Trade and other receivables	**6,176**	**6,176**	32,732	32,732
Cash and short-term deposits	**127,379**	**127,379**	60,459	60,459
Interest rate derivatives	**1,603**	**1,603**	—	—
Financial liabilities				
Trade and other payables	**(23,490)**	**(23,490)**	(11,609)	(11,609)
Bank loans	**(239,364)**	**(239,364)**	(199,364)	(199,364)
Lease liabilities	**(8,982)**	**(8,982)**	(6,748)	(6,748)
Interest rate derivatives	**–**	**–**	(1,060)	(1,060)

Amounts totalling £14,789,932 have been deducted from Trade and other receivables in relation to prepayments, VAT and other debtors. These have been deducted as there is either no contractual right to receive cash or relate to a right to receive goods or services in the future.

An amount totalling £261,677 has been deducted from Trade and other payables in relation to lease obligations due in less than one year, which has instead been included in this table within Lease liabilities.

24. Financial risk management continued

Credit risk

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

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

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

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

Trade receivables

Trade receivables mainly consist of amounts invoiced for tenant rentals, and are presented in the Statement of Financial Position net of loss allowances. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has collected 99.95% (31 March 2021: 99.93%) of all rent demanded, and 0.05% (31 March 2021: 0.07%) was written off. Calculation of the loss allowance as at 31 March 2022 and 31 March 2021 has not been disclosed based on the closing allowance being immaterial.

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 for both financial years.

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 22.

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.

Foreign exchange risk

There is no foreign exchange risk to the Group and Company as all trading is by GBP.

Liquidity risk

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

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

	Six months or less £'000	**Six to twelve months £'000**	**One to two years £'000**	**Two to five years £'000**	**More than five years £'000**	**Total £'000**
31 March 2022						
Bank borrowings	**3,115**	**3,098**	**6,248**	**155,065**	**88,364**	**255,890**
Lease liabilities	**143**	**132**	**291**	**861**	**40,531**	**41,958**
Trade and other payables	**23,752**	**–**	**–**	**–**	**–**	**23,752**
Rent deposits	**–**	**–**	**756**	**568**	**4,374**	**5,698**
	27,010	**3,230**	**7,295**	**156,494**	**133,269**	**327,298**

	Six months or less £'000	Six to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
31 March 2021						
Bank borrowings	2,236	2,223	4,471	152,228	48,364	209,522
Lease liabilities	113	113	226	678	20,989	22,119
Trade and other payables	7,484	–	–	–	–	7,484
Rent deposits	–	–	–	1,087	3,038	4,125
	9,833	2,336	4,697	153,993	72,391	243,250

Included within the contracted payments is £16.53 million (31 March 2021: £10.16 million) bank interest payable up to the point of maturity across both facilities.

Financial instruments – Company

The Company's financial instruments comprise amounts due from and owed to Group undertakings, cash and cash equivalents, other receivables (including licence fees), and trade and other payables.

	Book value 31 March 2022 £'000	**Fair value 31 March 2022 £'000**	Book value 31 March 2021 £'000	Fair value 31 March 2021 £'000
Financial assets				
Trade and other receivables	**109,288**	**109,288**	34,388	34,388
Cash and short-term deposits	**27,695**	**27,695**	1,791	1,791
Financial liabilities				
Trade and other payables	**(3,964)**	**(3,964)**	(1,317)	(1,317)

Fair value hierarchy

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

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

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

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

Interest rate derivatives are classified as level 2 financial instruments. There were no transfers between levels 1, 2 and 3 fair value measurement during the current or prior year.

25. Capital risk management

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

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

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

26. Capital commitments

The Group has entered into contracts with unrelated parties for the construction and refurbishment of warehouses with a total value of £60.4 million (31 March 2021: £22.8 million). At 31 March 2022, £40.6 million of such commitments remained outstanding (31 March 2021: £5.6 million).

27. Share capital

	31 March 2022 Number	31 March 2022 £'000
Authorised, issued and fully paid up at 1 pence each	471,975,411	4,720
At beginning of period	255,045,821	2,550
Issued and fully paid 13 July 2021	69,870,766	699
Issued and fully paid 7 December 2021	147,058,824	1,471
At 31 March 2022	**471,975,411**	**4,720**

On 13 July 2021, the Company raised £108 million through the issue of 69,870,766 Ordinary Shares at an issue price of 155.00 pence per share.

On 7 December 2021, the Company raised £250 million through the issue of 147,058,824 Ordinary Shares at an issue price of 170.00 pence per share.

