



# DRIVING PERFORMANCE

Urban Logistics REIT plc  
**ANNUAL REPORT AND ACCOUNTS 2023**



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## OUR PURPOSE

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

## OUR VISION

**TO BE THE LEADING  
PROVIDER OF UK URBAN  
LOGISTICS WAREHOUSING.**

## AT A GLANCE

### Our investment thesis

Our underlying belief, at IPO and today, is 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.

### A pure play on urban logistics

**FTSE 250 UK REIT** quoted on the premium segment of the Main Market of the London Stock Exchange

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

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

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

Assets located in key urban **“last touch”** and **“last mile”** locations

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

## OUR ESG TARGETS

- 01 REDUCE THE ENVIRONMENTAL IMPACT OF OUR BUILDINGS
- 02 ACHIEVE NET ZERO ON OUR SCOPE 1 AND 2 EMISSIONS
- 03 ENGAGE WITH OUR TENANTS TO PLAN SCOPE 3 EMISSIONS TARGETS
- 04 INCREASE ON-SITE RENEWABLE ENERGY
- 05 MAKE MORE SPACE FOR NATURE ON OUR SITES
- 06 PROMOTE TRANSPARENCY IN OUR ESG DISCLOSURES



See more on page 35 to 36

## OUR YEAR

A record year for leasing activity, with 42 new leases, re-gears, or rent reviews signed, generating £6.1 million in new rental income.

### OPERATIONAL HIGHLIGHTS:

#### PORTFOLIO VALUATION

**£1,107m**  
+9.0% 31 March 2022: £1,015m

#### LEASE EVENTS SIGNED

**42**  
31 March 2022: 25

#### CONTRACTED RENT

**£59.5m**  
+26% 31 March 2022: £47.3m

#### GROSS TO NET RENTAL INCOME RATIO

**96.3%**  
31 March 2022: 97.2%

#### LIKE-FOR-LIKE VALUATION MOVEMENT

**(9.8)%**  
31 March 2022: 25.4%

#### EPRA VACANCY RATE<sup>1</sup>

**7.4%**  
31 March 2022: 6.9%

#### EPC% OF PORTFOLIO RATED A-B

**52%**  
31 March 2022: 27%

#### ADDITIONAL RENTAL INCOME<sup>2</sup>:

**£6.1m**  
31 March 2022: £6.4m

#### LFL RENTAL INCREASES<sup>3</sup>:

**34%**  
31 March 2022: 16%

1. 1.1% of this 7.4% let post period end.

2. In respect of leasing activity crystallised in the year to 31 March 2023. Further information is provided in the Investment Manager's Report.

3. Further details of Alternative performance measures are given in the Supplementary Information section on pages 132 to 135.



## OUR YEAR CONTINUED

## FINANCIAL HIGHLIGHTS:

## NET RENTAL INCOME

£53.0m

+45.0% 31 March 2022: £36.5m

## IFRS LOSS BEFORE TAX

£(82.7)m

31 March 2022: profit of £171.8m

ADJUSTED EPS<sup>1</sup>

6.93p

+3.3% 31 March 2022: 6.71p

## DIVIDEND PER SHARE

7.60p

31 March 2022: 7.60p

## IFRS NET ASSETS

£769.8m

-13.8% 31 March 2022: £892.6m

EPRA NTA PER SHARE<sup>2</sup>

162.44p

-14.0% 31 March 2022: 188.78p

TOTAL ACCOUNTING RETURN<sup>2</sup>

(9.9)%

31 March 2022: 28.9%

TOTAL COST RATIO<sup>2</sup>

21.2%

31 March 2022: 21.8%

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 132 to 135.

## INVESTMENT CASE

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

### IDENTIFYING UNIQUE VALUE OPPORTUNITIES

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

We have completed £160 million (excluding purchaser costs) of property investments in the year at a weighted average NIY of 5.2%.

## £160M

PROPERTY INVESTMENTS IN THE YEAR



### ACTIVE ASSET MANAGEMENT

We are a value add proposition, buying properties to which we can apply our asset management expertise; improving lease length and rental rates, as well as the underlying fabric of buildings. This allows us to add value to our portfolio at the asset level at all stages in the property cycle, driving returns for shareholders.

We have completed 42 lease events in the year, including 21 new lettings. Our asset management activity has generated an additional £6.1 million in rental income, with LFL rental increases of 34%.

## £6.1M

IN ADDITIONAL RENTAL INCOME



### EXPERIENCED MANAGEMENT TEAM

Urban Logistics benefits from a high-quality investment management team, complemented by an experienced and knowledgeable Board. The experience of our management team allows us to reliably execute our strategy.

Post period end the Investment Adviser was retained by the Company on improved terms until 2027.

## 2027

MANAGEMENT CONTRACT EXTENDED



### CONSERVATIVE CAPITAL STRUCTURE

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

We target a long-term net LTV position of between 30-40%, but the Board has taken a decision to keep our LTV at the low-end of expectations. Our interest expense at the year end is 85% fixed or hedged to term, providing certainty against a significant portion of our debt cost.

## 29%

LTV





# CHAIRMAN'S STATEMENT



**Despite challenges, the Urban Logistics' portfolio continued to perform well.**

**Nigel Rich CBE**  
Chairman

## Overview

Challenges continue to confront the UK economy, particularly inflation with the consequences to interest rates, the expectation of significant wage increases, and a high level of government debt which the government is combating with tax increases.

Despite these challenges, Urban Logistics' portfolio has continued to perform well in the financial year. We have successfully completed 42 lease events during the year, have seen minimal bad debts, and occupancy was 93% at year end. We have maintained our LTV just below our target range and are well-hedged against rising interest rates in the medium term. Our EPRA NTA per share at the end of the year was 162.44 pence, down 14% compared to 2022, driven mainly by yield shift from 5.2% to 6.2%. Together with our peers, we trade at a significant discount to NAV, but we believe the industrial and logistics sector of the property market is underrated, given the continuing demand for space and the expectation for further rent increases.

## Management

During the year, we initiated discussions with the managers on the future of the management arrangements, which were due to expire in April 2024. In May 2023, the shareholders approved at a general meeting new arrangements which are now being put into effect and will extend the management team's appointment until 2027, on more favourable terms for the Company. The Pacific Group who helped to found the Company in 2016 will no longer be involved in its affairs. We are grateful for their part in growing the Company over the last seven years. Two Pacific employees who were already fully committed to the Company's business have joined the management team of the Investment Adviser, which continues to be successfully led by Richard Moffitt, with Christopher Turner still responsible for the asset management. The management team has been further strengthened by the appointment of Justin Upton as Chief Investment Officer.

## ESG

We have performed well against the ESG targets we set the Company twelve months ago, and have achieved a number of important milestones, including over half the portfolio holding an EPC rating of A/B, up from just 27% on 31 March 2022. We also report in line with the TCFD requirement for the first time, fulfilling a commitment we made in our last Annual Report.

## Financials

During the year, the remaining funds from the December 2021 fundraise were invested at a slower rate than originally anticipated due to the economic outlook, however rental income increased significantly as a result of the acquisitions and asset management activity, from £37.8 million to £55.3 million, an increase of 46%. Adjusted earnings<sup>1</sup> increased from £23.6 million to £32.7 million, an increase of 39%, while adjusted EPS rose marginally, due to the additional shares in issue, from 6.7 pence to 6.9 pence.

The balance sheet remains strong despite the lower valuations with LTV at 29.0%. The debt has an average maturity of 5.4 years, with no refinancing required until 2025. 85% of the interest costs are hedged at an all in cost of 3.66%.

1. A full reconciliation between IFRS profit and Adjusted earnings can be found in note 13 of the Financial Statements.

# CHAIRMAN'S STATEMENT CONTINUED

## Dividends

A first interim dividend of 3.25 pence per share was paid in December 2022 to shareholders. A second interim dividend of 4.35 pence per share will be paid on 21 July 2023 to shareholders on the register at the close of business on 30 June 2023. Total dividends declared amount to 7.60 pence per share, the same as the previous year. The dividends are not covered by earnings in the year, mainly due to the slower pace of property acquisitions.

## Board

Post period end, a number of changes have been made to the Board as a consequence of the new management arrangements. Jonathan Gray and Mark Johnson resigned following the general meeting in May. We are most grateful to them for their respective contributions. Jonathan will continue to be involved with the Company as Chairman of the Investment Adviser. On 1 May 2023, after an extensive search, Lynda Heywood joined the Board bringing with her considerable finance experience. In addition, following Jonathan Gray's resignation, Heather Hancock has become the Senior Independent Director. Heather remains Chairwoman of the ESG Committee.

With these changes, and following the recent external review of the Board's performance, we will be giving further consideration as to whether we have the appropriate mix of skills on the Board, and at the same time consider succession and diversification.

## Outlook

The current stock market volatility and the related difficulties, such as companies being unable to raise money through follow on fundraises, means that it is unlikely that we will be able to fund a pipeline of acquisitions in the immediate future. We will therefore look to recycle assets where we have maximised the income and replace them with properties offering lease events, as well as capitalising on the significant reversionary opportunities in the portfolio. These actions of recycling and asset management allow us to add to shareholder value in uncertain times. With a full year of income from the properties purchased during the last year, as well as the continuing asset management opportunities, we would expect to maintain the same level of dividend in 2023/24.

## Nigel Rich CBE

Chairman  
21 June 2023





## Q&A WITH THE INVESTMENT MANAGER



“ ”

**A robust performance in a challenging year.**

**Richard Moffitt**  
Chief Executive Officer of the Investment Manager

### How would you summarise Urban Logistics' performance over the year under review?

The portfolio has proved to be reasonably robust, against a backdrop of challenging market conditions. Contracted income has risen by 26% to £59.5 million, and we have reported a 3% increase in adjusted EPS. In a difficult year for valuations, our like-for-like portfolio decrease of 9.8% compares favourably with the market, and with the indices we track. Our balance sheet remains strong, with weighted average debt maturities increasing from 3.7 years in March 2022 to 5.4 years at the year end. We achieved 34% like-for-like rental increases across 42 lease events during the year, and we have an increased WAULT of 8.2 years. We have also continued to be active acquirers of high-quality "last touch" logistics assets, having acquired £160 million (excluding purchaser costs) of assets during the year at a blended NIY of 5.2%.

### As you say, it has been a difficult year for the commercial property sector, with a marked decline in share prices for the listed REITs. How has this affected Urban Logistics?

Investor sentiment around the broad commercial property sector has indeed been adversely affected by economic conditions of which we are all too aware – in particular, persistent elevated inflation and the Bank of England's decision to increase interest rates.

The resulting expectation of yield erosion has caused share prices to reduce significantly. We believe that Urban Logistics is different, but we have been swept up in the general negative sentiment across the listed real estate sector.



### Why do you think you are different to the broader REIT sector?

Because we have established a leading position in a very important sub-sector of the market: mid-box, single-let logistics assets, to financially secure tenants who are supplying essential goods. Unlike the challenges faced in some other parts of the real estate market, our sector continues to see demand for the assets we own significantly outstripping supply which, when combined with our asset management expertise, allows us to improve rents, covenants and lease lengths - all things which can help us protect values and offset market driven yield shift.

## Q&A WITH THE INVESTMENT MANAGER CONTINUED

### You've talked a lot about active asset management. How does that work exactly, and how does it help to protect shareholder value?

We target assets which offer near-term opportunities for value enhancement through rental increase, these opportunities include re-lettings, lease re-gears, rent reviews, and physical enhancements to the properties themselves, for example by improving their ESG credentials. During this year, we completed a further 21 new lettings, 13 lease re-gears and eight rent reviews, which in total generated £6.1 million of additional rental income, all of which translates into enhanced shareholder returns.

It's also important to note that our acquisition strategy has continued robustly this year, albeit we have been cautious in the deployment of capital given the economic headwinds. We acquired 17 assets during the period for a combined consideration of £160 million (excluding purchaser costs), with a NIY of 5.2% on a blended basis.

### ESG strategy is clearly becoming increasingly important to you; could you give some more detail on this area?

The cornerstone of our ESG strategy is that we seek to make continuous improvement in the environmental quality of our estate.

Our focus on ESG is not only the right thing to do for the environment and for society, but also benefits our shareholders and is increasingly important for our tenants in their own ESG commitments. Whilst there is currently little evidence of green premiums being paid, tenants are being far more prescriptive as to what space they can and will take, in terms of green credentials. We aim to acquire assets with an average or even poor environmental performance and improve them, rather than simply buying assets which already have strong ESG credentials. This not only enables us to enhance rental income, but also means that we are improving existing buildings instead of acquiring ESG ready assets at a market premium.

This strategy can be seen in our portfolio, where 52% of assets now have an EPC of A or B. We also see this work reflected in improvements to our key ESG ratings partners in the year - MSCI have recently upgraded our ESG rating from "CCC" to "A" and, in addition, we have improved our GRESB and EPRA sBPR scores this year. In terms of GRESB, we now have two stars for standing assets and three stars for development assets.

We were highlighted as one of the most improved REITs at the EPRA awards, moving from no award to silver – a huge improvement in just twelve months.

### What is the current headroom on your LTV? Do you have any upcoming refinancing requirements?

Our LTV is currently sitting at 29%, below our 30-40% target range. This has been discussed at the Board level, and a conscious decision was made to keep our LTV low in uncertain times. The majority of our debt is long-term, fixed rate debt, with a smaller portion of debt which will require refinancing in the second half of 2025. We have no refinancing required before 2025.





## Q&A WITH THE INVESTMENT MANAGER CONTINUED

### You acquired a lot of assets last year, where does that leave your cash position? Will you consider taking on more debt or recycling assets?

As of 31 March, we are fully deployed in terms of cash, and clearly, we are restricted in our ability to raise finance via the capital markets at the moment. Our LTV currently sits below the stated target range, and increasing this LTV and using the proceeds to acquire further assets will remain under active consideration by the Board. Meanwhile, we believe it is good management to recycle assets, and post period end have sold properties for gross sales price of £15 million, representing a 3.4% premium to the March 2023 valuation.



### Can you describe how the post year end changes to the management arrangements will affect shareholders?

The underlying management team has not changed since the Company was founded in 2016.

On 11th May 2023 the Board and shareholders approved some changes to the contractual relationships within the management arrangements - Logistics Asset Management LLP formally takes on the role of Investment Adviser to Urban Logistics REIT plc and to GIO Capital Limited (Urban Logistics' new AIFM).

The result of these changes means that the management team will stay in place until 2027, at a lower cost to shareholders – providing stability and certainty.



### What's the outlook for the rest of 2023?

Inflation may be easing, however, I think we all agree that the outlook is still uncertain. In this environment, Urban Logistics remains very well positioned. We have tenants who supply essential goods, renting assets which are greatly needed and in short supply. We manage those assets intensively to improve them. Our debt is 85% hedged or fixed with no refinancings required until 2025. Given all this, I feel very comfortable and confident in saying that we are extremely well positioned to continue to create and enhance value for our shareholders.



# STRATEGIC LOCATIONS



**130**

Number of assets (2022: 113)



**67%**

South East and Midlands (2022: 63%)



**9.7M SQ FT**

Total area (2022: 8.3m sq ft)

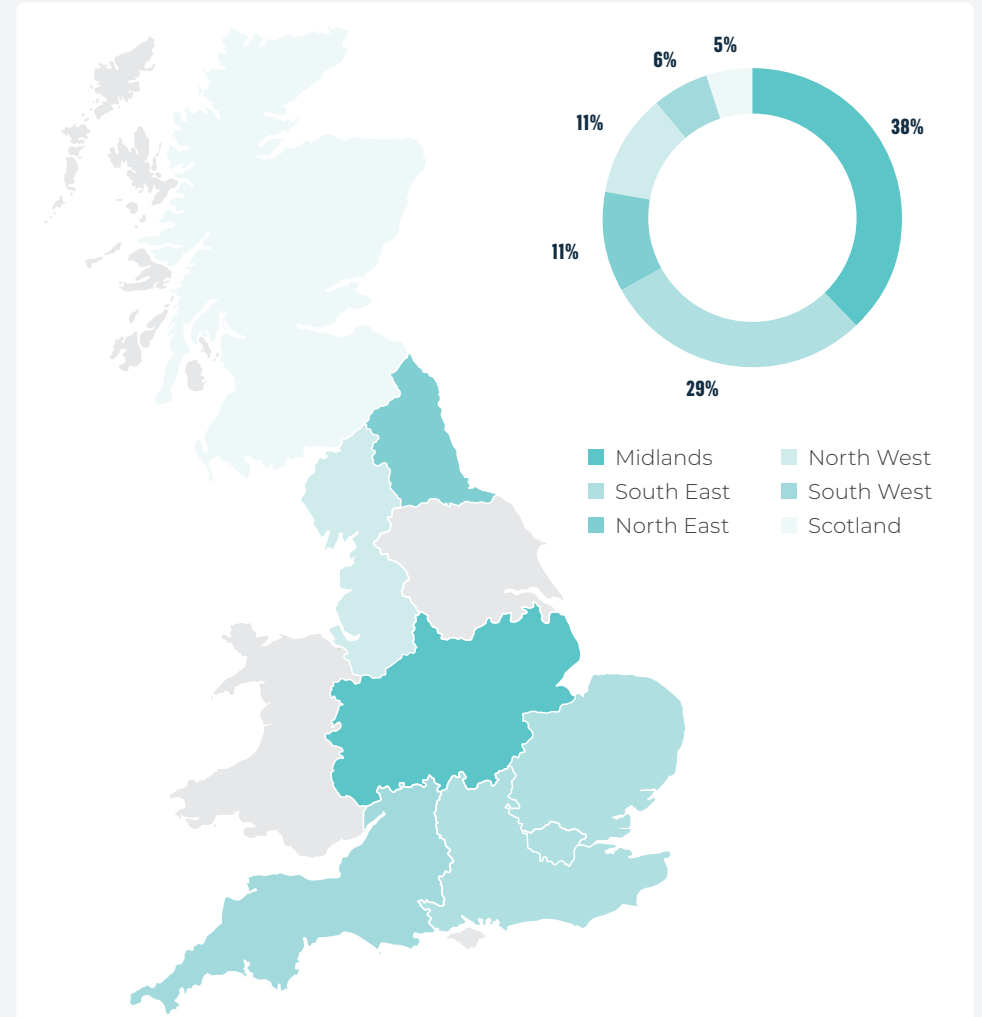


**£1,107M**

Portfolio value (2022: £1,015m)



## OUR LOCATIONS





# BUSINESS MODEL

## 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 leading provider of UK urban logistics warehousing.

## UNDERPINNED BY...

### OUR CULTURE

Strategic decision-making, diligent investigation, close relationships with stakeholders and an approach focused on sustainable performance.