28. Share premium

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

	31 March 2022 £'000	31 March 2021 £'000
Balance brought forward	**89,644**	228,764
Share premium on the issue of Ordinary Shares	**356,130**	91,672
Share issue costs	**(7,356)**	(2,032)
Transfer to capital reduction reserve	**–**	(228,760)
	438,418	89,644

29. Capital reduction reserve

	31 March 2022 £'000	31 March 2021 £'000
At beginning of the year	**228,760**	–
Transfer from share premium	**–**	228,760
	228,760	228,760

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

30. Leases

The Group as lessor

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

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2022	**45,896**	**146,854**	**173,959**	**366,709**
31 March 2021	26,506	85,741	83,805	196,052

The Group as lessee

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

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2022	**262**	**973**	**7,747**	**8,982**
31 March 2021	218	809	5,939	6,966

The total cash outflow in the year in respect of the lease liability was £294,000 (31 March 2021: £115,504). The incremental borrowing rate applied was 3.0% (31 March 2021: 3.0%).

The total gross lease payments under non-cancellable leases are £41,958,197 (31 March 2021: £22,119,207) over a period from the balance sheet date to December 2908 (31 March 2021: January 2156).

Reconciliation of lease obligations

	£'000
Brought forward	6,966
Cash movements	(294)
Non-cash movements	2,310
Carried forward	**8,982**

31. Retained earnings

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

	Group 31 March 2022 £'000	**Company 31 March 2022 £'000**
Balance at the beginning of the year	**66,150**	**11,424**
Retained profit for the year	**171,773**	**19,323**
Second interim dividend year ended 31 March 2021	**(11,094)**	**(11,094)**
First interim dividend year ended 31 March 2022	**(10,560)**	**(10,560)**
At 31 March 2022	**216,269**	**9,093**

32. 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 PCP and PCP2 Ltd (the "Manager") totalled £5.43 million (31 March 2021: £2.95 million). The total amount outstanding at the year end relating to the Investment Management Agreement was £1.96 million (31 March 2021: £1.07 million).

Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 31 March 2022, Pacific Industrial LLP, an affiliate of PCP2 Ltd, had subscribed for shares in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc. Further details have been provided in note 14.

32. Related party transactions continued

M1 Agency LLP

During the year, the Group incurred fees totalling £2,004,105 (31 March 2021: £2,104,427) from M1 Agency LLP, a partnership in which Richard Moffitt is a member. These fees were incurred in the acquisition, letting and sale of investment properties. The total amount outstanding at the year end relating to M1 Agency LLP was £323,358 (31 March 2021: £909,341).

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

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

Transactions with subsidiaries

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

During the year, fees of £7,673,294 (31 March 2021: £4,112,308) were charged to Urban Logistics Acquisitions 1 Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2022, £3,085,378 (31 March 2021: £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 £74,219,611 (31 March 2021: increase of £107,466,666). At 31 March 2022, Urban Logistics REIT plc was due £108,078,039 (31 March 2021: £33,858,428) from Urban Logistics Holdings Limited.

During the year, Urban Logistics REIT plc received a dividend of £23,040,000 from Urban Logistics Holdings Limited (31 March 2021: £16,000,000).

Remuneration of key management personnel

Key management personnel for the Group and Company comprise the Non-Executive Directors. Key management personnel interests and compensation are outlined in note 9.

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

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

Net asset values have been calculated as follows:

	31 March 2022 £'000	31 March 2021 £'000
Net assets per Consolidated Statement of Financial Position (£'000)	**892,632**	387,455
Adjustment for:		
Fair value of interest rate derivatives (£'000)	**(1,603)**	1,060
Intangible assets (£'000)	**(47)**	(12)
EPRA net tangible assets (£'000)	**890,982**	388,503
Ordinary Shares:		
Number of Ordinary Shares in issue at period end	**471,975,411**	255,045,821
IFRS NAV per share (basic and diluted)	**189.12p**	151.92p
EPRA NTA per share	**188.78p**	152.33p

34. Post balance sheet events

On 21 April 2022, the Group exercised a right to pay down £51 million in respect of the Barclays loan facility. The Company has the contractual right to redraw this debt on ten days' notice.

On 29 April 2022, the Group acquired a portfolio of five assets for a total consideration of £13.7 million at a 5.8% NIY.

On 12 May 2022, the Group acquired a site totalling 6,742 sq ft, on a 1.34 acre plot, in Papworth for a consideration of £1.4 million at a 5.1% NIY.

On 18 May 2022, the Group acquired a 13,301 sq ft property in Nottingham for a consideration of £3.3 million at a 4.2% NIY.

On 31 May 2022, the Group entered into a new £47 million loan facility with Aviva Investors. This facility provides a ten-year

SUPPLEMENTARY INFORMATION

term at a fixed cost of 3.52%.

EPRA Aligned Supplementary Sustainability Information and Index of Indicators

We have chosen to report our material environmental, social and governance data in alignment with EPRA Sustainability Best Practices Recommendations ("sBPR"). We describe our assessment of materiality in the "Our Material Impacts" section on page 39. This will enable a comparison against our peers and help set clear benchmarks for the Company moving forwards.

Our reporting response has been split into three sections:

- overarching recommendations;
- environmental performance measures; and
- social and governance performance measures.