## HOW WE ADD VALUE

### BUY WELL

#### CASE STUDY

Fox Portfolio: £39.5 million acquisition at 6.1% NIY

SEE MORE ON PAGE 21



### MANAGE WELL

#### CASE STUDY

Newmarket: 36% rental uplift with ten years added to term

SEE MORE ON PAGE 23



### CREATE VALUE

#### CASE STUDY

Rochdale: £12.4 million development at a 7.9% yield on cost

SEE MORE ON PAGE 25



## DELIVERING VALUE FOR OUR STAKEHOLDERS

### INCOME RETURN<sup>1</sup>

**5.1%**

Average annual dividend income since IPO

### EPRA NTA GROWTH

**7.5%**

Average annual growth since IPO

### TOTAL ACCOUNTING RETURN

**12.6%**

Average return per annum since IPO

### ESG IMPROVEMENTS

**52%**

EPC ratings: A-B<sup>1</sup>

1. EPC ratings at 31 March 2022, by floor area.

## INVESTMENT MANAGER'S REPORT

# CHIEF EXECUTIVE OFFICER REVIEW



**Richard Moffitt**  
CEO Investment Manager

### WHAT'S IN THIS SECTION

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### Overview

The last twelve months have been an important reminder of the importance in taking a “through the cycle” approach to real estate. Over the course of the year, the impacts of Russia’s aggressive and unjustified war in Ukraine, coupled with short-lived economic experiments by the UK government, have fed through into global and UK inflationary pressures that have defined central banks monetary policy, and in turn the outlook for all sectors of the real estate market.

Throughout this, our strategy of active asset management allows us to add value to assets whatever stage of the property market we are in – by moving rents on, improving our tenant covenants and increasing lease lengths, we are able to protect against the impact of negative yield shift. We can see this in our valuation results, only down 9.8%, set against an 18.9% capital decline in the ‘Distribution Warehouse’ category of the MSCI index for the year. By holding firm to the strategy first set out in 2016, we aim to mitigate the worst effects of the economic downturn.

### Market and performance

Continued high inflation and interest rates have led to a repricing of assets across commercial real estate. Our like-for-like downward revaluation of just 9.8% outperforms the wider asset class, and this is down to both the quality of the assets in the portfolio and the asset management undertaken. Our last mile, single-let logistics assets are in high demand given the undersupply of assets of this type, driven by long-term structural shifts in our economy and a chronic lack of supply. This supports the occupational market and allows us to offset yield erosion with rising rental rates, captured in 42 lease events over the year, generating £6.1 million in additional rental income.

### Management arrangements and team

The changes in the management arrangements referred to in the Chairman’s Statement have been completed post year end. My team and I are pleased to recommit to our roles, and look forward to continuing to deliver for shareholders.

To help us do this, we continue to add experience and depth to the property and finance teams, both at junior and more recently senior levels, with the appointment of Justin Upton as our Chief Investment Officer, as well as Jonathan Gray as non-executive Chairman. This depth provides sustainability to the team, and is also key to our ability to further scale the portfolio and carry out asset management and performance enhancing initiatives to the benefit of the underlying shareholders.

To support our team, we provide training and career development activities, 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 to recruit and retain the highest quality team members, who are key to our success.

### ESG

We firmly believe that the global push towards ESG-related goals represents a significant opportunity for Urban Logistics. MEES legislation requires huge improvements in EPC ratings, providing opportunities for an active asset manager like us to acquire buildings in need of improvement and apply our asset management expertise – as evidenced by the fact that over twelve months we improved 37 EPCs and 52% of the portfolio is now rated A or B. We also tend to work with tenants who care about ESG issues and are willing to invest in the asset they lease from us to hit their own ESG goals, making it easier for us to hit our targets. We have a scope 1 and 2 net zero goal, and are working hard towards hitting it next year, both by reducing emissions and offsetting where required.

## INVESTMENT MANAGER'S REPORT CONTINUED

# CHIEF EXECUTIVE OFFICER REVIEW CONTINUED

### Looking ahead

The macroeconomic and geo-political picture for 2023 and beyond continues to evolve. Given the re-pricing of real estate assets and land values in 2022, we believe that the equilibrium level where buyers and vendors will trade has been found more quickly than witnessed in previous cycles. Investors are already returning to the market, attracted by re-based higher yields, rental value growth and the long-term drivers of the logistics sector.

As the take-up statistics for the last twelve months have borne out, an emphasis on resilient supply chains continue to be a key focus of our occupier base, coupled with the fact that e-commerce remains a fundamental and growing part of the economy. This provides a sound footing to our business model of last-touch, mid-sized logistics assets, let to financially resilient tenants.

The market continues to be characterised by low vacancy rates in the occupational space, providing confidence to investors looking to deploy capital. Whilst we are conscious of the weakening consumer environment (exacerbated by the cost of living crisis) and the rising occupational costs of labour and business rates, the fundamentals of the logistics sector continue to be attractive.

Our core belief is that, irrespective of market driven yield movements, shareholders are best served by us adding value to the portfolio through asset management. Our team is focused on moving rents and tenant covenants forward, extracting value from mispriced areas of the market and making physical improvements to the underlying properties and their surroundings in order to promote enhanced ESG criteria. Given our long experience in the sector, we are still able to source assets off market at attractive yields, funded through portfolio recycling from assets where we have already added value through asset management.

We continue to take pride in what we have achieved in what has been a challenging twelve months. We have renewed leases with existing tenants, built warehouses for new tenants and welcomed new team members and shareholders into the Company. We see significant opportunity and value within the portfolio and look to the future with a mix of caution, ambition and excitement.





## INVESTMENT MANAGER'S REPORT CONTINUED

## MARKET REPORT



**Justin Upton**  
CIO Investment Manager



### Yield shift in the capital markets

Macro factors discussed earlier in this report have led to investors requiring a higher risk premium to hold our asset class. The all property total return for 2022, based on MSCI annual index of £172 billion of assets, recorded a -7.6% total return<sup>1</sup>, while at the industrial sector level, MSCI UK quarterly data to 31 December 2022<sup>1</sup>, which comprises over £54 billion of Industrial assets, suggested a capital decline in industrial values of -17.0%, with the category 'Distribution Warehouse' slightly more impacted at -18.9%, against our own portfolio revaluation, down 9.8%.

As would be expected, the lowest yielding areas of the market, such as London and the South East, suffered the greatest yield shift as there was further to fall; according to Knight Frank data<sup>2</sup>, the industrial prime equivalent yield sat at 5.5% at year end compared to 4% recorded twelve months earlier.

This yield shift needs to be set in the context of historically low rates in recent years, as shown by the graph below.

### Investment volumes

Investment in the warehousing sector during the calendar year has totalled £14 billion, a figure which is second only to 2021's record year of £18 billion. Whilst this stands as the second highest year ever recorded, it was skewed towards the first three quarters with a paltry £1.2 billion transacted in Q4 2022 as investors remained cautious in the face of economic and political volatility and rising bond yields.

Since the turn of the calendar year, Q1 2023 sentiment and capital are returning to the logistics sector. Valuation data from Knight Franks' March 2023 yield guide suggest prime industrial yields have experienced yield compression of 25bps or more over this period as the market stabilises from the declines of Q4 2022. This is in contrast to the view many commentators held the start of the year who suggested the combined effects of continued economic volatility would result in continued outward movement in yields in the first half of 2023.

1. MSCI UK Annual Data – Full Year 2022.

2. Knight Frank Prime Yield Guide December 2022.

# INVESTMENT MANAGER'S REPORT CONTINUED

# MARKET REPORT CONTINUED

## Occupational market

Despite the significant capital markets headwinds that the sector faced in 2022, the occupier market continued to prove resilient and robust, with rental growth of +10.4% recorded across the industrial sector. According to Savills 2023 Big Shed Briefing, UK take-up of industrial and logistics space (units of 100,000 sq ft +) reached 45.7 million sq ft in 2022<sup>1</sup>, 49% above the long-term annual average, which pre-COVID sat at 26 million sq ft.

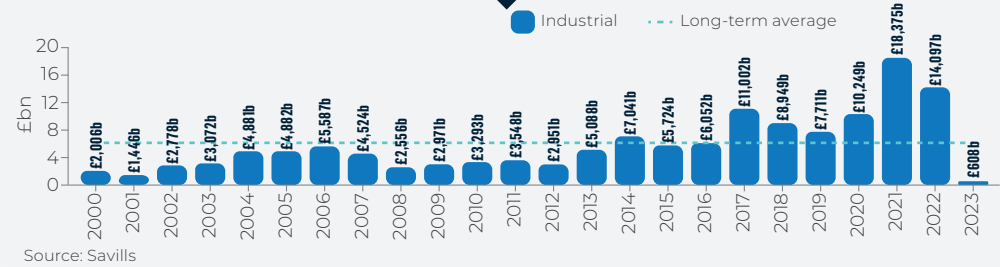
On the supply side, the national vacancy rate now stands at 5.0% across 32.7 million sq ft, a small increase from the 3.1% on 2021 year-end figures. The development pipeline for 2023 and 2024 is due to add a further 20.2 million sq ft of speculative development which is likely to take the total supply upwards, however once this is delivered, development supply is expected to slow, as rising cost of finance and higher exit yields create a challenging environment for speculative development, irrespective of the traditional bottlenecks of build cost inflation, planning delays and labour scarcity. Given the average cost of a new build with land remaining stubbornly above £150 per sq ft, it is anticipated that these issues will provide constraints to speculative development going forward, and further reinforces the attractiveness of our portfolio with a current replacement value at £111 per sq ft. It also explains why CBRE anticipate vacancy rate to remain low.

Despite the positive messaging prevalent in the underlying occupier market, there is the growing awareness of "grey space" onto the supply side. This is secondary space that is technically available and being handed back to the market via sub-leasing as a result of over expansion (think Amazon's announcement in March 2023 regarding taking too much space during the pandemic). Given the ultimate aim of sub-leasing is to remove cost and rent liability, it has the potential to impact rental growth via increased supply side.

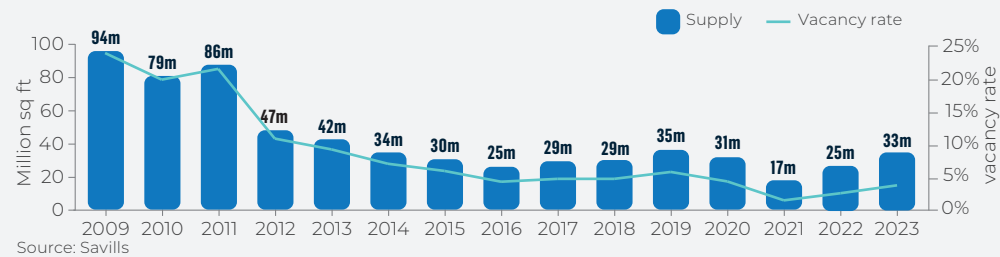
From an occupier perspective, Savills notes that Third Party Logistics ("3PLs") accounted for 32% of all new leases signed in 2022, the highest proportion ever recorded. Diving deeper it shows 86% of these units are considered Grade A, against a long-term average of 60%, illustrating 3PLs need to provide high-quality space to improved staff welfare and ESG-compliant buildings in order to retain and service their key client contracts.

1. Savills UK Logistics: Big Shed Briefing January 2023.  
2. CBRE 2023 Market Outlook Industrial & Logistics.

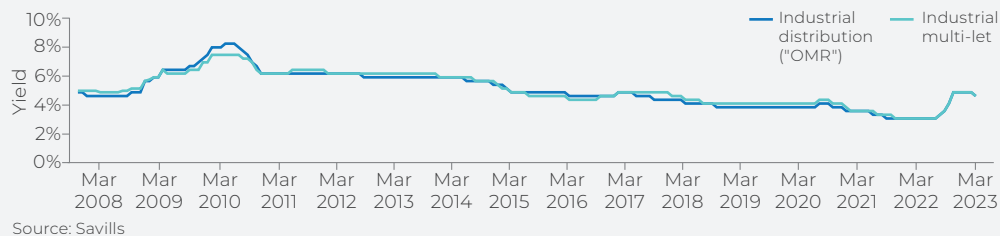
## INVESTMENT VOLUMES



## UK LOGISTICS AVAILABILITY AND VACANCY RATES



## PRIME INVESTMENT YIELDS



## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT



**Christopher Turner**  
Property Director, Investment Manager

### Portfolio review

Given the market context, we are very pleased to see the portfolio valuation holding up well, with valuations on a like-for-like basis down 9.8%, outperforming the indexes we track against.

We are a very active asset manager, and have signed 42 new leases, rent reviews or re-gears in the period, driving an additional £6.1 million in rent, at a LFL increase of 34%.

This asset management activity not only protects capital values, but also increases rental income, which combined with our near 100% rent collection record, is what allows us to maintain our dividend and offset the market-driven yield erosion the asset class has seen in the year.

We aim to manage a balanced portfolio, split between core assets with secure, long-term income as well as an active asset management pool where we can drive returns.

### Core assets

The foundation of the portfolio, these assets underpin the dividend and banking covenants. Core assets are typically let on long-term leases to large-scale tenants with strong covenants.

### Active asset management

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.

### Developments

These assets are forward-funded developments typically 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.

#### PORTFOLIO VALUATION

**£1,107M**

31 March 2022: £1,015m

#### TOTAL PROPERTY RETURN

**(5.0)%**

31 March 2022: 30.3%

#### PORTFOLIO VALUATION NIY

**4.9%**

31 March 2022: 4.3%

#### WALVT (TO EXPIRY)

**8.2 YEARS**

31 March 2022: 7.7 years

#### PORTFOLIO VALUATION EY

**6.2%**

31 March 2022: 5.2%

#### AVERAGE RENT PER SQ FT

**£6.02**

31 March 2022: £5.59



## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT CONTINUED

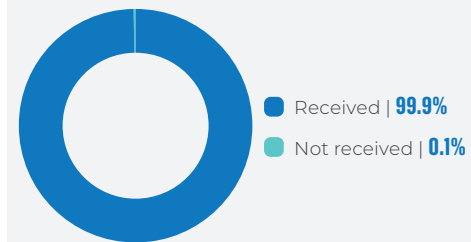
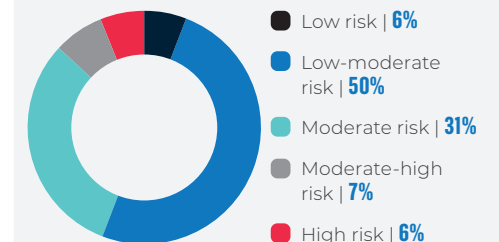
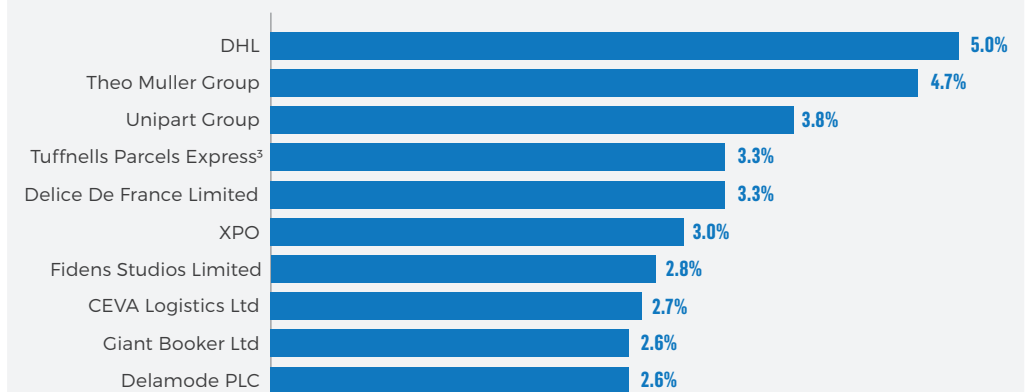
Over the course of the year we have maintained the weighting in the portfolio at just over 50% "active asset management". It is this category where we are able to add value for shareholders. The table below shows that in this category there is considerable room to move the rents (contracted rent of £31 million against an ERV of £40million). With the WAULT in this category at just 4.3 years, this reversion can be quickly captured. There are other significant asset management opportunities in this section of the portfolio, including EPC improvements, as evidenced by the 44% A/B rating against the core portfolio of 63%. As our asset management improves rents, lengthens WAULTs and improves EPCs, yields on these assets can be expected to move closer to the yields of our core properties, suggesting a potential valuation uplift.

	Core	Active asset management	Development <sup>1</sup>	Total
Capital Value	£499m	£592m	£16m	<b>£1,107m</b>
Percentage of portfolio	45%	54%	1%	<b>100%</b>
Area	3.9m sq ft	5.8m sq ft	NA	<b>9.7m sq ft</b>
Contracted rent	£28m	£31m	NA	<b>£59m</b>
ERV/Expected rent	£33m	£40m	£1m	<b>£74m</b>
WAULT	12.5 years	4.3 years	NA	<b>8.2 years</b>
EPC A-B	63%	44%	NA	<b>52%</b>
Equivalent yield/yield on cost <sup>2</sup>	6.0%	6.4%	7.4%	<b>6.2%</b>

- Developments are included as valued by CBRE as at 31 March 2023. Further CAPEX spend is required to completion.
- Equivalent yield from 31 March 2023 valuation is used for core and active asset management. For development assets, a calculated yield on cost is used.



## RENT COLLECTION

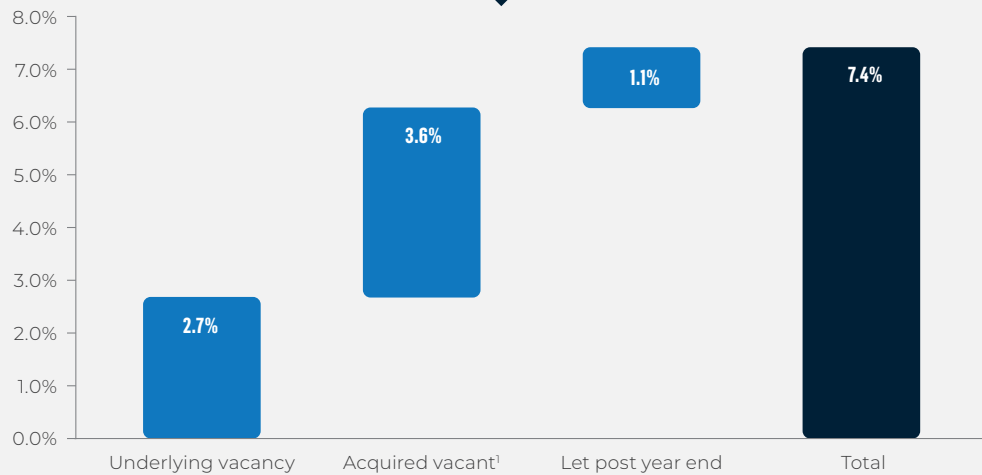
TENANT CREDIT RISK RATINGS<sup>1</sup>TOP 10 TENANTS<sup>2</sup>

- Ratings per Dun & Bradstreet.
- Top 10 tenants cover 33.8% of contracted rent. The remaining 66.2% is made up of 107 tenants.
- On 12 June 2023 Tuffnells Parcel Express entered into administration. A rent deposit is held by the Company.

## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT CONTINUED

## VACANCY RATE



The vacancy rate at the year end was 7.4% (2022: 6.9%). This vacancy can be broken down into a 2.7% underlying vacancy, one asset (3.6%) which was acquired in March 2022 with less than twelve months of the lease, as well as three assets which have been let post year end in April 2023 (1.1%). We believe the properties which we acquired vacant give us significant opportunity to create both income and value through our asset management activities.

1. Acquired vacant includes those properties acquired with less than twelve months on the lease at times of acquisition.



INVESTMENT MANAGER'S REPORT CONTINUED**01 BUY WELL****FOX PORTFOLIO**

Read more on page 21

**£39.5M**

Purchase price

**6.1%**

Acquisition NIY

**17%**

Reversion to ERV

**£42.3M**

NBV as at 31 March 2023

**7%**

Uplift on purchase price

**02 MANAGE WELL****NEWMARKET**

Read more on page 23

**£4.7M**

Purchase price

**10 YEARS**

Term added

**36%**

Rental uplift

**£5.4M**

NBV as at 31 March 2023

**14%**

Uplift on purchase price

**03 RISK CONTROLLED DEVELOPMENTS****ROCHDALE**

Read more on page 25

**£12.4M**

Gross development cost

**£1.0M**

Contracted rent

**7.9%**

Yield on cost

**£15.4M**

NBV as at 31 March 2023

**24%**

Uplift on cost

1. Includes post year end letting.



## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT CONTINUED

## Investment activity

During the year to 31 March 2023, the Group acquired assets for a combined consideration of £160 million (excluding development sites and purchaser costs), representing a weighted average NIY of 5.2% and 45% South East bias.



## HEADLINE PURCHASE PRICE

# £160M

31 March 2022: £282m

## WEIGHTED AVERAGE NIY

# 5.2%

31 March 2022: 5.3%

## AVERAGE RENT PER SQ FT

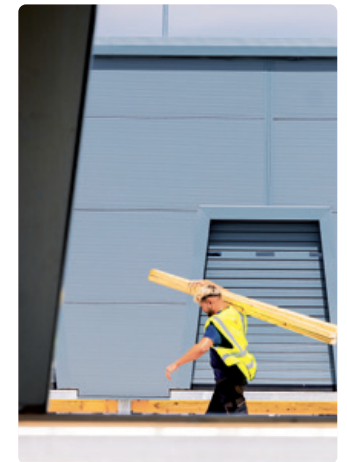
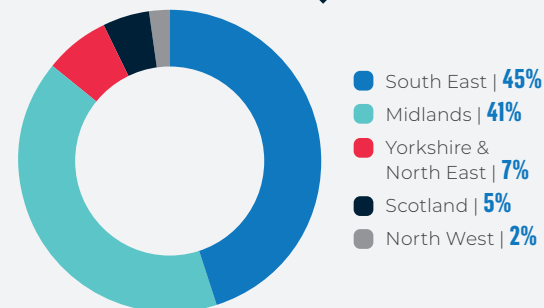
# £8.29

31 March 2022: £5.32

## Properties acquired in the year ended 31 March 2023

	South East	Midlands	North West	Yorkshire & NE	Scotland	Total
Purchase price	£72m	£66m	£3m	£11m	£8m	<b>£160m</b>
WA NIY	4.9%	5.3%	6.4%	5.0%	6.2%	<b>5.2%</b>
Area (sq ft)	295,006	565,586	19,664	73,987	83,126	<b>1,037,369</b>
Contracted rent	£3.6m	£3.6m	£0.2m	£0.6m	£0.6m	<b>£8.6m</b>
Rent per sq ft	£12.34	£6.42	£10.43	£7.68	£6.71	<b>£8.29</b>
Capital value per sq ft	£244	£116	£154	£145	£101	<b>£154</b>

## GEOGRAPHICAL LOCATIONS FOR ASSETS ACQUIRED DURING THE YEAR ENDED 31 MARCH 2023



# INVESTMENT MANAGER'S REPORT CONTINUED

## “FOX” PORTFOLIO CASE STUDY

In January 2023, the Company acquired a portfolio of four well located urban logistics warehouses, with significant opportunities for asset management, for a consideration of £39.5 million, representing a 6.1% net initial yield, with tenants including Volvo, Amazon and Delamode. The portfolio is highly reversionary, with a targeted reversionary yield of 7.1%. The low WAULT of the portfolio of 3.0 years means our asset management expertise can be applied in the near term to add significant value to the portfolio.

The portfolio is located in Redditch, Southampton, Droitwich and Rugby, and all assets are located close to major transport infrastructure. The portfolio generates £2.6 million in rent, representing £6.35 per sq ft, against a current ERV of £7.43 per sq ft.

The assets had EPCs of B through to D. Since acquisition we have put a plan in place for each to reach a rating of B within 18 months.

The portfolio was acquired off market, and at the year end the units were valued by CBRE at £42.3 million, representing a 7% uplift on purchase price. Given the assets had only been held for two months, and the significant asset management opportunities within the portfolio, we believe there is significantly more value to be generated from these assets.



### £39.5M

Purchase price



### 6.1%

Acquisition NIY



### £42.3M

March 2023 valuation



### 7%

Uplift on purchase price



## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT CONTINUED

## Asset management activity

## Resilient occupier demand drives rental growth

In the year, the Group successfully completed 42 deals across 1.6 million sq ft, or 16%, of the total portfolio gross internal area at the year end. In aggregate, these deals added £6.1 million to annual contracted income and 13.3 years of WAULT.

21 of these deals were new lettings which generated £5.4 million of new contracted rent and a WAULT of 13.8 years. The rental levels achieved across these lettings represent a like-for-like increase of 57%, reflecting strong occupier demand for high-quality last mile logistics assets.

It is this generation of additional rental income and lease length which allows us to offset market driven yield expansion, and helps explain why the portfolio valuation has outperformed the wider market.

	No. of deals	Additional rent	LFL rental uplift	WAULT (years)
New lettings	21	£5.4m	56.7%	13.8
Lease re-gears	13	£0.3m	11.6%	4.6
Rent reviews	8	£0.4m	28.7%	n/a
<b>Total</b>	<b>42</b>	<b>£6.1m</b>	<b>33.6%</b>	<b>13.3</b>

## PORTFOLIO CONTRACTED INCOME

# £59.5M

31 March 2022: £47.3m

## AVERAGE LEASE LENGTHS ON NEW LETTINGS

# 13.8 YEARS

31 March 2022: 13.6 years

## PORTFOLIO ERV

# £74.2M

31 March 2022: £54.5m

## RENT ROLL GROWTH THROUGH LEASING ACTIVITY

# £6.1M

31 March 2022: £6.4m

## LFL RENTAL UPLIFT

# 33.6%

31 March 2022: 16.4%

## RENT COLLECTION

# 99.9%

31 March 2022: 99.9%



# INVESTMENT MANAGER'S REPORT CONTINUED

## DENMARK HOUSE, NEWMARKET CASE STUDY

In April 2020, the Group acquired a logistics property let to Hermes Parcelnet, later renamed Evri, as part of a portfolio for a consideration of £4.7 million. The acquisition represented a net initial yield of 5.5% and, with a lease which expired in October 2022, was considered highly reversionary. Evri were paying a rent of £265,000, representing £6.01 per sq ft. The well located logistics asset, which serves Cambridge and the local area, is situated just off the A14.

Evri vacated at the end of the lease, and we completed a refurbishment for £0.6 million which was in part funded by dilapidations charged to Evri. The refurbishment included installing LED lights and replacing the heating systems, resulting in an EPC improvement from C to A.

Within five months of Evri vacating a new lease was in place to McKinley's Group, for a term of ten years at a rent of £360,000, a 36% uplift on previous contracted rent, and 26% ahead of CBRE's March 2022 ERV.

At the year end, the property was valued by CBRE at £5.4 million, representing a 14% increase on acquisition cost.



**26%**  
Rent vs ERV



**A**  
EPC



**£5.4M**  
March 2023 valuation



**14%**  
uplift vs purchase price



## INVESTMENT MANAGER'S REPORT CONTINUED

## PORTFOLIO REPORT CONTINUED

## Development activity

During the year to 31 March 2023, the Company invested £28.7 million across five development properties. In total, we completed 406,546 sq ft of new space during the year, with all of these projects completing on time and on budget. At 31 March 2023, 86% of the completed units were let, and post year end this increased to 100%, generating £3.1 million of contracted rent, representing a 7.1% yield on cost.

The units completed in the year had a gross development cost of £43.7 million, and were valued by CBRE at 31 March 2023 at £53.6 million, generating a £9.8 million surplus, or a 22.5% uplift on cost.

Completed in year	GDC	Yield on cost	Area sq ft	New rent
Blenheim Park, Nottingham	£18.0m	6.7%	166,851	£1.2m
Bridge Street, Golborne	£13.3m	7.0%	120,946	£0.9m
Kingsway, Rochdale	£12.4m	7.9%	118,749	£1.0m
<b>Total</b>	<b>£43.7m</b>	<b>7.1%</b>	<b>406,546</b>	<b>£3.1m</b>

At 31 March 2023, the Company had committed to, or commenced construction on, a further two development projects totalling 143,566 sq ft of new space, and a gross development cost of £17.4 million. The remaining cash to be deployed across these projects is £6.6 million and together they are expected to generate £1.3 million of contracted income once fully let, representing a 7.4% yield on cost.

Under construction/committed	GDC	Yield on cost	Area sq ft	ERV
Newhall Road, Sheffield	£13.8m	7.6%	131,500	£1.1m
Unit 100, Colchester	£3.6m	6.7%	12,066	£0.2m
<b>Total</b>	<b>£17.4m</b>	<b>7.4%</b>	<b>143,566</b>	<b>£1.3m</b>

CAPITAL DEPLOYED  
IN THE YEAR

£28.7M

31 March 2022: £52.9m

CURRENT YIELD  
ON COST

7.2%

31 March 2022: 6.7%

CURRENT  
ERV

£4.4M

31 March 2022: £5.8m

UNDER  
CONSTRUCTION

143,566 SQ FT

31 March 2022: 547,304 sq ft

COMPLETED  
IN THE YEAR

406,546 SQ FT

31 March 2022: 172,433 sq ft

EPC  
RATING A

100%

31 March 2022: 100%



## INVESTMENT MANAGER'S REPORT CONTINUED

ROCHDALE  
CASE STUDY

In 2021, the Company acquired and agreed to forward fund the development of four units at Rochdale, near Manchester. The units had a gross development cost of £12.4 million, equating to a build cost of £105 per sq ft. From land acquisition through to practical completion, the Company benefited from a 5.5% interest rate coupon on funding.

Practical completion was achieved in November 2022, and all units achieved an EPC of A, and BREEAM 'Very Good'.

During the year, we successfully completed lettings across three of the four units, with the final unit let post year end in April 2023, for a combined rental income of £1.0 million, representing a yield on cost of 7.9%.

At 31 March 2023, CBRE valued the properties at £15.4 million, representing a 24% uplift on cost.

**£12.4M**Gross Development  
Cost**7.9%**

Yield on cost

**£15.4M**

March 2023 valuation

**24%**

Uplift on cost



## INVESTMENT MANAGER'S REPORT CONTINUED

## FINANCIAL REPORT



**Mike Perkins**  
CFO Investment Manager



## NET RENTAL INCOME BRIDGE



## Operating profit

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Revenue	55,305	37,811
Property operating costs	(2,313)	(1,262)
<b>Net rental income</b>	<b>52,992</b>	36,549
Other operating income	57	1,021
Administrative expenses	(9,683)	(7,159)
Net finance costs	(10,680)	(6,840)
<b>Adjusted earnings</b>	<b>32,686</b>	23,571
Long-term incentive plan credit/(charge)	4,345	(4,114)
Exceptional items	—	(459)
Changes in fair value of investment property	(121,119)	149,892
Profit on disposal of investment property	—	220
Changes in fair value of interest rate derivatives	1,431	2,663
<b>(Loss)/profit before taxation</b>	<b>(82,657)</b>	171,773

## Net rental income

In the financial year to 31 March 2023, the portfolio generated net rental income of £53.0 million, an increase of £16.4 million or 45% 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 increased by 3.4% when compared to the prior year, due to letting activity and capturing of reversion through settling rent reviews. During the year we successfully completed a number of new lettings across recently developed properties which generated additional rent of £1.9 million. Together, the additional income generated from the development properties and like-for-like income growth contributed to a 9.3% increase in net rental income.

Property operating costs increased by £1.1 million, reflecting the increase in size of the portfolio held continuously throughout the year. Our gross to net rental income ratio remains high at 96.3% (31 March 2022: 97.2%), illustrating the strength of our core single-let strategy.

## INVESTMENT MANAGER'S REPORT CONTINUED

## FINANCIAL REPORT CONTINUED

## Administrative expenses and total cost ratio

Administrative expenses, which include all operational costs of running the business, increased by £2.5 million to £9.7 million. This was 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").

We continue to monitor the operational efficiency of the Group through the total cost ratio, which decreased to 21.2% from 21.8%. The Group's total cost ratio is expected to reduce in future periods, where the positive impact on gross rental income from properties acquired part way through the year will be fully recognised.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Total costs including vacant property costs	<b>21.2%</b>	21.8%
Total costs excluding vacant property costs	<b>18.3%</b>	20.0%

## Net finance costs

The net finance costs for the year, excluding fair value movements of our interest rate derivatives, were £10.7 million (31 March 2022: £6.8 million), an increase of £3.9 million compared to the prior year. Of the total increase in net finance costs, £2.6 million is due to the higher average drawn debt balance and £1.3 million is due to the c.350bps increase in SONIA rate over the course of the year.

The weighted average cost of debt for the year was 66bps higher than the previous year at 3.21% (31 March 2022: 2.55%) and the Group reported an interest cover of 4.5x (31 March 2022: 4.5x). The weighted average debt maturity is 5.4 years (31 March 2022: 3.7 years) following the drawdown of two tranches from our new ten-year loan facility with Aviva Investors, and the extension of our Barclays facility by one year.

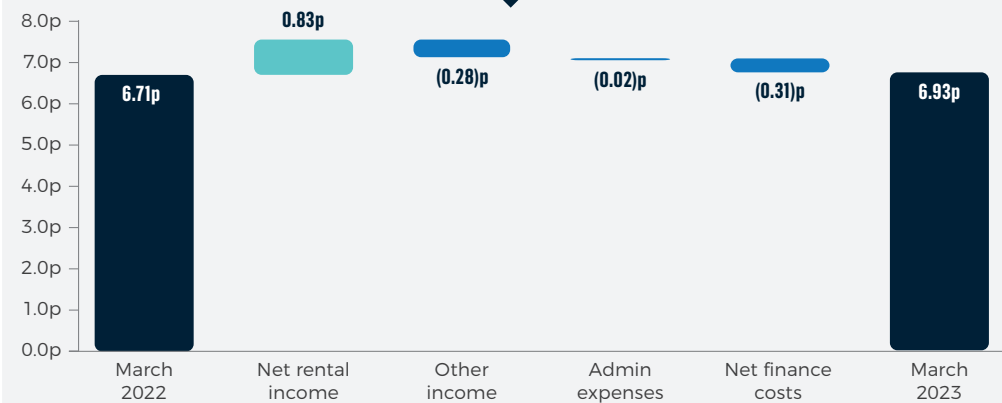
## IFRS profit and adjusted earnings

IFRS loss after tax for the year was £82.7 million (31 March 2022: profit of £171.8 million), representing a basic and diluted earnings per share of -17.51 pence, compared with 48.86 pence for the prior year. The principal driver of the IFRS loss is the unrealised revaluation deficit (excluding provision for profit share) of £120.4 million recognised across the portfolio as a result of market yield expansion.

Adjusted earnings for the year were £32.7 million (31 March 2022: £23.6 million), which represents a £9.1 million increase when compared to the prior year. On an adjusted per share basis this increased by 0.22 pence to 6.93 pence per share. This increase is largely driven by the full period of rental income from properties acquired part way through the prior year.

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

## ADJUSTED EARNINGS PER SHARE



## INVESTMENT MANAGER'S REPORT CONTINUED

## FINANCIAL REPORT CONTINUED

## Dividend

In respect of the financial year ended 31 March 2023, the Company paid and declared the following interim dividends:

Declared	Amount pence per share	In respect of financial year ended	Paid/ to be paid
11 November 2022	3.25p	31 March 2023	16 December 2022
22 June 2023	4.35p	31 March 2023	21 July 2023

A second interim dividend of 4.35 pence per share will be paid on 21 July 2023 to shareholders on the register at the close of business on 30 June 2023. 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

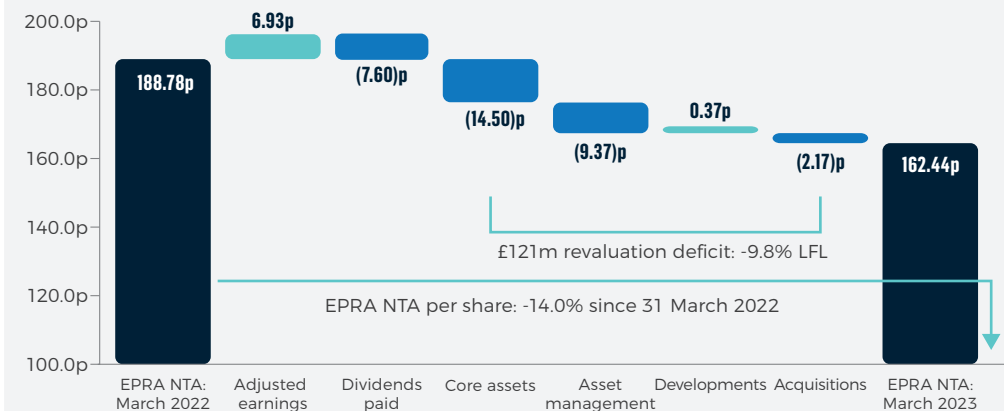
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Investment property <sup>1</sup>	1,106,507	1,014,697
Bank and other borrowings	(346,774)	(242,422)
Cash	30,159	127,379
Other net liabilities	(23,198)	(8,672)
<b>EPRA net tangible assets</b>	<b>766,694</b>	<b>890,982</b>
Interest rate derivatives	3,034	1,603
Intangible assets	32	47
<b>IFRS net assets</b>	<b>769,760</b>	<b>892,632</b>

1. Per CBRE independent valuation as at 31 March 2023 and 31 March 2022.

At 31 March 2023, IFRS net assets attributable to Ordinary Shareholders were £769.8 million (31 March 2022: £892.6 million), representing a basic and diluted net asset value per share of 163.09 pence (31 March 2022: 189.12 pence).