EPRA overarching recommendations

Organisational boundaries

Our EPRA reporting covers the properties owned by the Group, which at 31 March 2022 included a portfolio of 113 industrial and logistics properties. An operational control approach has been adopted for greenhouse gas foot printing as it reflects the REITs ability to effect change implement operating policies. Urban logistics REIT has no direct employees and is externally managed by the investment management team from PCP2 Ltd. The PCP2 Ltd investment management team receives instructions from the Board of the REIT to establish and implement policies including for ESG issues, and as such, has been included for this reporting within the operational control approach.

The reporting of Scope 3 emissions from tenant-obtained energy consumption is additional to EPRA's Core requirements. We chose to do so because we recognise that as our portfolio comprises of FRI assets, emissions from tenant-obtained energy supplies are the most significant to our carbon footprint. We will continue to communicate and work collaboratively with tenants on carbon emissions, as this will be fundamental to improving the data coverage of our portfolio and helping to identify key opportunities to minimise our carbon footprint.

We do not yet have data for embodied carbon associated with development works completed in the reporting year and so are unable to report it.

In 2021/22, Urban Logistics has reported absolute performance for GHG emissions. 2020/21 is the base year for reporting on GHG emissions and is used for like-for-like data comparison.

Coverage

All our properties within our direct and indirect operational control are included within this report. We state the data coverage for Environmental Performance Measures by floor area in our data notes for each of the performance measures reported below.

Estimation of landlord and tenant utility consumption

Where data is not available for the full reporting period, then the missing data has been estimated to fill the gaps. These estimates were made using known consumption for the supply in question in the preceding periods and annualising the data on a pro rata basis.

Landlord-obtained energy and water data has been estimated using known consumption where data gaps exist, typically between last invoice and tenant taking occupation or last invoice and year end. No like for like Landlord-obtained energy performance measures have been estimated.

The following proportion of tenant data is estimated for the period ended 2022:

- electricity 17%;
- fuels 17%;
- GHG 17%; and
- water 14%.

Head office energy was estimated using floor areas and the Better Building Partnership's Real Estate Environmental Benchmark (REEB) Typical Conditioned Office Benchmark 2021.

Third-party assurance

All data is subject to review by our ESG consultants, CBRE's Investor ESG team, but we do not currently have third-party verification in place.

EPRA Aligned Supplementary Sustainability Information and Index of Indicators continued

EPRA overarching recommendations continued

Boundaries – reporting on landlord and occupier consumption

Performance measures reported as Landlord-obtained refers mostly to properties that are vacant and includes one property where the landlord procures 100% of the energy and water which consumed by the tenants, this property does not have an active fuel supply. Landlord-obtained energy supplies are provided to 13 assets within the portfolio covering 84,523 sq m (11%) of the total floor area of the REIT.

All other properties are leased to single occupiers on FRI (Full Repairing and Insuring) leases which obtain all their own energy, water and waste supplies independent of the landlord. All lease agreements within the portfolio are FRI leases, only one site had a service charge including utility consumption throughout the reporting period. The Manager of Urban Logistics actively engages with tenants on ESG, and so in keeping with good practice, we are disclosing tenant-obtained consumption from these FRI sites where tenants have replied to data sharing requests. The reporting of tenant-obtained performance measures is additional to EPRA's Core requirements, we chose to do so because we recognise that as our portfolio comprises wholly of FRI assets, tenant-obtained emissions are the most significant to our environmental performance. We will continue to communicate and work collaboratively with tenants on ESG issues, as this will be fundamental to improving the data coverage of our portfolio and helping to identify key opportunities to minimise our environmental impact.

In 2021/22, Urban Logistics has reported absolute performance for energy and water consumption for areas under the landlord's operational control. 2020/21 is the base year for reporting on energy and water consumption and is used for like-for-like data comparison.

Normalisation

We normalise all data by floor area, using the square meter (m^2) area for the whole building at unit level as this is considered most appropriate for the portfolio.

Segmental analysis – by property type, geography

Our portfolio is located entirely in the UK and consists of a single asset type. For this reason, analysis by sector or geography is not considered appropriate.

Disclosure on own offices

Urban Logistics is an externally managed REIT – managed by PCP2 Limited (the Investment Manager) – and therefore does not have a Head Office or direct employees. However, Urban Logistics has a high degree of influence over the Investment Manager's operations and so Urban Logistics REIT plc has instructed the Investment Manager to provide data on its Head Office and Employee Performance Measures for those employees who are engaged on working for the Investment Manager.

Narrative on performance

We provide commentary on past performance and plans for managing future performance throughout this report. We explain additional factors affecting consumption trends where appropriate including in the "Narrative on performance" sections in the Environmental and Social Performance Measure tables below.

Location of EPRA Sustainability Performance Measures

All EPRA sBPR 2017 environmental performance measures are included on page 115 except 'Cert-Tot, which is on page 117, and, all social and governance performance measures are included on page 118.

Reporting period

The reporting period is from 1 April 2021 to 31 March 2022. Like-for-like performance measures are reported for the two most recent years that we are able to collect consumption data (2021 and 2020).

Data materiality

We have excluded a number of metrics from our reporting, where a review has shown them to be wholly immaterial. The following have been excluded:

- district heating or cooling ("DH&C")-absolute & DH&C-like for like: No DH&C is procured across our portfolio; and
- H&S-Asset and H&S-Comp: Due to the nature of our lease arrangements, all health and safety assessments are conducted by our tenants and Urban Logistics REIT does not have operational oversight.

Environmental performance measures

EPRA code	Performance measure	Unit	Scope	Absolute 2022	Absolute 2021	like-for-like 2022	like-for-like 2021	% change like-for-like
Elec-Abs; Elec-LfL	Total electricity consumption	kWh	Landlord-obtained electricity	**674,233**	943,349	**295,939**	311,208	(5)%
			Tenant-obtained electricity	**10,433,876**	4,945,763	**4,833,435**	4,945,763	(2)%
			Head office of the Manager	**14,792**	13,078	**N/A**	N/A	N/A
Total				**11,122,900**	5,902,190	**5,129,374**	5,256,971	(2)%
Fuels-Abs; Fuels-LfL	Total fuel consumption	kWh	Landlord-obtained fuels	**63,826**	265,565	**N/A**	N/A	N/A
			Tenant-obtained fuels	**5,706,541**	1,328,885	**1,387,782**	1,328,885	4%
			Head office of the Manager	**5,356**	4,735	**N/A**	N/A	N/A
Total				**5,775,723**	1,599,185	**1,387,782**	1,328,885	4%
Waste-Abs; Waste-LfL		kg	Landlord waste	**–**	–	**N/A**	N/A	N/A
		kg	Tenant waste	**505**	569	**301**	314	(4)%
		kg kg	Head office of the Manager	**–**	–	**N/A**	N/A	N/A
Total				**505**	569	**301**	314	(4)%
Energy-Int	Energy intensity	kWh/ m^2/year	Building energy intensity	**108**	147	**145**	147	(1)%
GHG-Dir-Abs	Total direct greenhouse gas emissions	t CO_2e	Scope 1	**13**	50	**N/A**	N/A	N/A
GHG-Indir-Abs	Total indirect greenhouse gas emissions (Scope 2)	tCO_2e m^2/year	Scope 2	**146**	223	**63**	73	(14)%
GHG-Indir-Abs	Total indirect greenhouse gas emissions from tenant-obtained energy (Scope 3)	tCO_2e	Scope 3	**3,261**	1,397	**1,280**	1,397	(8)%
GHG-Int	Greenhouse gas (GHG) emissions Intensity from landlord-obtained energy	tCO_2e/ m^2/year	GHG Intensity	**0.02**	0.03	**0.03**	0.03	(0)%
Water-Abs; Water-LfL	Total water consumption	m^3	Landlord-obtained water	**1,193**	496	**328**	494	(34)%
		m^3	Tenant-obtained water	**20,049**	6,018	**3,309**	6,018	(45)%
		m^3	Head office of the Manager	**2,890**	2,555	**N/A**	N/A	N/A
		m^3	**Total**	**24,132**	9,069	**3,637**	6,512	(44)%
Water-Int	Water intensity	m^3/ m^2/year		**0.24**	0.24	**0.13**	0.24	(46)%

EPRA Aligned Supplementary Sustainability Information and Index of Indicators continued

Environmental performance measures continued

Data notes

- Absolute landlord-obtained environmental data is reported for following percentages of total floor area: electricity 11.0%, fuels 4.6%, water 2.1% and waste 0%. Like-for-like landlord-obtained electricity and water data is reported for one property, 0.5% of floor area. The natural gas supply to this property was capped off in 2019 and so no like-for-like landlord-obtained fuel consumption is reported.
- Absolute tenant-obtained environmental data has been reported for the following percentages of total floor area: electricity 19.7%, fuels 19.7%, water 11.1% and waste 1.9%. Like-for-like tenant-obtained data is reported for following percentages of total floor area: electricity 7.0%, fuels 5.8%, water 3.5% and waste 0.5%. Tenant data collection is ongoing and further coverage is likely to be reported to GRESB.
- Data has been estimated in line with the processes described in the "Estimation of landlord and tenant utility consumption" section above. Estimates are only made for a small part of the reporting year and have been applied to the following parts of the data:
  - Landlord-obtained data: ten units which represent 6.6%% of the whole portfolio by floor area, and 60.0% by floor area of the assets for which data has been reported.
  - Tenant-obtained data: four units, which represent 2.4% of the whole portfolio by floor area, and 12.4% by floor area of the assets for which tenant data has been reported.
- No off-site renewable sources have been identified for landlord-obtained Energy Performance Measures. Solar panels have been installed at 3% of our sites and reduce tenant-obtained electricity impacts.
- Greenhouse gas emissions have been calculated using UK government conversion factors from BEIS and the Corporate Greenhouse Gas Protocol location-based methodology.
- Water and Energy Intensities are calculated based on units for which complete twelve month data is available.