The Group considers EPRA net tangible assets ("EPRA NTA") a key measure of overall performance. At 31 March 2023, EPRA NTA were £766.7 million (31 March 2022: £891.0 million), representing an EPRA NTA per share of 162.44 pence (31 March 2022: 188.78 pence), a decrease of 14.0%.

## EPRA NTA PER SHARE BRIDGE





## INVESTMENT MANAGER'S REPORT CONTINUED

## FINANCIAL REPORT CONTINUED

## IFRS net assets continued

On a per share basis, both IFRS and EPRA net assets decreased over the financial year to 31 March 2023, primarily due to revaluation deficit as a result of market yield expansion, somewhat offset by value created through a combination of asset management initiatives crystallised in the year and ERV growth.

The total accounting return for the year, which reflects growth in EPRA NTA plus dividends paid in the year, was -9.9% (31 March 2022: 28.9%). The average total accounting return since IPO in 2016 has been 12.6%.

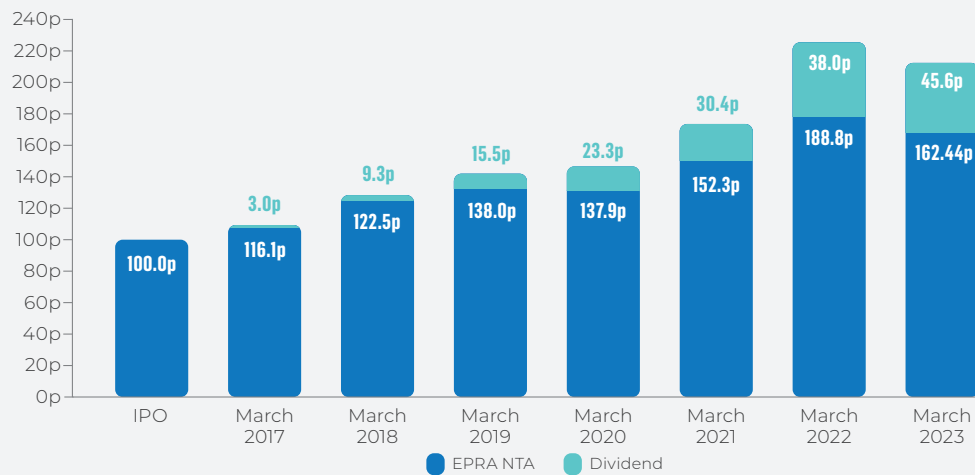
## Portfolio valuation

The value of the portfolio at 31 March 2023, which includes forward-funded developments, was £1,107 million, an increase of £91.8 million, or 9.0% year-on-year. In the year, the Group invested £166.2 million in industrial and logistics properties and advanced £28.7 million of funding across five developments. In addition, the Group incurred capital expenditure of £8.6 million in the year, which principally relates to two properties undergoing extensive refurbishment works, one of which was completed in the year, and has significantly enhanced capital value.

The Group recognised a valuation deficit (excluding provision for profit share) of £120.4 million (31 March 2022: surplus of £153.5 million) upon revaluation of the portfolio. On a like-for-like basis, the portfolio generated a valuation deficit of £101.6 million, or -9.8% (31 March 2022: surplus of £127.2 million, or 25.4%).

The portfolio delivered a total property return ("TPR") of -5.0% (31 March 2022: 30.3%) for the year.

## TOTAL ACCOUNTING RETURN SINCE IPO



## INVESTMENT MANAGER'S REPORT CONTINUED

## FINANCIAL REPORT CONTINUED

## Financing

At 31 March 2023, the Group had three term loan facilities totalling £361 million, of which £351 million was drawn. The £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 2025.

In May 2022, the Group entered into a £46.6 million green loan facility with Aviva Investors, which provided a ten-year term and came at a fixed cost of 3.52%. In August 2022, the Group agreed a further £75.0 million facility with a ten-year term at a fixed rate of 3.99%. This facility includes, inter alia, margin rate improvement on hitting environmental targets across the assets charged.

Lender	Maturity Date	Loan Commitment (£m)	Drawn at 31 March 2023 (£m)	% Fixed/Hedged at 31 March 2023
Barclays (syndicate of three banks)	Aug 2025	151.0	141.0	63.3%
Aviva Investors (seven-year term)	Mar 2028	88.4	88.4	100.0%
Aviva Investors (ten-year term)	May 2032	121.6	121.6	100.0%
<b>Total</b>		<b>361.0</b>	<b>351.0</b>	<b>85.3%</b>

For the year to 31 March 2023, the weighted average cost of debt across all facilities was 3.21% (31 March 2022: 2.55%).

The debt is protected against changes in interest rate fluctuations as 85.3% (31 March 2022: 74.2%) is either fixed or hedged until maturity. In addition the maturity profile has moved out significantly, with a weighted average maturity date of 5.4 years, compared with 3.7 years at 31 March 2022.

The longer term debt with Aviva Investors has a weighted average maturity of 7.4 years and is 100% fixed at an all-in-rate of 3.18%.

## Cash and net debt

During the year, the Group's cash balances decreased by £97.2 million, as illustrated in the table below:

	31 March 2023 £m	31 March 2022 £m
Cash generated from operations	43.1	57.7
Cash used in investing activities	(201.3)	(353.4)
Cash generated from financing activities	61.0	362.6
<b>Net (decrease)/increase in cash</b>	<b>(97.2)</b>	66.9
Opening cash balance	127.4	60.5
Closing cash balance	30.2	127.4

At 31 March 2023, the Group's cash balance was £30.2 million, of which £11.1 million is earmarked for developments or committed capital expenditure projects. Over the financial year, net debt increased by £205.8 million to £320.8 million, representing a loan to value ("LTV") of 29.0%, which is below our medium-term target of 30-40%.

## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT



**Jamie Waldegrave**  
COO, Investment Manager

### Overview

We believe that in order for the UK as a whole to achieve decarbonisation targets contained in the UK's Climate Change Act, major landlords like ourselves have a significant role to play. This role is imposed by the "push" of existing and proposed legislation, as well as the "pull" of our desire to consider the environment and social impacts across our business, strategy and operations.

This "push" and "pull" are important motivators. However, with our focus on delivering a total property return to shareholders, we also see the international ESG agenda as an opportunity to deliver enhanced returns to shareholders. We are expert asset managers, with significant experience in the management team of improving leases and the fabric of buildings. This ability to improve the efficiency of our assets ensures the portfolio is aligned with MEES legislation, as well as to make them attractive to new tenants who take ESG considerations as seriously as we do. It also allows us to acquire assets from owners who don't have this expertise at attractive prices.

The REIT foundation, a core tenant of our strategy, has been acquiring assets which had opportunities for us to add value through asset management. The increasingly growing demand from the market for industrial and logistics assets with ESG considerations gives us a new set of improvements which we can deliver value on. It also ties in with our core beliefs – that in combating climate change it is more useful to improve the existing stock of building in this country than to simply sell them and own buildings which are already top performers.

Last year we were pleased to publish our first standalone Sustainability Report and our first sustainability targets. We also reported in line with EPRA's sBPRs for the first time. This year we are building on that by delivering on our commitments made last year to provide an update on our performance against sustainability targets as well as a full report aligned to the guidance set out in the Taskforce for Climate-related Financial Disclosures ("TCFD"), a summary of which is presented in this report.

### Sustainability timeline

CREATION OF ESG COMMITTEE

**AUGUST 2021**



FIRST ESG TARGETS

**JUNE 2022**



FIRST TCFD REPORT

**JUNE 2023**





## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT CONTINUED

## EPC improvement

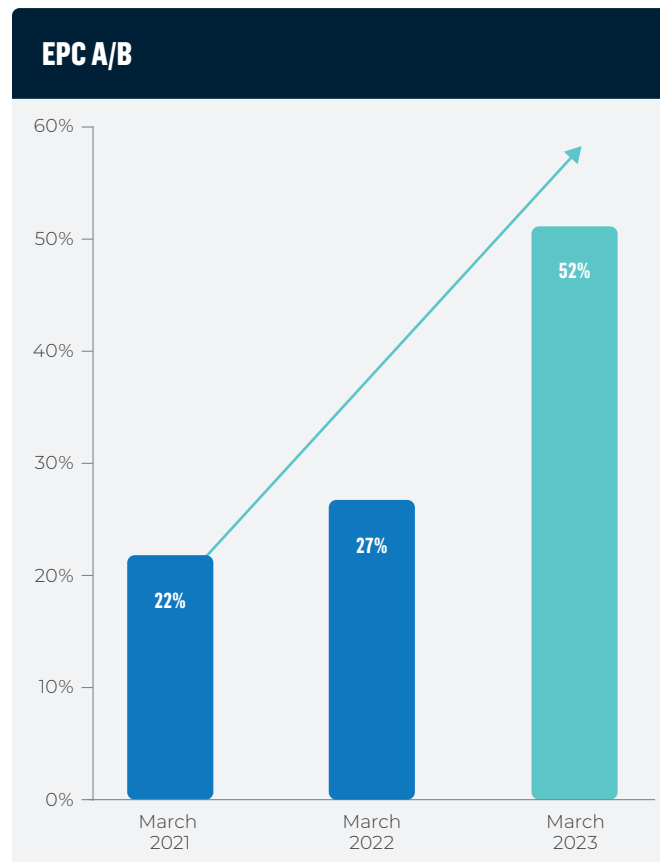
We have focused on improving EPC ratings in the portfolio and can show consistent growth in the percentage of the portfolio by floor area with an EPC of A or B. This year we have improved 37 EPC ratings, meaning 52% of the portfolio has an EPC rating of A/B.

Our strategy enables us to:

- reduce carbon emissions through more energy efficient buildings;
- attract high-quality tenants who want to occupy buildings with better energy performance; and
- align with proposed MEES regulations where a building will need to be at an EPC of B or above by 2030 for a new lease to be granted.

During the year, we analysed the portfolio asset by asset, and have built up an estimate of the capital expenditure required to bring all buildings up to an EPC of B or above. This cost will be met over the next eight years through:

- tenant contributions – our tenants invest in the buildings on an ongoing basis;
- replacement of end-of-life CAPEX – as heating systems, roofs and lighting come to the end of their natural life; and
- landlord funded contributions – we will invest the Company's money into building to improve environmental performance, and see a return on that investment through the higher rents those buildings can command.



# INVESTMENT MANAGER'S REPORT CONTINUED

# SUSTAINABILITY REPORT CONTINUED

## External rating agencies:

	Position in March 2022	Position in March 2023
<b>MSCI</b>		
<b>GRESB standing assets</b>	GRESB rating 	GRESB rating 
<b>GRESB development assets</b>	GRESB rating 	GRESB rating 
<b>EPRA sBPR</b>	No award	

## Charity work

### COMMUNITY ENGAGEMENT: PABLO'S HORSE SANCTUARY

We have a large property at the East Midlands Distribution Hub, near Melton Mowbray, which we acquired in 2022. We have agreed with local charity Pablo's Horse Sanctuary that they can use some excess land on the site for their work rehabilitating and caring for horses with no other home.

Carol Fielding, founder of the charity said: "We're so grateful to Urban Logistics for helping us to save these beautiful animals. As a local charity this kind of support is incredibly important to us."



### COMMUNITY ENGAGEMENT: CORSTORPHINE COUGARS

We own a number of properties near Edinburgh, and as part of our community engagement there, we were pleased to sponsor the Corstorphine Cougars rugby club, a local club who work with men, women, children and seniors to get active and get involved in sport.

Steve Wright, VP Commercial at Corstorphine RFC said: "It is brilliant that a company the size of Urban Logistics is keen to help our club continue to grow."





# INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY IN ACTION WELLINGBOROUGH

The asset was acquired in July 2021 for an acquisition price of £3.6 million, with a tenant in place and a lease due to expire in January 2022. The asset management plan on acquisition was to improve both the fabric of the building and the quality of the tenant covenant.

In January 2022 the tenant vacated, and within one month the unit was under offer to Print Data Solutions for a ten-year lease, at a 50% increase to the previous passing rent.

In between tenancies a refurbishment was completed which was partially funded by dilapidations from the previous tenant. This refurbishment involved upgraded LED lighting, new heating and cooling in the office and removal of all gas heating in the warehouse.

This resulted in the EPC of the building moving from a D to an A, and significantly reduced running costs of the asset, both of which were instrumental in getting the new tenant in, generating both the rental increase and asset value increase.

Next steps include looking at installing solar panels on the roof to further decarbonise the building.



### EPC A

Improved from D



### 50%

Rental uplift following asset improvement



### £5.2M

Valuation



### 45%

Uplift vs. purchase price





## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT CONTINUED

## OUR ESG TARGETS – PERFORMANCE AND STRATEGY

Last year we introduced six ESG targets to measure ourselves against, below is an update of our position against those targets.

REDUCE THE ENVIRONMENTAL  
IMPACT OF OUR BUILDINGS**What are we aiming to do?**

Improve all buildings to an EPC of B or above by 2028.

**How did we do this year?**

We have improved 37 EPCs this year, meaning the portfolio now stands at 52% B or above.

In addition, we have calculated the total cost required to be spent to improve all assets to a B or above, a cost we expect to be met over eight years through tenant funded improvements, end of life CAPEX upgrades and landlord funded improvements.

**What are we aiming to do in the coming years?**

We will continue our programme of EPC improvements, focusing on the very small percentage of buildings with an EPC of D.

ACHIEVE NET ZERO IN TERMS  
OF SCOPE 1 AND SCOPE 2 BY 2024**What are we aiming to do?**

Reduce usage of energy in our operations and vacant buildings, and reduce these emissions to net zero.

**How did we do this year?**

All new energy contracts entered into in the year have been zero carbon, and all new leases have had green clauses.

Our Scope 1 and 2 emissions are largely driven by our vacant properties, and the speed with which we can exit contracts and move to zero carbon tariffs.

**What are we aiming to do in the coming years?**

We still have legacy contracts to switch to zero carbon, however we are aware that given the nature of our operations, there will always be unavoidable emissions.

Therefore, from next year we will be exploring carbon offsetting. We are aligned with the Oxford Principles for Net Zero Aligned Carbon offsetting, and only acquire offsets which meet the VSC or gold standard.

Over the longer term we have ambitions to generate our own offsets through our own projects, to maintain control, costs and quality.

ENGAGE WITH OUR TENANTS ON DECARBONISING  
OPERATIONS IN OUR BUILDINGS**What are we aiming to do?**

Develop a systematic programme to engage with tenants to decarbonise.

**How did we do this year?**

This year for the first time, in addition to our normal programme of tenant engagement, we initiated a tenant survey.

Results were encouraging, with 90% of respondents wanting to collaborate further on improving the ESG performance of buildings, and this is forming the basis of ongoing conversations.

A significant percentage of the portfolio is covered by a net zero target, and all new leases have green clauses, which promote closer engagement on environmental goals.

**What are we aiming to do in the coming years?**

We have a long-term goal of building up a Scope 3 net zero plan, as we continue to work with tenants to understand their own decarbonisation plans.



## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT CONTINUED

## OUR ESG TARGETS – PERFORMANCE AND STRATEGY CONTINUED

## INCREASE ON-SITE RENEWABLE ENERGY

**What are we aiming to do?**

Our target is for more than 10% of buildings (weighted by floor area) in the portfolio to have PV cells installed by 2024.

**How did we do this year?**

This year we moved from 2% of buildings having PV cells installed to 4%.

**What are we aiming to do in the coming years?**

In addition to the 4% with PV cells installed, we are also in conversations with tenants representing an additional 8% of the portfolio, which would move the total installed capacity to 12%, if all chose to install PV cells. We will also start to focus on the installed capacity of the renewable energy, and report against this in the coming year.

## MAKE MORE SPACE FOR NATURE ON OUR SITES

**What are we aiming to do?**

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.

**How did we do this year?**

We have performed a survey of our sites, and have identified 67 acres of land which could be suitable for tree planting or other biodiversity schemes.

An initial site is in the process of being converted into a wildflower meadow, at the tenant's expense.

We have also engaged with a number of experts able to advise on the incoming Bio-Diversity Net Gain ("BNG") regulations, and how we are able to leverage BNG credits for further performance.

**What are we aiming to do in the coming years?**

We aim to launch biodiverse sites on land already owned by us, or closely adjacent to our land.

New biodiverse spaces not only benefit nature, but also local communities, and we aim to engage with local communities as we launch further sites.

## PROMOTE TRANSPARENCY ON ESG DISCLOSURES

**What are we aiming to do?**

Achieve a GRESB score above 55, and a gold rating on EPRA sBPRs, as well as produce a TCFD-aligned report by 2023.

**How did we do this year?**

We have achieved a GRESB score of 69, well in excess of our target. This year we have also produced our reporting in line with the TCFD recommendations.

Our EPRA sBPR result was a silver, albeit we did win a "most improved" award.

In addition to these goals, we also improved our MSCI ESG rating from CCC to A.

**What are we aiming to do in the coming years?**

We aim to achieve a gold in our EPRA sBPR reporting.

## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT CONTINUED

## 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 have a net zero target regarding these emissions, which we are aiming to hit in 2024, by reducing emissions as well as the use of high-quality offsets.

Scope 3 GHG is emitted by our tenants through the operation of our buildings, and we work closely with our tenants to help them decarbonise their operations.