Commentary

The reduction in landlord-obtained absolute energy consumption is predominantly caused by the letting of vacant properties. Like-for-like landlord-obtained electricity consumption fell by 4.9% due to a nine-month vacancy in one unit.

The increase in tenant-obtained absolute energy consumption is predominantly caused by the expansion of the portfolio through acquisition. The reduction in like-for-like tenant-obtained electricity is supported by significant reductions in consumption at three large units. The increase in like-for-like tenant-obtained fuels is caused by an 18.8% increase in consumption at the largest unit for which like-for-like data is available.

No landlord-obtained waste supplies exist within the portfolio. The increase in absolute waste production results from increased data availability. Tenant-obtained like-for-like data is only available for one site which has seen a reduction in waste production of 13.26 tonnes.

The increase in landlord-obtained and tenant-obtained absolute water consumption is predominantly caused by the expansion of the portfolio through acquisition. The substantial reduction in tenant-obtained like-for-like water consumption is caused by an 86% reduction at one asset which resulted from a water leak which has now been resolved.

Total landlord (Scope 1 & 2) GHG emissions have fallen because of reduced landlord electricity consumption and grid-electricity GHG intensity reductions. Absolute Scope 3 GHG emissions have increased primarily through acquisition but like-for-like has decreased as a result of reduced tenant electricity consumption and reduced grid electricity intensity.

We are committed to reducing our energy consumption and GHG emissions through a combination of EPC aligned retrofits, development of high performing new assets and the installation of solar photovoltaic panels at our sites. We look forward to reporting more fully on this in coming years.

Building certifications

BREAAM Green certificates for new developments are an important performance indicator for us, but are only applicable for new developments. As developments are a small part of our total portfolio, the majority of the portfolio does not have BREAAM certification.

BREEAM Rating	Excellent	Very Good
Number of certificates	1	6
Floor area coverage	0.2m sq ft	0.3 sq ft
Percentage of portfolio by floor area	2.1 %	3.7%

EPC ratings by band

The below table provides an overview of the EPC ratings of the portfolio. All reporting is based on lodged and valid ratings. The portfolio includes some assets in Scotland, which are reported using the EPC Band they would have achieved if assessed using the EPC methodology for England and Wales. The EPC totals sum to more than the number of assets in the portfolio as some sites require multiple EPCs per asset.

	Count (March-22)	Count (March-21)	**Floor area (m^2) (March-22)**	Floor area (m^2) (March-21)	**% of Floor area (March-22)**	% of Floor area (March-21	LFL Count		
							March-22	March-21	% change
A	**15**	6	**55,062**	18,387	**7%**	4%	**9**	6	50%
B	**24**	9	**155,235**	73,641	**20%**	17%	**17**	9	89%
C	**70**	49	**375,516**	255,593	**49%**	57%	**44**	49	(10)%
D	**45**	18	**179,603**	94,427	**23%**	21%	**13**	18	(28)%
E	**2**	2	**4,673**	2,764	**1%**	1%	**1**	2	(50)%
F	**–**	—	**–**	—	**–**	—	**–**	—	
G	**–**	—	**–**	—	**–**	—	**–**	—	
Unknown	**–**	—	**–**	—	**–**	—	**–**	—	

EPRA Aligned Supplementary Sustainability Information and Index of Indicators continued

Social and governance performance measures

Urban Logistics REIT considers good governance to be fundamental to its business and so discloses here with the aim of providing transparency on its specific processes.

In the near term, Urban Logistics REIT assesses social performance on a monitor and report basis. This follows our materiality review and the nature of our assets.

EPRA code	Performance measure	Unit	Result
Diversity-Emp	Employee gender diversity	Gender ratio of the Board as a percentage	Male: 83% Female: 17%
		Gender ratio of the managing company as a percentage	Male: 53% Female: 47%
Diversity-Pay	Salary ratio of men to women	Gender pay gap %	48%
Emp-Training	Employee training and development	Average hours/year/employee	24
Emp-Dev	Employee performance appraisals	%	100%
Emp-Turnover	New hires and turnover	Total number of new employee hires Rate of new employee hire	3 20%
		Total number of employee turnover Rate of employee turnover	1 7%
H&S-Emp	Employee health and safety	Absentee rate	0.005
H&S-Asset	Asset health & safety assessments	% of assets	N/A
H&S-Comp	Asset health & safety compliance	%	N/A
Comty-Eng	Community engagement, impact assessments and development programmes	% of assets that have implemented community engagement	7%
Gov-Board	Composition of highest governance body	Number of executive Board members	0
		Number of non-executive Board members	6
		Average tenure on the governance body (years)	5.2
		Number of non-executive Board members with competencies relating to ESG topics	1
Gov-Select	Process for nominating and selecting the highest governance body		Please refer to page 65 in the Annual Report
Gov-Col	Process for managing conflicts of interest		Please refer to page 64 in the Annual Report

Data notes

In line with Urban Logistics REIT PLC's ability to control operating policies of the Investment Manager, we disclose the Manager's Social Performance Measures for all EPRA sBPR Employee Social Performance Measures.

Urban Logistics REIT PLC does not have direct employees. Instead all employees of the Invesment Manager who work wholly on the REIT are considered as employees for the disclosure of Social Performance Measures. This means that the employee related Performance Measures are based on the 17 employees of the Investment Manager who dedicate 100% of the time they are contracted to working on the REIT.

Diversity-Pay is calculated from basic salary. The Manager is structured as a partnership, and any drawings taken from the partnership are treated as salary in these calculations. All team members have either a share-based or a profit share based additional pay, which is not included in these calculations.

As explained above, Social Performance Measures H&S-Asset and H&S-Comp are not applicable to our assets which are held entirely on FRI leases.

Reconciliations between the non-GAAP financial information disclosed in the Annual Report to the nearest comparable IFRS measurement, where appropriate, are disclosed. The definition of each of the non-GAAP financial information can be found in the Glossary of Terms.

Narrative on Performance

This is the first time we have disclosed our Social Performance. We are actively recruiting for the Board and in a way that is mindful of Board diversity and appropriate FCA guidance. For further information see the Report of the Nomination Committee on page 65. We are also mindful of the importance of the diversity of the investment management team and the need to address the gender pay gap.

Our community engagement efforts have included installing an outdoor gym for community use as part of a new development and raising and distributing aid for Ukraine. We are committed to monitoring our Social and Governance Performance Measures going forward and will keep our performance in this area under continual review.

Reconciliations between the non-GAAP financial information disclosed in the Annual Report to the nearest comparable. IFRS measurement, where appropriate, are disclosed. The definition of each of the non-GAAP financial information can be found in the Glossary of Terms.

I. EPRA performance measures summary

	Notes	31 March 2022	31 March 2021
EPRA earnings per share	II	**5.40p**	6.62p
EPRA net tangible asset value	III	**188.78p**	152.33p
EPRA net reinstatement value	III	**203.19p**	165.66p
EPRA net disposal value	III	**189.12p**	151.92p
EPRA net initial yield	IV	**4.4%**	5.2%
EPRA “topped up” net initial yield	IV	**4.5%**	5.2%
EPRA vacancy rate	V	**6.9%**	6.9%
EPRA cost ratio (including vacant property costs)	VI	**21.8%**	21.3%
EPRA cost ratio (excluding vacant property costs)	VI	**20.0%**	18.9%

II. Income statement

	31 March 2022 £’000	31 March 2021 £’000
Gross revenue	**37,811**	24,181
Property operating costs	**(1,262)**	(1,307)
Net rental income	**36,549**	22,874
Administrative expense	**(7,159)**	(4,230)
Other income	**1,021**	159
Long-term incentive plan charge	**(4,114)**	(295)
Operating profit before interest and tax	**26,297**	18,508
Net finance costs	**(6,840)**	(3,988)
Exceptional items	**(459)**	–
Profit before tax	**18,998**	14,520
Tax on EPRA earnings	**–**	–
EPRA earnings	**18,998**	14,520
Weighted average number of Ordinary Shares	**351,533,233**	219,191,930
EPRA earnings per share	**5.40p**	6.62p

III. Balance sheet

	31 March 2022 £’000	31 March 2021 £’000
Investment properties	**1,029,071**	515,794
Other net assets	**99,701**	68,015
Net borrowings	**(236,140)**	(196,354)
Total shareholders’ equity	**892,632**	387,455
Adjustments to calculate EPRA NTA:		
Fair value of interest rate derivative	**(1,603)**	1,060
Intangible assets	**(47)**	(12)
EPRA net tangible assets	**890,982**	388,503
Ordinary Shares in issue at year end	**471,975,411**	255,045,821
Dilutive shares in issue at year end	**–**	–
	471,975,411	255,045,821
EPRA NTA per share	**188.78p**	152.33p

The Group has adopted EPRA NTA as its primary measure of net asset value, as it considers it to be the most relevant measure for its operating activities. A reconciliation of the three EPRA net asset value measurements from IFRS NAV is provided in the table below.

31 March 2022	**EPRA NTA £'000**	**EPRA NRV £'000**	**EPRA NDV £'000**
IFRS equity attributable to shareholders	**892,632**	**892,632**	**892,632**
Fair value of interest rate derivatives	**(1,603)**	**(1,603)**	**–**
Intangible assets	**(47)**	**–**	**–**
Real estate transfer tax	**–**	**67,985**	**–**
EPRA net asset value	**890,982**	**959,014**	**892,632**
Diluted shares (number)	**471,975,411**	**471,975,411**	**471,975,411**
EPRA net asset value per share	**188.78p**	**203.19p**	**189.12p**