SECR reporting: tonnes of CO<sub>2</sub>e for footprint

Performance Measure	Unit	Source	2023	2022
Total energy consumption	kWh	Landlord-obtained electricity	<b>1,610,886</b>	674,233
		Landlord-obtained natural gas	<b>94,367</b>	63,826
		Fuel used in the Manager's vehicles	<b>Unavailable</b>	Unavailable
		Head office of the Manager	<b>8,301</b>	19,893
<b>Total</b>			<b>1,713,554</b>	757,950
Energy Intensity	kWh/m <sup>2</sup> /year	Landlord Energy Intensity	<b>17.8</b>	9.3
Total greenhouse gas emissions	tCO <sub>2</sub> e	Landlord-obtained electricity	<b>312</b>	143
		Landlord-obtained natural gas	<b>18</b>	12
		Fuel used in the Manager's vehicles	<b>Unavailable</b>	Unavailable
		Head office of the Manager	<b>2</b>	4
<b>Total</b>			<b>331</b>	159
Greenhouse gas emissions intensity	tCO <sub>2</sub> e/m <sup>2</sup> /year	Scope 1 & 2 Intensity	<b>3.43</b>	3.42

Where additional prior year data has become available post publication this has been incorporated into prior year figures. The very significant increase in Landlord-obtained electricity is caused by a larger portfolio and vacant property rate, as well as increased consumption through regular landlord supplies at a number of properties. However, the intensity analysis shows a falling energy usage per sq meter. The energy intensity is low as would be expected considering the majority of the supply is to vacant buildings.

Electricity emissions are reported using the location-based methodology. In addition to the EPC improvement works described elsewhere, we transitioned the electricity (and sole energy supply) of the head office of the Manager to renewable energy. We are rolling this out across all electricity supplies where we have operational control.





## INVESTMENT MANAGER'S REPORT CONTINUED

## SUSTAINABILITY REPORT CONTINUED

Greenhouse gas reporting *continued*SECR reporting: tonnes of CO<sub>2</sub>e for footprint *continued*

Climate change and the associated risks and opportunities are integral to our investment and development strategies. A recent example of this is our new development at Rochdale, Kingsway, which was completed in September 2022 and constructed to the highest environmental standards to attract premium occupiers and surpasses impending regulatory changes. Active asset management is adopted across our portfolio to efficiently identify risks and opportunities. See the risk management section of this report for more details.

## Scope 3: emissions from tenant emissions

We are aware that tenant operational energy consumption in our portfolio will make up the vast majority of our total footprint. Therefore, for the first time we have calculated our total emissions for this scope 3 category.

At the time of reporting, we have collected tenant energy data from 88 of our 130 assets and we have estimated greenhouse gas emissions for all tenant areas where we have not collected data using the PCAF<sup>1</sup> European building emission factor database methodology and the PCAF Data Quality Score, including for the total weighted by emissions mass, is included in the table below.

Performance Measure	Unit	Source	2023-23	PCAF Data Quality Score
Total GHG emissions	tCO <sub>2</sub> e	GHG Emissions from collected data	11,218	2
		Estimated emission for remainder of portfolio	7,450	4
		Total Emissions for Downstream Leased Assets	18,668	2.80

Though these emissions are controlled by our tenants, we engage closely with tenants to help them decarbonise their operations.



1. Partnership for Carbon Accounting Financials.



# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)<sup>1</sup>

## 1.0 GOVERNANCE



### Describe the Board’s oversight of climate-related risks and opportunities

The Board takes ultimate responsibility for ESG performance and climate-related risks and opportunities, including the implementation of the ESG policy by the Manager, and compliance with ESG expectations with key stakeholders.

The ESG Committee is the governing body responsible for oversight of ESG activities. The Committee is chaired by Heather Hancock and all independent Directors are members. Heather brings many years of high-level experience in strategy, governance and leadership.

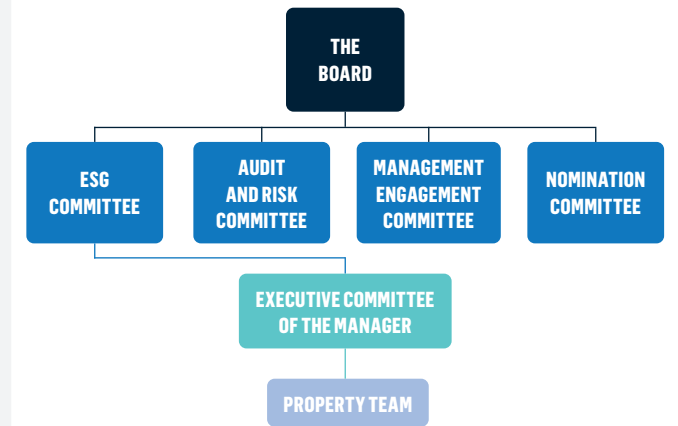
The ESG Committee advises on and recommends to the Board its ESG policy and ensures this remains up-to-date with the Board’s strategic ESG objective – to achieve high governance standards. The ESG Committee also report climate related risks into the Audit and Risk Committee, who have responsibility for risk management, as described in section 3. The ESG Committee receives briefings on emerging technologies relevant to the UL portfolio. The ESG Committee considers climate-related risks and opportunities with the Board when: reviewing and guiding strategy, major plans of action as well as monitoring implementation and performance. The ESG Committee scrutinises 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.

Climate-related risks and opportunities are addressed during each full Board meeting, as well as ESG Committee meetings. Further information on Board and ESG schedules can be found on page 67.

### Describe management’s role in assessing and managing climate-related risks and opportunities

The Board and its Investment Manager work closely to monitor and manage climate-related risks and opportunities. The ESG Committee, with the support of the Urban Logistics Board, places a series of ESG-related performance objectives and expectations on the Company’s Investment Manager, which align with our published annual sustainability targets, and the ESG Committee monitors progress against these objectives. The Investment Manager’s Executive Committee leads on integrating the climate considerations, risks and opportunities into operation of the assets, and ensures that all the Manager’s employees understand their responsibilities for environmental management and performance, which is also reflected in the Manager’s annual review processes. The ESG Committee advise the Audit Committee on specific risks relating to ESG, which are then considered within the Company’s risk register.

### GOVERNANCE STRUCTURE OF ESG RISKS AND OPPORTUNITIES<sup>2</sup>



1. A fuller version of our TCFD reporting is available for the Company Website.
2. During the year the Company was managed by PCP2 Ltd. Post period end the Manager’s responsibilities within the governance structure will be replaced by Logistics Asset Management LLP, the Investment Adviser, from 12 May.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) CONTINUED

# 2.0 STRATEGY

### Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

The Board considers climate-related risks throughout their strategic decision-making processes. As part of our business strategy, we have undertaken a climate resilience assessment in collaboration with CBRE to identify the short, medium and long-term physical risks to our portfolio. The time horizons selected fall into three time frames:

Short term → 2023 – 2025

Medium term → 2026 – 2030

Long term → 2031 – 2050

In selecting the time horizons, we gave consideration to the fact that climate-related issues often manifest themselves over the medium and longer terms. The time horizons are based on the profile of risks associated with real estate asset lifecycles, in line with the Climate Change Act 2008.

#### Climate-related risks identified

The assessment of risk was based on the probability of the climate hazard occurring and the vulnerability of the asset to the climate event. The assessment determined that flood risk is considered the most notable risk to the Urban Logistics portfolio. Sea level rising, precipitation stress, drought stress and heat stress are considered a lower risk to the business in the medium term, although present a long-term risk.

We recognise that although many of the risks identified may not materialise whilst an asset is part of the Urban Logistics portfolio, various markets' understanding of how climate risk can affect asset value is increasing and regulatory pressures, as well as landlord and occupier demands, are evolving. As a result, markets are experiencing a shift in the requirements towards more sustainable, climate-resilient buildings. We recognise our strategy to develop poorly performing buildings and improve them in line with, or better than, emerging regulations provides an opportunity to deliver high-quality assets in line with market demands.

#### Climate-related opportunities identified

Our climate-related risk assessments have also identified a greater range of opportunities for Urban Logistics. A selection is included below and a full list can be found in our full TCFD disclosure report 2023.

#### Market Opportunities

- Assets which are well-located, but not energy efficient, present an opportunity to active asset managers who understand how to improve them to meet market demands. Real estate owners who have not invested to mitigate in the climate related risk will see reductions in property values, creating opportunities for experienced and active asset managers like us, to acquire assets at an attractive cost.

#### Capital Markets

- Green finance opportunities can help to align investments with climate change mitigation.

When the opportunity to acquire assets arise, we always consider a property's current and potential ability to align with our strategy to own and operate efficiently. For example, we review the possibility for solar PV and quantity of outdoor space for EV charging stations.

We assessed the impact of physical climate risks across the Urban Logistics portfolio to 2050, using three scenarios in accordance with the IPCC's Representative Concentration Pathways (“RCPs”). The scenarios used were as follows;

- RCP8.5: a worst-case scenario, where net zero targets are not met and characterised by increasing GHG concentrations and a temperature increase of around 4°C relative to the pre-industrial period (1850-1900). Temperatures are projected to increase by 4-5°C by 2100;



# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) CONTINUED

## 2.0 STRATEGY CONTINUED



### Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued

#### Climate-related opportunities identified continued

- RCP4.5: an intermediate emissions scenario which aligns with the commitments made by countries as part of their nationally determined contributions (“NDCs”) at Conference of the Parties (“COP26”). However, that likely overshoots the Paris Agreement temperature target of 1.5°C/2°C relative to the pre-industrial period (1850-1900). This is an intermediate scenario (RCP4.5) which reflects 3°C of warming by 2100; and

- RCP2.6: a moderate scenario that sees emissions peak early on in the 21st century and then decline after. This scenario assumes a warming of less than 2°C by the end of the century. This is a moderate emissions scenario where temperatures increase by 1.5-2°C by 2100.

Our transition risks have been assessed in accordance with the CRREM 1.5°C scenario, aligned with warming of less than 1.5°C by the end of 2100. Although this transition risk assessment tool also offers a 2°C scenario for use, a 1.5°C scenario will identify the greatest risks and allow for a conservative degree of planning in this regard.

### Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning

The Board oversees our business strategy and financial planning, recognising climate change is a critical risk. The portfolio-wide risk and opportunity assessments summarised in the tables below will inform our strategy and financial planning in the next reporting period. We understand the importance of repeating these assessments periodically at regular intervals to ensure risk identification remains current and can be integrated with our planning processes.

#### Climate-related physical risks

CHRONIC/ACUTE	CLIMATE HAZARD	TIME HORIZON	POTENTIAL RISKS TO URBAN LOGISTICS PORTFOLIO	FINANCIAL IMPACTS
Acute	Flood risk, heavy rainfall events	Short to medium term	Damage to building structures and cost of business interruption reflected in increased insurance costs.	Higher insurance premium Higher maintenance and repair costs Impact on asset value
Acute	Sea level rise	Long term	Building damage, and potential inhabitation of assets.	Higher insurance premium Increased risk of assets stranding
Chronic	Fire weather and drought stress	Long term	Damage to external areas and reduced air quality locally. Cost of business interruption.	Higher insurance premium Higher maintenance and repair costs Impact on asset value
Chronic	Heat stress	Long term	Increased investment in retrofit measures to reduce overheating risk in buildings. Reduced thermal comfort of staff with the potential to impact wellbeing.	Retrofit costs and increased operating costs to ensure thermal comfort and building performance Upgrading existing cooling equipment
Chronic	Precipitation stress (heavy rainfall)	Long term	Damage to building structures and cost of business interruption reflected in increased insurance costs.	Higher insurance premium Higher maintenance and repair costs

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) CONTINUED

## 2.0 STRATEGY CONTINUED



## Climate-related transition risks

TYPE OF RISK	CLIMATE RISK	POTENTIAL RISKS TO URBAN LOGISTICS PORTFOLIO	POTENTIAL FINANCIAL IMPACTS
Policy & Legal	Asset performance compliance	The emerging legislative changes from the Minimum Energy Efficiency Standards (“MEES”) presents stranding and letting risks. Regulations on embodied carbon limits could lead to increased costs associated with the procurement of low-carbon materials for developments and refurbishments.	Increased costs to ensure compliance with additional risk to further costs for non-compliance
Policy & Legal	Biodiversity requirements	Stricter approach to development land management expected in 2023 under the Environment Act 2021.	Increased development costs
Policy & Legal	Reporting compliance	Reporting requirements for UK businesses are evolving and becoming stricter. Any non-compliant disclosures or incorrect submissions risk enforcement action/fines.	Increased costs to ensure compliance with additional risk to further costs for non-compliance
Market Policy & Legal	Occupier behaviour	Demands from stakeholder groups for net zero operations are growing and regulations around energy efficiency are tightening, Occupiers account for 95% of total emissions. This presents a risk to any future long-term net zero ambitions.	Increased capital expenditure to align with regulatory requirements and market demands
Market	Decarbonisation of logistics sector	High transition costs to logistics occupiers increasing pressure on cost of occupation. Increased localisation of production and distribution of goods to reduce transport emissions.	Reduced revenue Reduced rental growth



## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) CONTINUED

# 3.0 RISK MANAGEMENT



### Describe the organisation’s processes for identifying and assessing climate-related risks

The Audit Committee have overall responsibility of the potential risks the Company could face, and ESG Committee advise the Audit Committee on specific risks relating to ESG, as outlined in the Governance section above.

All risks identified during acquisition and throughout a property’s life cycle are recorded on the risk register. Risks are categorised as either (1) operational, (2) strategic or (3) ESG. All risks are rated based on probability and impact in order to form a risk hierarchy.

The scoring process is carried out independently by each Director then pooled to formulate an agreed view.

To identify risks during acquisitions, we commission an Environmental Due Diligence Report. We also commission EPC Plus reports for all acquisitions below an EPC B. Additionally, in 2023 we carried out climate-related risk assessments across our entire portfolio, in collaboration with CBRE. The assessment covered physical, transition and stranding risk across the short, medium and long term.

### Describe the organisation’s processes for managing climate-related risks

The Audit Committee formally considers and assesses the risks that may be relevant to Urban Logistics on a regular basis. Each year, the risk register is reviewed by external auditors.

We recognise transitioning our portfolio in line with UK climate legislation represents a significant transition risk to the business, as detailed above. We are aware of the financial investments required to ensure all properties within the portfolio meet the minimum standards required by current and emerging legislation. As a result, Urban Logistics have been primarily focused on climate-related risks as presented through legislation and compliance, specifically exposure to the updates to the Minimum Energy Efficiency Standards (“MEES”) anticipated in 2023, and related costs to reduce emissions and improve energy efficiency.

In order to minimise the impact of these climate-related transition risks, the transition risk assessment detailed above used energy consumption and carbon emission information for Urban Logistics assets. This assesses the alignment of the portfolio with the decarbonisation pathways outlined by the CRREM tool, funded by EU Horizons and the Laudes Foundation. The assessment has been based on data gathered for the REIT’s 2022 GRESB submission, with data covering the 2021-2022 financial year.

As outlined in the strategy section above, we adopt an active asset management approach which enables us to recognise risks in changing behaviours. We meet with tenants on a quarterly basis to discuss asset level matters and hear any issues or concerns. This level of tenant engagement paired with a CRREM (“Carbon Risk Real Estate Monitor”) analysis helps Urban Logistics to efficiently identify any assets at risk of stranding. Urban Logistics are developing a fully costed asset management plan across all buildings currently less than an EPC B rating, and tracking EPCs to ensure they are well positioned against the upcoming MEES legislation.

### Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management

Urban Logistics operate a risk register, as outlined above, which ensures climate-related risks are integrated into our risk management processes. The assessment of climate-related risks are also embedded within our investment and asset management strategies for acquisitions and major capital expenditures. The Audit Committee conducts periodic reviews for new risks which may impact our business and strategy, and to ensure our risk management process is robust and comprehensive to support ongoing operations.

We are also able to manage risk through the various reporting frameworks we adopt. GRESB, EPRA Best Practice Recommendations in Sustainability Reporting, MSCI ESG Benchmarking, Taskforce on Climate-Related Financial Disclosure (“TCFD”) and other relevant standards such as the European Union’s Sustainable Finance Disclosure Regulation (“SFDR”). Environmental compliance obligations are also identified through the advice of the Company’s legal and ESG advisers.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) CONTINUED

# 4.0 METRICS AND TARGETS



### Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We aim to promote transparency on ESG disclosures and inform all our stakeholders about climate-related performance and reporting. In line with TCFD recommendations, we employ a holistic set of metrics in order to assess climate-related risks and opportunities. These metrics can be found on pages 35 and 36 of this 2023 Annual Report.

We also report to GRESB, sBPR and in line with EPRA Sustainability Best Practices Recommendations, which includes GHG, energy, certifications, and training metrics. Our full EPRA disclosures are on pages 122 to 135 of this 2023 Annual Report.

In an attempt to manage the full scope of our emissions, we also measure our tenants water usage, waste and energy usage through our annual GRESB submission. However, these are not publicly reported.

### Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (“GHG”) emissions and the related risks

Urban Logistics has collated Scope 1, 2 and 3 emissions, including the estimation of the complete portfolio footprint. Details can be found on pages 37 and 38 of this 2023 Annual Report. Greenhouse gas emissions have been calculated using UK government conversion factors from BEIS and the Corporate Greenhouse Gas Protocol location-based methodology.

We recognise that Scope 3 emissions from the operations of our tenants is our largest emission source, accounting 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 climate risks. For this reason, we have engaged with all 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 their footprint, we believe our aim to be operational net zero (Scopes 1 and 2) by 2024 to be a significant commitment.

### Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Urban Logistics have committed to a set of targets to manage the climate-related risks and seize the opportunities identified in this report. Details of our targets can be found on pages 35 and 36 of this Annual Report.



# S172 STATEMENT AND STAKEHOLDER ENGAGEMENT

## Companies Act 2006 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, maintained 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 the 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.





# S172 STATEMENT AND STAKEHOLDER ENGAGEMENT CONTINUED

## 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. The Board and senior members of the management team also make themselves available to shareholders at its Annual General Meeting and on an ad hoc basis.

Further information as to how the Company has engaged with its shareholders can be found on page 65.

## OUR 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?

These are the people who work in our tenants' businesses, who are customers of our tenants, and neighbours to our sites. It's important that we have good relations with them in our mutual commitment to economically and environmentally sustainable operations.

### What do they want from us?

Our communities want us 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?

We engage with communities as appropriate to our activities on each site. Particular engagement is carried out on development sites, to ensure that developments are carried out in a way which benefits the local community. Further information as to how the Company has engaged with our communities can be found on page 129.

## 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 information as to how the Company has engaged with our Investment Manager can be found on pages 76 and 77.

## CAPITAL MARKETS DAY

### 23 NOVEMBER 2022

Investors were invited to tour a recent acquisition - an asset in Southall, West London with Delice de France as tenant.

The day gave investors the opportunity to not only visit an asset, but also to spend significant time with the management team and Board in an informal setting, before Richard Moffitt, Manager CEO, gave a presentation and took questions.



# 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 page 30.

## 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 76.

## OUR TENANTS

### Who are they?

Everyone who uses our buildings, that is our warehouse occupiers, their employees and guests.

### Why are they important to us?

Serving our customers is the reason we exist. Our occupiers provide us with rental income, so it is essential we serve their needs and the needs of their customers.

### What do they want from us?

Customers 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 below.

## TENANT ENGAGEMENT

### PROACTIVE ENGAGEMENT

Our Manager engages with tenants on an ongoing basis, and maintains a very high ratio of asset managers to assets to allow them to do this.

On-site engagement is key, however we also formally request feedback on an annual basis via a tenant engagement survey, to ensure nothing is missed.



# S172 STATEMENT AND STAKEHOLDER ENGAGEMENT CONTINUED

## Decision-making

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 is taken into account at every Board meeting.

The Company's business model is driven by acquiring assets where we see the opportunity to improve sustainability and performance. This commitment sits at the heart of the Company's business.

KEY BOARD DECISIONS DURING THE YEAR	STAKEHOLDERS
<b>DECISION TO PAY INTERIM DIVIDENDS</b>	<b>OUR SHAREHOLDERS</b>
The Board targets a minimum annual total dividend of 7.60 pence per Ordinary Share. The Company is targeting an annual total return of between 10% and 15% through a combination of dividends and growth in NAV. Details on the dividends paid to date can be found on page 107.	
<b>DECISION TO MAKE ACQUISITIONS AND DISPOSALS</b>	<b>OUR SHAREHOLDERS, OUR COMMUNITIES &amp; ENVIRONMENT AND OUR TENANTS</b>
The Board is responsible for the ongoing review of investment activity and performance, and the control and supervision of the Investment Manager. Detail on our acquisitions for the year to date can be found on pages 108 and 109.	

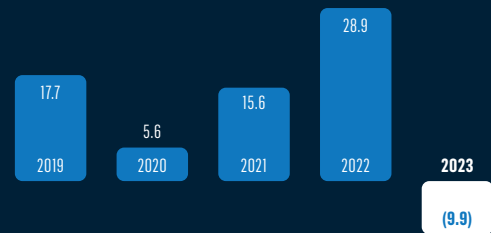




## KEY PERFORMANCE INDICATORS

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 (%)

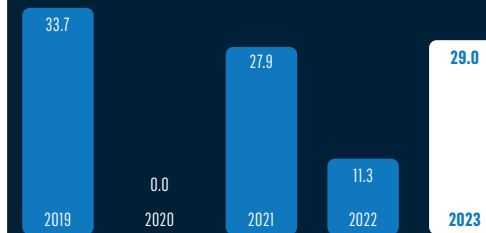


TAR measures the movement in EPRA NTA per share plus dividends paid during the period, expressed as a percentage of the EPRA NTA per share at the beginning of the period. Our objective is to deliver long-term returns through execution of our strategy.

#### Performance:

TAR of -9.9% for the year ended 31 March 2023 (31 March 2022: 28.9%).

### LOAN TO VALUE (%)

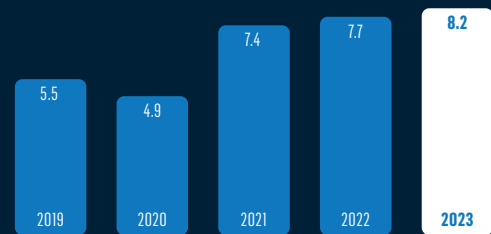


LTV measures the proportion of our property assets that are funded by borrowings. Our medium-term target is 30-40% of the Group's gross asset value.

#### Performance:

LTV of 29.0% at 31 March 2023 (31 March 2022: 11.3%).

### WAULT (YEARS)

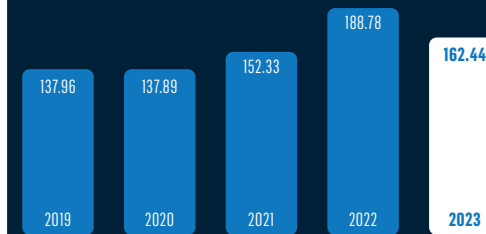


WAULT is the average unexpired lease term across the invested portfolio, weighted by annual passing rents. It is used to determine the quality of our investment portfolio. Our medium-term target is five to seven years across the portfolio.

#### Performance:

WAULT of 8.2 years at 31 March 2023 (31 March 2022: 7.7 years).

### EPRA NTA PER SHARE (P)

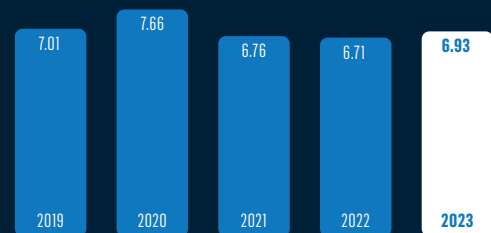


EPRA NTA per share is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. Our aim is to build on long-term asset value growth whilst managing liabilities.

#### Performance:

EPRA NTA per share of 162.44p at 31 March 2023 (31 March 2022: 188.78p).

### ADJUSTED EARNINGS PER SHARE<sup>1</sup> (P)

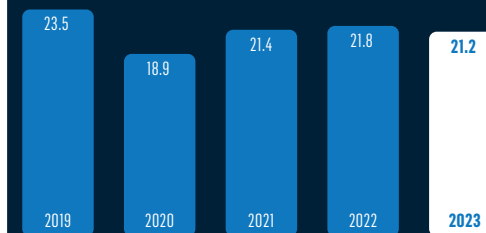


Adjusted EPS measures the Group's underlying operating results and provides an indication of the extent to which current dividend payments are supported by earnings. For further information see note 13 of the Financial Statements.

#### Performance:

Adjusted EPS of 6.93 pence per share for the year ended 31 March 2023 (31 March 2022: 6.71 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 21.2% for the year ended 31 March 2023 (31 March 2022: 21.8%).

1. A full reconciliation between IFRS earnings per share and adjusted earnings per share can be found in note 13 of the Financial Statements.

# 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 utilise 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 the 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.

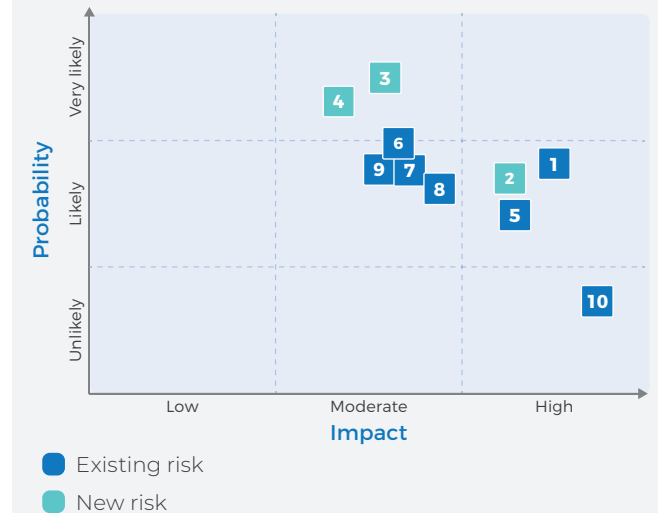
The Board has performed a robust assessment of the principal strategic and operational risks facing the Company as well as assessing identifiable emerging risks. The Board formally reviews its risk matrix twice yearly but is made aware of any risk exposure either as and when it happens or at the quarterly 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, which I then review and propose amendments to, as Chairman of the Audit Committee. 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 FCI OBS


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
<p><b>01.</b> Weakening macroeconomic environment in the UK, including higher interest rates, inflationary pressures and the risk of recession</p>	<p>Impact on tenants financial strength and subsequent potential higher vacancy rates, lower rents and a fall in ERV and capital values of our portfolio, as well as the risk of bad debt</p>	<p>In an individual tenant failure scenario, quality of asset and location mitigates risk as assets are able to be re-let quickly</p> <p>In the case of a sector specific downturn scenario, the Group has a diverse tenant base and is not over-exposed to any one tenant</p> <p>In a systemic failure scenario, the Group maintains a low LTV and high fixed debt proportion, allowing headroom in the case of significant numbers of tenant failures</p>	<p></p>
<p><b>02.</b> Insufficient funds and available credit for operational requirements of business, including investing in CAPEX for the existing portfolio</p>	<p>Impact on the ability to develop properties in line with our active asset management mandate</p>	<p>Cash flow forecasts are prepared and presented to the Board on a quarterly/ad hoc basis</p> <p>Loan covenants have sufficient headroom to gain access to additional capital if required</p> <p>Barclays facility includes a £51 million RCF, designed to give operational flexibility in funding CAPEX and other needs, with £10 million undrawn at year end</p>	<p><b>N/A – New risk</b></p>
<p><b>03.</b> Inability of the Company to raise new money to develop and grow the business, due to the Company share price trading at a discount to NAV</p>	<p>Impact on ability to execute against pipeline and grow the business</p> <p>Increased attractiveness of Company as a takeover target if discount to NAV remains significant over an extended period</p>	<p>While we are unable to raise capital we will focus on asset recycling to retain an ability to execute against pipeline and consider raising the level of debt to be within our target LTV range of 30-40% to enable further acquisitions and/or share buybacks to manage the discount.</p>	<p><b>N/A – New risk</b></p>



## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
<b>04.</b> <b>Risk of higher interest rates affecting financial performance and banking covenants</b>	<p>Impact on our ability to meet our shareholder return targets if higher interest rates increase our cost of capital</p> <p>Impact on our interest cover covenants if interest rates rise materially</p>	<p>Risks are mitigated by use of long-term fixed rate debt and high-hedging levels</p> <p>Interest cover is monitored by the Board on a quarterly basis to ensure adequate headroom is maintained</p>	N/A – New risk
<b>05.</b> <b>Tenant Default</b>	<p>Impact on financial returns</p>	<p>Diversified portfolio</p> <p>High-quality tenants with strong covenants with a focus on large corporates</p> <p>We conduct quarterly credit checks on all tenants</p>	
<b>06.</b> <b>Increased CAPEX spend connected to hitting MEES legislation, and potential reduction in property values if legislation is not met</b>	<p>Material increase in CAPEX will put pressure on financial performance if costs cannot be passed to tenants</p> <p>If space cannot be leased to tenants due to failing MEES legislation, this will reduce capital values</p>	<p>As an active asset manager, the Company aims to capture the benefit from increased CAPEX spend in rental rates and property valuations</p> <p>The Company has had significant success in encouraging tenants to finance the required upgrades</p> <p>52% of our portfolio is already an A or B, and our Manager has costed out the total CAPEX (expected to be paid by a combination of both the Group and tenants) which is required to improve all EPCs to a B or above, allowing us to improve in our long-term planning</p>	

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
<p><b>07.</b> <b>Reluctance of tenants to take leases in buildings with a lower than average environmental performance</b></p>	<p>Impact on rental rates, voids and ultimately property valuations of a reluctance of tenants to take space in buildings with an EPC within the MEES guidelines, but below A/B grades</p>	<p>The Group has implemented a sustainability improvement programme aiming to produce more energy efficiency buildings to improve EPC ratings</p>	
<p><b>08.</b> <b>Breach of bank covenants</b></p>	<p>Financial impacts of a breach in covenants Reduced access to credit in the future</p>	<p>The Group has three banking covenants that are reviewed quarterly:</p> <ol style="list-style-type: none"> <li>1. Loan to Value;</li> <li>2. Historical Interest Cover ("HIC"); and</li> <li>3. Projected Interest Cover ("PIC").</li> </ol> <p>Banking reports are prepared by the Manager, and compliance certificates are signed by a member of the Board</p> <p>Continuous monitoring of the property cycle</p> <p>The Group also maintains the ability to make "cure" payments to remedy a breach</p> <p>The Group currently has c.£235 million of unencumbered assets which could be used to remedy a breach</p>	

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION	CHANGE
<p><b>09.</b> <b>ESG roadmap not sufficiently ambitious and detailed</b></p>	<p>Impact on our ability to raise debt and equity capital if our ESG strategy and roadmap is not sufficiently ambitious and detailed</p>	<p>The ESG Committee meet twice a year to review ESG strategy, and ensure sufficient ambition related to our peer group</p> <p>ESG strategy, risks and opportunities are discussed and considered at the Audit Committee, as well as at the Board strategy day and the main Board where relevant</p>	
<p><b>10.</b> <b>Related party risk</b></p>	<p>Reputational risk with perceived conflict around the relationship with M1, in which Richard Moffitt has a financial interest</p>	<p>The Board, with the assistance of the Manager, excluding Richard Moffitt, review and approve each acquisition or disposal fee payable to M1 Agency</p> <p>All related party transactions are reported to the market in a transparent manner</p> <p>The board engage in significant shareholder engagement to explain the benefits to the Company of the arrangement, to mitigate reputational risk. As a result of this engagement additional restrictions and requirements have been put in place post period end as part of the new Investment Advisory Agreement</p>	



## 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 2028 (the "Period").

The Board believes that the period, being approximately five 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, the cyclical nature of property investment, and the principal risks documents in the Strategic Report on pages 1 to 55.

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 due and demanded was collected in the year;
- the weighted average unexpired lease length was 8.2 years;
- sufficient liquidity with £30.2 million of cash balances and £10.0 million of available facilities to draw down at the year-end;
- 85% of the Group's drawn debt facilities are hedged or fixed and at the year end had a weighted average maturity of 5.4 years; and
- the Group's loan to value at 31 March 2023 was 29.0%.

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 which was sensitised up to 15%;
- changes in the occupational market impacting lettings; and
- higher inflation in UK and Global marketed leasing to higher cost of capital and an additional 5% increase in forecast vacancy rate due to tenant failure.

Reverse stress testing was also undertaken over the Period. In isolation, it would take at least 39% reduction in property values during the Period to breach the loan to value covenant. Rental income would need to decrease, on average, by approximately 29% prior to any breach of the interest cover covenants. The Group has assumed the Barclays loan facility is refinanced in the forecast period.

The Directors have determined that a five-year look forward to March 2028 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 drawings.

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 to the period to 31 March 2028.

### Approval of Strategic Report

The Strategic Report, including Operational and Financial Highlights, Chairman's Statements, 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

21 June 2023

## BOARD OF DIRECTORS



**Nigel Rich CBE FCA**  
Independent Non-Executive Chairman

**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 Garden 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 CP Ships, Exel, Hamptons, Xchanging, as well as Segro. He has been a Director of Granada, ITV, Harvey Nichols, AVI Global and Pacific Assets. He has also been a member of the Takeover Panel (UK).

**Annual remuneration:** £100,000

**Employment by the Investment Adviser:** None

**Other connections with the Company, AIFM or Investment Adviser:** 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 Adviser

**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 Adviser:** Richard leads the investment advisory team as CEO

**Other connections with the Company, AIFM or Investment Adviser:** 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 (until 11 May 2023)

**Date of appointment:** January 2016

**Date of resignation:** Post year end and following the result of the General Meeting held on 11 May 2023, Jonathan resigned from the Board.

**External appointments:** Following Jonathan's resignation from the Board, he became non-executive chair of the Investment Adviser. Jonathan also currently works as a financial consultant to a variety of international companies and has other non-executive directorships including Argentex Group 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:** £60,000

**Employment by the Investment Adviser:** Jonathan became non-executive chair of the Investment Adviser on 12 May 2023, following stepping down from the Board

**Other connections with the Company, AIFM or Investment Adviser:** Jonathan is a Director of Argentex Group PLC, a listed company in which Pacific Investments Group, the ultimate holding company of PCP2 Limited (the previous AIFM of the Company), has a shareholding.

**Shared external directorships with any other Company Directors:** None

**Shareholding in Company:** 60,000 Ordinary Shares

## BOARD OF DIRECTORS CONTINUED



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**Bruce Anderson ACMA FCI OBS**  
Independent Non-Executive Director

**Date of appointment:** January 2016

**External appointments:** Bruce is currently Chairman of Hire and Supplies Limited, a plant hire based in Dumfries, and an adviser to the Housing Growth Partnership Fund. Bruce is a Trustee of Edinburgh Athletic Club and a former Non-Executive Director of Green Property Limited.

**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:** £60,000

**Employment by the Investment Adviser:** None

**Other connections with the Company, AIFM or Investment Adviser:** None

**Shared external directorships with any other Company Directors:** None

**Shareholding in Company:** 50,000 Ordinary Shares



**Mark Johnson**  
Non-Independent Director (until 11 May 2023)

**Date of appointment:** January 2017

**Date of resignation:** Post year end and following the result of the General Meeting held on 11 May 2023, Mark resigned from the Board.

**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 Investments Group.

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 Group, and Pacific Asset Management.

**Annual remuneration:** Mark waived his right to receive any remuneration whilst he was a Director of the Company.

**Employment by the Investment Adviser:** PCP2 Ltd, the previous AIFM to the Company, is a wholly owned subsidiary of Pacific Investments Group, of which Mark is the CEO. On 11 May 2023, PCP2 ceased to be AIFM to the Company

**Other connections with the Company, AIFM or Investment Adviser:** None

**Shared external directorships with any other Company Directors:** None

**Shareholding in Company:** 309,986 Ordinary Shares



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**Heather Hancock LVO DL**  
Independent Non-Executive Director and Senior Independent Director (from 12 May 2023)

**Date of appointment:** June 2020

**External appointments:** Heather is Master of St. John's College, Cambridge (in which capacity she also serves as a Trustee of the University of 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:** £60,000

**Employment by the Investment Adviser:** None

**Other connections with the Company, AIFM or Investment Adviser:** 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 governance and recognises its responsibility to serve all shareholders.**

**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.

## Compliance with the AIC Code of Corporate Governance (the “AIC Code”)

The Board considers the practice of good governance to be an integral part of the way it manages the Company and is committed to maintaining the highest standards of financial reporting, transparency and business integrity.

As Urban Logistics REIT plc is a UK-listed company, the Board’s principal governance reporting obligation is in relation to the UK Code of Corporate Governance (the “UK Code”) issued by the Financial Reporting Council (the “FRC”). However, it is recognised that investment companies have special circumstances which have an impact on their governance arrangements. An investment company typically has no employees, and as such, the daily functions of the Company are outsourced to third parties. The Association of Investment Companies has therefore set up its own AIC Code, last updated in February 2019, which recognises the nature of investment companies by focusing on matters such as board independence and the review of management and other third-party contracts.

The AIC Code is endorsed by the FRC and confirmed that companies which report against the AIC Code will meet their obligations in relation to the UK Code and Listing Rule 9.8.6. The Board has chosen to report against the AIC Code as it believes that its principles and recommendations will provide better information to shareholders than reporting against only the UK Code.