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

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

	31 March 2022 £'000	31 March 2021 £'000
Total properties per Financial Statements	**1,029,071**	515,794
Less head lease right-of-use asset	**(8,953)**	(6,945)
Less development properties	**(34,735)**	(500)
Completed property portfolio	**985,383**	508,349
Add notional purchasers' costs	**66,021**	34,059
Gross up completed property portfolio valuation (A)	**1,051,404**	542,408
Annualised passing rent[1]	**46,315**	28,562
Less irrecoverable property outgoings	**(390)**	(467)
Annualised net rents (B)	**45,925**	28,095
Contractual rental increases for rent-free period	**936**	231
"Topped up" annualised net rent (C)	**46,861**	28,326
EPRA net initial yield (B/A)	**4.4%**	5.2%
EPRA "topped up" net initial yield (C/A)	**4.5%**	5.2%

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

V. EPRA vacancy rate

	31 March 2022 £'000	31 March 2021 £'000
Estimated rental value of vacant space	**3,753**	2,316
Estimated rental value of the whole portfolio	**54,529**	33,498
EPRA vacancy rate	**6.9%**	6.9%

VI. Total cost ratio/EPRA cost ratio

Total cost ratio	31 March 2022 £'000	31 March 2021 £'000
Costs		
Property operating expenses	**1,262**	1,307
Administrative expenses	**7,159**	4,230
Less: service charge income	**(193)**	(118)
Less: service charge costs recovered through rents but not separately invoiced	**–**	(355)
Less: ground rents	**(83)**	(44)
Total costs including vacant property costs (A)	**8,145**	5,020
Group vacant property costs	**(685)**	(563)
Total costs excluding vacant property costs (B)	**7,460**	4,457
Gross rental income		
Gross rental income	**37,811**	24,181
Less: ground rents paid	**(229)**	(102)
Less: service charge income	**(193)**	(118)
Less: service charge costs recovered through rents but not separately invoiced	**–**	(355)
Total gross rental income (C)	**37,389**	23,606
Total cost including vacant property costs (A/C)	**21.8%**	21.3%
Total cost excluding vacant property costs (B/C)	**20.0%**	18.9%

EPRA cost ratio	31 March 2022 £'000	31 March 2021 £'000
Total costs (A)	**8,145**	5,020
Long-term incentive plan crystallisation	**–**	–
EPRA total costs including vacant property costs (D)	**8,145**	5,020
Vacant property costs	**(685)**	(563)
EPRA total costs excluding vacant property costs (E)	**7,460**	4,457
EPRA cost ratio (including vacant property costs) (D/C)	**21.8%**	21.3%
EPRA cost ratio (excluding vacant property costs) (E/C)	**20.0%**	18.9%

VII. EPRA capital expenditure analysis

	31 March 2022 £'000	31 March 2021 £'000
Acquisitions	**301,875**	264,631
Development	**52,935**	26,211
Capital expenditure:		
– no incremental lettable space	**7,002**	5,704
Total	**361,812**	296,546

VIII. EPRA like-for-like net rental income

	31 March 2022 £'000	31 March 2021 £'000	Change
Like-for-like net rental income	**10,700**	10,806	-1%
Properties acquired	**22,521**	9,053	
Properties sold	**403**	1,902	
Development properties	**2,925**	1,113	
Net rental income	**36,549**	22,874	

IX. Total Accounting Return

	31 March 2022 £'000	31 March 2021 £'000
Opening EPRA NTA	**152.33p**	137.89p
Closing EPRA NTA	**188.78p**	152.33p
Change in EPRA NTA	**36.45p**	14.44p
Dividends paid	**7.60p**	7.10p
Total growth in EPRA NTA plus dividends	**44.05p**	21.54p
Total return	**28.9%**	15.6%

INVESTMENT POLICY

Investment Objectives and Policy

Urban Logistics' Investment Objectives and Policy, as adopted in December 2021 is as follows:

Asset selection is central to the successful implementation of our strategy

Our acquisition criteria balance a range of factors to ensure we buy the right assets at the right price; and that there are opportunities for us to add value through our active asset management approach.

Investment Objective

The Investment Objective is to deliver total investment returns through both income, with regular dividends providing Shareholders with a sustainable income stream that will grow over the medium term, and targeted capital growth which the Company believes will enhance Shareholders' total return over the long term.

Portfolio

The Company intends to achieve the Investment Objective by investing in and growing a diversified portfolio of primary and secondary grade industrial and logistics properties within the UK, and by engaging in active asset management to leverage and enhance returns.

The Company will invest in assets that comprise an interest in freehold or leasehold property (other than by way of security), which meet the following criteria:

- UK industrial or logistics properties (typically single let);
- modern (typically post-1980) constructions; and
- representing average lot value across the portfolio at acquisition of up to £15 million (increased by RPI from Admission).

The Company will seek to invest in strategically located, single let, last mile industrial and logistics properties that have good underlying features, including:

- the opportunity for rental growth and out-performance;
- strong tenant financial covenant;
- lease terms focusing on duration and rental growth; and
- positive geographical characteristics, including age and repair, location, building quality, site cover, transportation links, workforce availability, environmental performance and internal operational efficiencies.