A copy of the AIC Code can be found at [www.theaic.co.uk](http://www.theaic.co.uk).

A copy of the UK Code can be obtained at [www.frc.org.uk](http://www.frc.org.uk).

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors’ remuneration; and
- the need for an internal audit function.

The Board considers that these provisions are not relevant to the position of Urban Logistics, being an externally managed real estate investment company. In particular, all of the Company’s daily management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees, or internal operations such as an internal audit function. The Company has therefore not reported further in respect of these provisions, and in the circumstances do not feel it is necessary to form a Remuneration Committee.

The need for a separate Remuneration Committee will be kept under review but, at present, the functions which a Remuneration Committee would be responsible for are overseen by the full Board.

## 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 12 to 38.



# CORPORATE GOVERNANCE STATEMENT CONTINUED

## APPLICATION OF AIC CODE PRINCIPLES

The table below outlines the main principles of the AIC Code, provides an overview of compliance and signposts to sections of the report where these principles have been applied.

Board leadership and purpose			
<b>Principle A</b>	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)	In managing the Company, the aim of the Board and of the Investment Adviser is to ensure the long-term sustainable success of the Company. The Company takes an active interest in ESG across its portfolio.	<ul style="list-style-type: none"> <li>▶ Strategic Report, pages 1 to 55</li> <li>▶ Board of Directors, pages 56 and 57</li> <li>▶ Business model, page 11</li> </ul>
<b>Principle B</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)	The purpose of the Company is to acquire and manage high-quality, single-let logistics assets and generate both income and capital growth for our shareholders.	<ul style="list-style-type: none"> <li>▶ Strategic Report, pages 1 to 55</li> <li>▶ Our culture, pages 11 and 65</li> <li>▶ Our purpose, page 11</li> <li>▶ How we add value, page 11</li> </ul>
<b>Principle C</b>	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)	<p>The Directors regularly consider the Company's financial position with reference to the business model, the balance sheet, cash flow projections, availability of funding and contractual commitments. The Company's 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.</p> <p>In order to effectively assess and manage risk, appropriate controls and policies are in place and are regularly reviewed and assessed by the Audit Committee. More information can be found in the Audit Committee Report.</p> <p>Further information on resources in place for the Company to meet its objectives and measure performance against them can be found in the Sustainability Report and Principal Risks and Uncertainties.</p>	<ul style="list-style-type: none"> <li>▶ Sustainability Report, pages 31 to 38</li> <li>▶ Principal risks and uncertainties, pages 50 to 54</li> <li>▶ Risk management and internal control, pages 65 and 66</li> </ul>
<b>Principle D</b>	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)	In our section 172 statement we describe our key stakeholders, the reason they are important to us and how we engage with them.	<ul style="list-style-type: none"> <li>▶ Stakeholders, pages 45 to 47</li> <li>▶ Section 172 statement, pages 45 to 48</li> <li>▶ Shareholder engagement, page 65</li> </ul>
Division of responsibilities			
<b>Principle F</b>	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)	<p>The Chairman, independent on appointment, leads the Board and ensures that debates are balanced and open whilst promoting behaviours which make up the Company's culture.</p> <p>The annual evaluation of the Board's effectiveness always considers the performance of the Chairman, and whether he has performed his role effectively. The Directors, led by the SID, have concluded that the Chairman has fulfilled his role and performed well to support the effective functioning of the Board.</p>	<ul style="list-style-type: none"> <li>▶ Role of the Chairman, page 63</li> <li>▶ The Board, page 63</li> </ul>

## CORPORATE GOVERNANCE STATEMENT CONTINUED

## APPLICATION OF AIC CODE PRINCIPLES CONTINUED

## Division of responsibilities continued

<b>Principle G</b>	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)	During the year under review, the Board consisted of four independent non-executive Directors and two non-independent non-executive Directors. Mark Johnson (who stepped down from the Board on 11 May 2023) and Richard Moffitt, are not independent due to their relationship with the Investment Adviser. In the Board's opinion, each Director continues to provide constructive challenge and robust scrutiny of matters that come before the Board.  The Board also considers the composition of the Board, as well as the longer-term succession plans.	<ul style="list-style-type: none"> <li>▶ Board of Directors, pages 56 and 57</li> <li>▶ Board Committees, page 66</li> </ul>
<b>Principle H</b>	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)	The Board considers the required time commitment annually and, during the year under review, the Board concluded that all Directors continued to devote sufficient time to the business of the Company. Through their contributions in meetings, as well as outside of the usual meeting cycle, the Directors share their experience and guidance with, as well as constructively challenge, the AIFM and the Investment Adviser.  The Board, supported by the Management Engagement Committee, regularly assesses the performance of all third-party service providers.	<ul style="list-style-type: none"> <li>▶ Board composition and succession, page 64</li> <li>▶ Management Engagement Committee Report, pages 76 and 77</li> </ul>
<b>Principle I</b>	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's responsibilities are set out in the schedule of matters reserved for the full Board and certain responsibilities are delegated to its Committees, so that it can operate effectively and efficiently. Supported by its Committees, the Board has overall responsibility for the purpose, strategy, business model, performance, framework for risk management and internal controls and governance matters, as well as engagement with shareholders and other key stakeholders.  Directors are also provided with any relevant information and have access to the Company Secretary and independent advisers, if required.	<ul style="list-style-type: none"> <li>▶ The Board, page 63</li> <li>▶ Section 172 statement, pages 45 to 48</li> <li>▶ Induction of new Directors, page 64</li> </ul>

## Composition, succession and evaluation

<b>Principle J</b>	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)	The Nomination Committee, comprising independent non-executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. Any new Board appointment is subject to a formal and rigorous process and the details of this process are always disclosed in Annual Reports.  The Company's policy on the tenure of Directors also helps to guide long-term succession plans, and recognises the need for and value of progressive refreshing of the Board.	<ul style="list-style-type: none"> <li>▶ Board composition and succession, page 64</li> <li>▶ Diversity, page 69</li> <li>▶ Nomination Committee Report, pages 68 to 70</li> </ul>
<b>Principle K</b>	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)	The Nomination Committee is responsible for identifying and recommending to the Board the appointment of new Directors and considering long-term succession plans.	<ul style="list-style-type: none"> <li>▶ Board of Directors, pages 56 and 57</li> <li>▶ Nomination Committee Report, pages 68 to 70</li> <li>▶ Board Committees, page 66</li> <li>▶ Board composition and succession, page 64</li> </ul>

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## APPLICATION OF AIC CODE PRINCIPLES CONTINUED

### Composition, succession and evaluation continued

<b>Principle L</b>	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)	The Directors consider the evaluation of the Board, its Committees and themselves, to be an important aspect of corporate governance, and evaluations are undertaken annually.	▶ Nomination Committee Report, pages 68 to 70
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### Audit, risk and internal control

<b>Principle M</b>	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)	The Audit Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the external auditor, audit quality, as well as the auditor's objectivity and independence. The Committee also reviews the integrity and content of the Financial Statements, including the ongoing viability of the Company.	▶ Risk management and internal control, page 65 ▶ Audit Committee Report, pages 71 to 73 ▶ Notes 3 and 4 to the Financial Statements, pages 100 to 104
<b>Principle N</b>	The Board should present a fair, balanced and understandable assessment of the Company's position and prospects. (UK Code Principle N)	The Audit Committee supports the Board in assessing whether the Company's Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects.	▶ Strategic Report, pages 1 to 55 ▶ Fair, balanced and understandable, page 73 ▶ Audit Committee Report, pages 71 to 73 ▶ Independent Auditor's Report, pages 87 to 92 ▶ Financial Statements, pages 87 to 121
<b>Principle O</b>	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)	The Audit Committee supports the Board through its independent oversight of the financial reporting process, including the Financial Statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of the Company's external auditor.	▶ Principal risks and uncertainties, pages 50 to 54 ▶ Viability statement, page 55 ▶ Audit Committee Report, pages 71 to 73 ▶ Management Engagement Committee Report, pages 76 and 77 ▶ Risk management and internal control, page 65 ▶ Note 24 to the Financial Statements, pages 115 to 118

## CORPORATE GOVERNANCE STATEMENT CONTINUED

## APPLICATION OF AIC CODE PRINCIPLES CONTINUED

Remuneration			
<b>Principle P</b>	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. (Incorporates relevant content from UK Code Principle P)	<p>The Directors, with the exception of Mark Johnson (who stepped down from the Board on 11 May 2023) and Richard Moffitt, are all non-executive and independent of the Investment Adviser. They receive fees and no component of any Director's remuneration is subject to performance factors.</p> <p>Whilst there is no requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company, the majority of the Directors do hold shares in the Company.</p>	<ul style="list-style-type: none"> <li>▶ Strategic Report, pages 1 to 55</li> <li>▶ Directors' Remuneration Report, pages 78 to 81</li> <li>▶ Directors' remuneration policy, pages 80 and 81</li> </ul>
<b>Principle Q</b>	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)	<p>As the Company has no employees and the Board is comprised wholly of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion within an aggregate ceiling as set out in the Company's Articles of Association. Each Director abstains from voting on their own individual remuneration.</p> <p>The terms and conditions of the Directors' appointments are set out in letters of appointment, which are available for inspection on request at the registered office of the Company.</p>	<ul style="list-style-type: none"> <li>▶ Directors' Remuneration Report, pages 78 to 81</li> </ul>
<b>Principle R</b>	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)	The process of reviewing the Directors' fees is described in the Remuneration Report, although as there are no performance-related elements of the remuneration, there is very little scope for the exercise of discretion or judgement.	<ul style="list-style-type: none"> <li>▶ Directors' Remuneration Report, pages 78 to 81</li> </ul>



# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 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 the 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 during the financial year ended 31 March 2023 was Jonathan Gray. At a General Meeting held on 11 May 2023, shareholders approved certain proposals relating to the management arrangements of the Company. On that date, Heather Hancock succeeded him in this role. As Senior Independent Director, Heather provides a channel for any shareholder concerns regarding the Chairman, and will lead future annual performance evaluations of the Chairman. The performance evaluation of the Chairman for the year ended 31 March 2023 was led by Jonathan Gray, further information can be found within the Nomination Committee Report on page 70.

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](http://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 AIFM and the Investment Adviser.

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-making which is reviewed on an annual basis, and is available on the Company's website at [www.urbanlogisticsreit.com](http://www.urbanlogisticsreit.com).

The Board regularly reviews the investment performance of the AIFM and the Investment Adviser 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. 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 AIFM, the Investment Adviser 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.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## Board composition and succession

During the financial year ended 31 March 2023, the Board comprised 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. However, since the year end there have been several directorate changes as announced to the market on 15 March 2023 and 11 May 2023.

On 11 May 2023, Jonathan Gray and Mark Johnson stepped down from the Board as a result of changes to the management arrangements of the Company approved by shareholders on that date. Jonathan Gray has also stood down from his role as Senior Independent Director with effect from the same date. From 12 May 2023, the Senior Independent Director of the Company is Heather Hancock.

Lynda Heywood joined the Board as an independent Non-Executive Director on 1 May 2023. She brings a wealth of experience in guiding FTSE 100 companies to the Board, from her 20-year tenure at Kingfisher Plc, and six years at Tesco Plc, holding group treasurer roles at both organisations. Lynda Heywood is a member of all Board committees.

The Board is satisfied that it possesses a sufficient balance of skills, relevant sector experience and knowledge to ensure that, as a whole, it functions well and that discussions and/or decisions are not dominated by any one Director. The performance of the Board and of the Chairman is evaluated annually. Further detail regarding the external evaluation of the Board and Chairman during the financial year ended 31 March 2023 can be found in the Nomination Committee Report on page 70.

The collective experience amongst the Board includes senior Board level/chairmanship positions, financial services experience, and directorships within the property sector, all of which contribute expertly to the deliberations of the Board.

The majority of Directors are independent from the AIFM and the Investment Adviser. Those Directors deemed to be independent can be found in the Director biographies on pages 56 and 57.

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 regularly refreshing 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 for 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, save for Lynda Heywood, will be subject to annual re-election at the Company's forthcoming Annual General Meeting ("AGM") in July 2023. Lynda Heywood shall stand for election at the AGM, being her first AGM post her appointment.

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 AIFM, the Investment Adviser 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.

## 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 AIFM, the Investment Adviser and the Company Secretary.

## Board performance

Every year the Company conducts an extensive Board evaluation process to review the effectiveness of the Board as a whole. In addition, an evaluation of the performance of the Chairman is undertaken which is led by the Senior Independent Director. For the year ended 31 March 2023, the Board undertook an external evaluation and engaged BoardAlpha Limited ("BoardAlpha") to conduct this on behalf of the Company.

For further detail on this exercise, please refer to the report of the Nomination Committee on pages 68 to 70.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 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 were in place and ensuring the Investment Adviser is appropriately challenged and held to account for its performance and behaviours. 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 Investment Adviser, 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 77.

The Company’s section 172 statement can be found on pages 45 to 48.

## Shareholder engagement

The Board is confident in its approach to the Company’s ongoing communication with shareholders and recognises the value in positive shareholder engagement. The Board strives to understand and meet 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 Investment Adviser 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 Investment Adviser 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 writes to the largest shareholders, offering meetings after annual results and prior to the general meeting approving the new management arrangements.

We encourage a 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

Shareholders are encouraged to attend the Company’s AGM on 18 July 2023 at 10.00am. The AGM will be held at Buchanan Communications Ltd, 107 Cheapside, London EC2V 6DN, and further details can be found in the Notice of AGM 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](http://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](http://www.urbanlogisticsreit.com). Shareholders will be given the opportunity to ask questions during the AGM and questions can also be sent by email to [ir@urbanlogisticsreit.com](mailto:ir@urbanlogisticsreit.com) in advance of the meeting. These questions will be responded to in writing on the Company’s website.

In addition, the Investment Adviser 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 18 July 2023 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 Investment Adviser’s property team who recommend property investments, and the Investment Adviser’s finance and operations team who perform due diligence and instruct payments.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## Risk management and internal control continued

In addition to the high-level internal controls exercised by the Board, further internal controls are also in place at the AIFM and the Investment Adviser. 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 2023 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 50 to 54 set out the Company's Principal Risks and Uncertainties. The Company's Risk Appetite Statement can be found on page 50.

## Board Committees

The Board has delegated a number of responsibilities to its Environmental, Social and 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 2023, can be found in the individual Committee Reports.

A copy of each Committee's Terms of Reference can be found on our website [www.urbanlogisticsreit.com](http://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	Y	Member	Member	Chairman	Chairman
Bruce Anderson	Y	Member	Chairman	Member	Member
Heather Hancock <sup>1</sup>	Y	Chairwoman	Member	Member	Member
Jonathan Gray <sup>2</sup>	Y	Member	Member	Member	Member
Lynda Heywood <sup>3</sup>	Y	Member	Member	Member	Member
Richard Moffitt	N	—	—	—	—
Mark Johnson <sup>4</sup>	N	—	—	—	—

1. Heather Hancock was appointed as Senior Independent Director with effect from 12 May 2023.
2. Jonathan Gray resigned from the Board and as Senior Independent Director with effect from 11 May 2023.
3. Lynda Heywood joined the Board with effect from 1 May 2023.
4. Mark Johnson resigned from the Board with effect from 11 May 2023.

A Sub-Committee of the Board was created on 25 January 2023, consisting solely of the independent Directors, which would be authorised to act on behalf of the Company in relation to any changes to the Company's management agreement and investment management arrangements. Jonathan Gray was recused from membership of this Sub-Committee on 1 March 2023.

Richard Moffitt is not deemed to be independent due to his existing role at, and interest in, the Investment Adviser. Richard excludes himself from voting on matters concerning the Investment Adviser and during the approval of property sales and acquisitions proposed to the Board by the Investment Adviser, or where there is any other perceived potential conflict of interest. Despite his non-independence, the Board considers that Richard remains able to provide constructive challenge and scrutiny to the Board, as well as valuable and relevant skills and experience.



## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Meeting attendance

During the year ended 31 March 2023, there were eight scheduled Board meetings. The Directors also met on an ad hoc basis during the year to discuss and approve matters relating to the management arrangements of the Company. The Company Secretary attends all meetings of the Board and its Committees. Representatives of the AIFM, Investment Adviser, 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	8/8	1/1	3/3	1/1	1/1
Bruce Anderson	8/8	1/1	3/3	1/1	1/1
Heather Hancock	8/8	1/1	2/3	1/1	1/1
Jonathan Gray	8/8	1/1	3/3	0/1	0/1
Richard Moffitt	8/8	N/A	N/A	N/A	N/A
Mark Johnson	8/8	N/A	N/A	N/A	N/A

### 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 Company regularly uses M1 Agency LLP as an agent 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 Adviser, 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. However due to this relationship, Richard Moffitt is deemed non-independent as a member of the Board.

### 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 31 to 38.

The Company publishes a Modern Slavery Statement in accordance with the Modern Slavery Act 2015. This can be found on the Company's website [www.urbanlogisticsreit.com](http://www.urbanlogisticsreit.com).

During the year, they were six Directors, five male and one female. Further information on the composition and diversity of the Board is detailed on pages 69 and 70. Following the year end and as at the date of this report, there are three male Directors and two female Directors on the Board.

### Anti-bribery and corruption

The AIFM and the Investment Adviser have a zero-tolerance anti-bribery and corruption policy and are committed to carrying out business fairly, honestly and openly. The Investment Adviser undertakes annual regulatory training on anti-money laundering and anti-bribery and corruption. PCP2 Limited, the previous AIFM to the Company, had a Compliance Officer in place who monitored adherence to anti-bribery and corruption policies. Post year end, this function will now be fulfilled by the Company's new AIFM, G10 Capital Limited.

The Company has a whistleblowing policy with appropriate links to the Chairman and/or Audit Committee Chairman.

### Nigel Rich CBE

Chairman

21 June 2023

# NOMINATION COMMITTEE REPORT



The evaluation confirmed that all Directors contributed to promoting the success of the Company.

**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 66.

## 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 2023 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 further external performance evaluations to be undertaken in the future, as well as the recommendations of the review performed in the year by BoardAlpha, discussed in more detail below.

## NED recruitment process

The Board appointed Russell Reynolds Associates to assist with the NED recruitment process earlier this year. Russell Reynolds Associates is independent of the Board and the Company and has no connections with any of the individual Directors. The Committee agreed on a person specification that included the skills and experience required for the proposed appointment, with a focus on an individual with a senior finance background to add depth to the Audit Committee. As part of this, Russell Reynolds Associates compiled a list of candidates and scheduled interviews with the Board. Following the Committee's recommendation, the Board appointed Lynda Heywood as a Non-Executive Director with effect from 1 May 2023. Lynda Heywood brings a wealth of experience in guiding FTSE 100 companies from her 20-year tenure at Kingfisher and six years at Tesco, holding group treasurer roles at both organisations.