The properties will be located in established logistics regions, such as the Midlands' "Golden Triangle", and in locations where the Company sees medium and long-term potential.

The Company may acquire properties directly or through holdings in SPVs and properties may be held through limited partnerships, trusts or other vehicles with third party co-investors.

Borrowing and gearing policy

The Company will seek to use gearing to enhance returns over the long-term and, in addition, will seek to fix its borrowing rates. Gearing, represented by borrowings as a percentage of gross assets, will not exceed 57.5% at the time of investment. It is the Directors' intention to target gearing of 30% to 40% of Gross Asset Value in the medium term and to comply with the REIT condition relating to the ratio between the Group's 'property profits' and 'property finance costs'.

Use of derivatives

The Company may enter derivative contracts for efficient portfolio management. In particular, the Company may engage in interest rate hedging or similar instruments to mitigate the risk of interest rate increases.

Investment restrictions

The Company will invest and manage its assets with an objective of spreading risk through the following investment restrictions which, in each case, apply at the time of investment:

(I) the Company will derive its rental income from a portfolio of not less than ten properties;

(II) the Company will have a maximum exposure of 25% of its rental income derived from any single tenant;

(III) the Company may invest up to 10% of its Gross Asset Value in non-income producing properties with pre-let tenancies (or otherwise guaranteed income) in place, but which are requiring development or re-development (such as extending, reconfiguring and refurbishing existing assets), to realise that income, with the intention of holding any completed development as an investment. The investments in this category will not be undertaken speculatively, although the Company may take options over adjacent land/property. The Company may finance these assets using, inter alia, forward funding arrangements;

(IV) the Company may invest up to 10% of its Gross Asset Value in assets (including development assets), which are not producing income at the time of acquisition, including assets that do not have pre-let tenancies (or otherwise guaranteed income) in place;

(V) at least 90% by value of the properties directly or indirectly owned by the Company shall be in the form of freehold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent; and

(VI) the Company will not invest in closed-ended investment companies.

The Directors currently intend, at all times, to conduct the affairs of the Group so as to enable it to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

In the event of a breach of the investment guidelines and restrictions set out above, a notification will be made to a Regulatory Information Service if the Directors consider the breach to be material.

No material change will be made to the Investment Objective or the Investment Policy without the approval of the FCA and Shareholders by ordinary resolution at any general meeting, which will also be notified by a RIS announcement.

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 ten years.

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 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 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 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 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").

Gross to net renal income ratio
Net property operating expenses expressed as a percentage of rental income.

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

Net debt
The Group's bank loans net of cash balances at the period end.

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

NTA
Net tangible assets.

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.

REIT
UK Real Estate Investment Trust.

Total Accounting Return ("TAR")
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 ("TPR")
Capital growth in the portfolio, plus net rental income and profit or loss on the sale of investment properties expressed as a percentage return on the capital employed during the year; however, this excludes acquisitions.

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
Heather Hancock	Director
Richard Moffitt	Director
Bruce Anderson ACMA FCIOBS	Director
Mark Johnson	Director

Company Secretary

Link Company Matters Limited

Central Square
10th Floor
29 Wellington Street
Leeds
LS1 4DL

Registered Office

6th Floor
65 Gresham Street
London
EC2V 7NQ

Manager and AIFM

PCP2 Limited

124 Sloane Street
London
SW1X 9BW

Joint Brokers

Singer Capital Markets LLP

One Bartholomew Lane
London
EC2N 2AX

Panmure Gordon

1 New Change
London
EC4M 9AF

Legal Advisers to the Company

Gowling WLG (UK) LLP

4 More London Riverside
London
SE1 2AU

Financial Adviser

Kinmont Limited

5 Clifford Street
London
W1S 2LG

Depositary

Indos Financial Limited

The Scalpel, 18th Floor
52 Lime Street
London
EC3M 7AF

Auditor and Reporting Accountant

RSM UK Audit LLP

25 Farringdon Street
London
EC4A 4AB

Commercial Property Valuer

CBRE Limited

Henrietta House
Henrietta Place
London
W1G 0NB

Registrars

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Bankers

Santander UK PLC

2 Triton Square
Regent's Place
London
NW1 3AN

Barclays Bank PLC

1 Churchill Place
London
E14 5HP

Lloyds Bank PLC

25 Gresham Street
London
EC2V 7HN

Aviva PLC

St Helen's
1 Undershaft
London
EC3P 3DQ

Website

www.urbanlogisticsreit.com

FINANCIAL INFORMATION

July 2022	Interim dividend
20 July 2022	Annual General Meeting
30 September 2022	Half year end
November 2022	Announcement of half-year results
31 March 2023	Year end

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www.lyonsbennett.com

URBAN LOGISTICS
REIT PLC

3rd Floor, Bond House
19-20 Woodstock Street
London W1C 2AW

+44(0)20 7591 1600

www.urbanlogisticsreit.com

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