# NOMINATION COMMITTEE REPORT CONTINUED

## Board composition and succession planning

Following the changes to the Board detailed in the Corporate Governance report, the Committee will consider the skills and experiences needed on the Board going forward, and will consider succession planning for the Chairman.

## Diversity

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 corporate 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 Rule that is on a 'comply or explain' basis, which incorporates the recommendations of the Parker and Hampton-Alexander Reviews, which considered how ethnic, cultural and gender diversity could be improved on UK boards.

FCA Board diversity target	Target met	Compliance
At least 40% of the board are women (including those self-identifying as women)	No However, following the year-end and with effect from 12 May 2023, this target was met	During the year, 17% of the Board comprised of women. The Nomination Committee regarded Board diversity of gender as a key consideration when recommending future Board appointments and conducting succession planning exercises. The Nomination Committee recommends appointments, and the Board makes appointments, based on skills, experience and merit. However, equality, diversity and inclusion continue to be key considerations in all appointment processes. Lynda Heywood was appointed to the Board on 1 May 2023 and as at the date of this Report, 40% of the Urban Logistics Board comprise of women.
At least one of the senior board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) is a woman (including those self-identifying as a woman)	No However, following the year-end and with effect from 12 May 2023, this target was met	Following changes to the management arrangements and the resignation of Jonathan Gray as a Director on 11 May 2023, the Committee appointed Heather Hancock as Senior Independent Director with effect from 12 May 2023.
At least one member of the board is from a non-White ethnic minority background (as referenced in categories recommended by the Office for National Statistics)	No	The Board and Nomination Committee will remain mindful of this FCA diversity target where it considers new appointments and succession planning.

# NOMINATION COMMITTEE REPORT CONTINUED

## Diversity continued

The Committee continues to develop succession planning in line with these recommendations. In accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors at the date of this Report.

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	3	60%	1
Women	2	40%	1
Not specified/prefer not to say	—	—	—

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	—	—	—
Mixed/Multiple Ethnic Groups	—	—	—
Asian/Asian British	—	—	—
Black/African/Caribbean/Black British	—	—	—
Other ethnic group, including Arab	—	—	—
Not specified/prefer not to say	—	5	100%

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

## Board evaluation

Every year the Company conducts an extensive Board evaluation process to review the effectiveness of the Board as a whole. In addition, an evaluation of the performance of the Chairman is undertaken which is led by the Senior Independent Director. For the year ended 31 March 2023, the Board engaged BoardAlpha Limited ("BoardAlpha") to conduct an external evaluation on behalf of the Company.

The process enabled 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. BoardAlpha interviewed individual Directors and attended and observed Board meetings in person. BoardAlpha provided detailed, constructive feedback of various suggested actions which the Board have considered and will implement going forward. These recommendations included to

- Consider whether it would be beneficial to conduct longer-term scenario planning to understand the strategic options for the Company once growth under the current strategy becomes harder to achieve.
- Consider how to communicate the newly negotiated management structure and keyman risk mitigation to shareholders to reassure them that the team behind Richard Moffitt is strong and well-motivated.
- Hold a discussion about the planned order of departure of directors from the Board to ensure that succession planning runs smoothly.

These items, together with all other recommendations will be on Board agendas throughout the coming year.

Overall 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.

2

## Nigel Rich CBE

Chairman of the Nomination Committee

21 June 2023



# AUDIT COMMITTEE REPORT



I am pleased to present the Audit Committee Report for the year ended 31 March 2023.

**Bruce Anderson ACMA FCI OBS**  
Chairman of the Audit Committee

## Composition

During the year ended 31 March 2023, the Audit Committee comprised of myself as Chairman, Nigel Rich CBE, Jonathan Gray and Heather Hancock, all of whom were independent Non-Executive Directors during the year. Since the year end, Lynda Heywood was appointed as an independent Non-Executive Director of the Board with effect from 1 May 2023 and she joined the Audit Committee with effect from the same date. In addition on 11 May 2023, Jonathan Gray resigned from the Board on this date and ceased to be a member of the Audit Committee as at the date of this report.

All Audit Committee members consider that, individually and collectively, they are each independent and have recent and relevant financial experience 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 at [www.urbanlogisticsreit.com](http://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 67. 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;
- assisted the Board in its consideration of ESG matters;
- reviewed the internal controls and risk management procedures of the Company and PCP2 Limited, the Company's AIFM during the year;
- 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 2023 Annual General Meeting;
- reviewed its Terms of Reference; and
- had its performance evaluated externally.

# AUDIT COMMITTEE REPORT CONTINUED

## Matters considered during the year continued

The independent Directors meet in private with the partner of the Company's auditor on an annual basis. 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 Investment Adviser and the independent valuer about the property portfolio valuation process, asset management and the systems in place at the Investment Adviser to ensure the accuracy of the valuation of the Company's property portfolio. The Audit Committee has received assurances from the Investment Adviser 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 2023. Further information regarding the valuation of the portfolio can be found below on page 73. In line with other service providers, the Committee feels it is best practice to regularly put out external services to tender. Following a five-year appointment, the valuation services were therefore put out to tender in the year, and following a competitive tender process, CBRE were re-appointed. The appointment of CBRE will be kept under review on an annual basis.

## Internal controls

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

The Investment Adviser reports to the Audit Committee and Board on operational and compliance issues at each meeting, and otherwise as necessary. The Investment Adviser reports directly to the Audit Committee concerning the internal controls applicable to the Investment Adviser'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 2023, covering a five-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 was appointed as the Company's auditor following an external audit tender process undertaken in 2021. RSM audited the Annual Report and Accounts of the Company for the financial year ended 31 March 2023. 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 beginning 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 18 July 2023.

## 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. He also met with them prior to the finalisation of the audit of the Annual Report and Financial Statements for the year ended 31 March 2023, without the AIFM or the Investment Adviser present, to discuss how the external audit was conducted, 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 COMMITTEE REPORT CONTINUED

## 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:

	2023 £'000	2022 £'000
Audit fees including related assurance services	230	180
Non-audit fees	—	119
<b>Total</b>	<b>230</b>	<b>299</b>

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 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 2023. The Committee is satisfied 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 AIFM; as such, the Audit Committee internal systems and controls of the AIFM and the Investment Adviser. During the year, the Finance Director of PCP2 Limited, the Company's AIFM, was invited to attend all Board meetings and, in addition, the Chairman of the Audit Committee had a separate meeting with the Finance Director twice during the year ahead of the issuance of the Half-Yearly and Annual Reports, and will continue to do so with the CFO of the Investment Adviser. The Audit Committee will continue to keep this matter under review.

## Valuation of property portfolio

The Group has investment properties totalling £1,107 million as at 31 March 2023 (2022: £1,015m). 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 2023, in accordance with the RICS valuation – Professional Standards UK January 2022 (the "Red Book"). The Committee met with the team from CBRE in May 2023 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 Investment Adviser prepares and monitors the REIT tests, which are reported to the Board on a quarterly basis.

During the year ended 31 March 2023, the Audit Committee has monitored the Group's compliance status and has considered the requirements for the maintenance of the Group'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 ended 31 March 2023.

## Evaluation of the Audit Committee

During the year, a thorough evaluation of the Committee's performance was carried out as part of the overall externally facilitated 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.

Recommendations from the evaluation on which the Committee will focus in the coming year are to increase the detail on the mitigation of risks in the risk register and to keep a materiality limit for Board approval under consideration. Further information on the evaluation of the Board's performance and of its Committees can be found within the Corporate Governance Statement on pages 64 and 66.

## 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 2023 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 2023.

## Bruce Anderson ACMA FCIOBS

Chairman of the Audit Committee

21 June 2023

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) COMMITTEE REPORT



I am pleased to present the ESG Committee Report for the year ended 31 March 2023.

Heather Hancock LVO DL  
Chairwoman of the ESG Committee

## Statement from the Chair

The ESG Committee was formed in April 2021 to scrutinise performance across the full suite of ESG commitments that Urban Logistics places on the Investment Adviser, 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

During the financial year ended 31 March 2023, the ESG Committee comprised of myself as Chairwoman, Nigel Rich CBE, Bruce Anderson and Jonathan Gray, all of whom were independent Non-Executive Directors. Since the year end, Lynda Heywood joined the Board with effect from 1 May 2023 and is also a member of the ESG Committee as at the date of this report. Following his resignation from the Board on 11 May 2023, Jonathan Gray is no longer a member of the ESG Committee. 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 Investment Adviser'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 an annual basis by the Board.

The ESG Committee's Terms of Reference are available on the Company's website at [www.urbanlogisticsreit.com](http://www.urbanlogisticsreit.com)



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) COMMITTEE REPORT CONTINUED

## Matters considered during the year

The ESG Committee meets at least once a year, or more if required. The Committee met once during the year ended 31 March 2023.

During that meeting, 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 PCP2 Limited, the Company’s previous AIFM’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 35 and 36.

The Company’s TCFD disclosures can be found on pages 39 to 44.

## Heather Hancock LVO DL

Chairwoman of the ESG Committee

21 June 2023

# MANAGEMENT ENGAGEMENT COMMITTEE REPORT



I am pleased to present the report of the Management Engagement Committee.

**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. During the financial year ended 31 March 2023, the Management Engagement Committee comprised of Nigel Rich CBE as Chairman, Bruce Anderson, Heather Hancock and Jonathan Gray, all of whom were independent Non-Executive Directors. Since the year end, Lynda Heywood joined the Board with effect from 1 May 2023 and is also a member of the Management Engagement Committee as at the date of this report. Following his resignation from the Board on 11 May 2023, Jonathan Gray is no longer a member of the Management Engagement Committee.

## Responsibilities

The key responsibility of the Management Engagement Committee is to review the services and performance of the Company's AIFM, Investment Adviser 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 the Management Engagement Committee's review are shared with individual service providers so that any improvements or changes required to third-party providers' service delivery can be implemented and monitored. 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 ended 31 March 2023 and reviews of all service providers were undertaken.

## Proposed amendments to the Company's management arrangements

As disclosed in the Chairman's Statement on page 6, the Company held a general meeting on 11 May 2023 where shareholders approved changes to the Company's management arrangements. The changes that were approved by shareholders were that Logistics Asset Management LLP, who had provided asset management services to PCP2 Limited, the previous AIFM to the Company, was appointed as the Investment Adviser to the Company with effect from 12 May 2023, and G10 Capital Limited was appointed as the Company's new AIFM with effect from the same date.

Going forward, the Management Engagement Committee will review the services and performance of Logistics Asset Management LLP and G10 Capital Limited as well as all other third-party service providers.

# MANAGEMENT ENGAGEMENT COMMITTEE REPORT CONTINUED

## The AIFM and the Investment Adviser

Following the changes to the Company's management arrangements on 12 May 2023 as disclosed on page 6, the Board has delegated the responsibility for portfolio and risk management to G10 Capital Limited (the "AIFM"), subject to the Board being kept informed of all material property acquisitions and disposals, including development projects. The Company and the AIFM have appointed Logistics Asset Management LLP (the "Investment Adviser") as Investment Adviser pursuant to which the Investment Adviser (i) seeks out and evaluates investment opportunities; (ii) advises the Company and the AIFM in relation to acquisitions and disposals; and (iii) provides asset management services and, if required, development management services.

The Management Engagement Committee shall review the contractual relationship and engagement terms of the AIFM and the Investment Adviser, and their respective performance on at least an annual basis going forward as it previously undertook for PCP2 Limited, the previous AIFM to the Company. PCP2 Limited's performance was considered to be of a high standard during the year ended 31 March 2023.

## Other service providers

The Committee noted that there had been a number of changes to personnel at Link Company Matters, and assurances have been sought and provided by Link Company Matters that there would be increased stability in the coming year.

The Management Engagement Committee reviewed the relationship with M1 Agency LLP, of which Richard Moffitt, a Director of the Company and CEO of the Investment Manager and ongoing Investment Adviser, is a Partner. No other members of the Investment Adviser have a financial interest in M1 Agency LLP. 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 of the PCP2 Limited, the Company's previous AIFM, and the independent members of the Board, scrutinised all proposals received from M1 Agency LLP. Further details of how conflicts of interest are managed can be found on page 67.

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.

## Nigel Rich CBE

Chairman of the Management Engagement Committee

21 June 2023

## DIRECTORS' REMUNERATION REPORT

The Board is pleased to present the Directors' Remuneration Report for the year ended 31 March 2023.

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, individual remuneration.

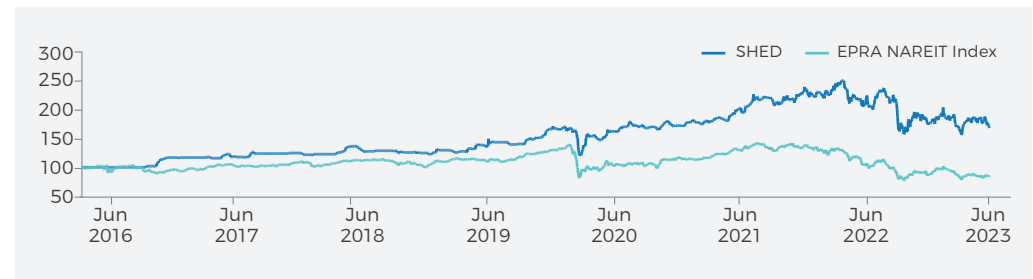
In September 2022, the independent Directors considered the level of Directors' remuneration for the year ended 31 March 2023 based on a fee benchmarking exercise undertaken by PCP2 Limited, previous AIFM to the Company which was reviewed in detail by the Board. Following careful review and consideration by the Board, the following increases were made to Directors' remuneration which took effect from 1 July 2022:

- the Chairman's fee to increase from £85,000 pa to £100,000 pa;
- the Non-Executive Directors' fees to increase from £45,000 pa to £50,000 pa;
- the Senior Independent Director and Committee Chairs' additional fee to increase from £5,000 pa to £10,000 pa, excluding the Chairman of the Management Engagement Committee and the Nomination Committee; and
- Mark Johnson and Richard Moffitt waived their right to remuneration as Directors of the Company, as they receive remuneration from Pacific Industrial LLP via the investment management fee.

### Performance of the Company

The Company does not have a specific benchmark against which performance is measured, and Directors do not receive any performance-related pay. 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 REPORT CONTINUED

## Directors' remuneration (audited)

The remuneration paid to the Directors during the year ended 31 March 2023 is set out in the table below:

	Year ended 31 March 2023 £			Year ended 31 March 2022 £		
	Fees	Expenses <sup>1</sup>	Total	Fees	Expenses	Total
Nigel Rich CBE (Chairman)	96,250	82	96,332	83,750	27	83,777
Bruce Anderson	57,500	2,319	59,819	48,750	1,832	50,582
Jonathan Gray	57,500	95	57,595	48,750	—	48,750
Heather Hancock	57,500	1,999	59,499	48,333	—	48,333
Mark Johnson <sup>2</sup>	—	—	—	—	—	—
Richard Moffitt <sup>2</sup>	—	319	319	—	—	—
<b>Total</b>	<b>268,750</b>	<b>4,814</b>	<b>273,564</b>	<b>229,583</b>	<b>1,859</b>	<b>231,442</b>

- The Directors are entitled to all reasonable travel, hotel and other expenses incurred in the performance of their duties. As such, Bruce Anderson's travel from Scotland and overnight stays in London to attend Board meetings have been paid by the Company.
- Mark Johnson and Richard Moffitt 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 2023 £	Year ended 31 March 2022 £	Change to 2023 %	Change to 2022 %	Change to 2021 %	Change to 2020 %
Nigel Rich CBE	96,250	83,750	15%	6%	5%	0%
Bruce Anderson	57,500	48,750	18%	15%	21%	0%
Jonathan Gray	57,500	48,750	18%	15%	21%	0%
Heather Hancock <sup>1</sup>	57,500	48,333	19%	52%	—	—
Mark Johnson <sup>2</sup>	—	—	—	—	—	—
Richard Moffitt <sup>2</sup>	—	—	—	—	—	—

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

# DIRECTORS' REMUNERATION REPORT CONTINUED

## 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 2023 and 31 March 2022:

	Year ended 31 March 2023 £	Year ended 31 March 2022 £	Change %
Directors' remuneration	<b>268,750</b>	229,583	+17%
Investment management fee	<b>7,592,001</b>	5,431,124	+40%
Dividends paid to shareholders	<b>35,870,131</b>	21,654,282	+66%

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 2023 (%)
Nigel Rich CBE (Chairman)	540,536	0.115
Bruce Anderson	50,000	0.011
Jonathan Gray <sup>2</sup>	60,000	0.013
Heather Hancock	14,388	0.003
Mark Johnson <sup>3</sup>	309,986	0.066
Richard Moffitt <sup>1</sup>	1,142,843	0.242

1. The Investment Adviser holds 206,813 Ordinary Shares on trust for Richard Moffitt.

2. Jonathan Gray resigned from the Board with effect from 11 May 2023.

3. Mark Johnson resigned from the Board with effect from 11 May 2023.

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 UK 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 2023 and the date of this report.

## Remuneration policy

### Introduction

The Company is required to seek shareholder approval for its Remuneration Policy 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. The Remuneration Policy of the Company was last approved by shareholders at the Company's AGM in 2022 and it is therefore not proposed that this be put to shareholders for approval at the forthcoming AGM on 18 July 2023.

### 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 a rate as may be determined by the Articles or by ordinary resolution (not exceeding in aggregate £500,000 per annum or such other sum as the Company in general meeting shall from time-to-time determine). 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 travel, accommodation and other expenses incurred in the proper performance of their duties. No Director shall be entitled to any pension or other retirement benefit and there shall be no compensation payable for loss of office. 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.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## Remuneration policy continued

### Policy continued

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 resign 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 18 July 2023 to receive and approve the Directors' Remuneration Report.

## Voting at AGM

The Directors' Remuneration Report for the year ended 31 March 2022 and the Directors' remuneration policy were approved by shareholders at the AGM held on 20 July 2022. The results taken on a poll were as follows:

Remuneration Report 2022	Number of votes cast	Percentage of votes cast (%)
For	293,642,392	99.87
Against	376,217	0.13
Total votes cast	294,018,609	—
Number of votes withheld	2,128,111	—

Remuneration Policy 2022	Number of votes cast	Percentage of votes cast (%)
For	292,878,307	98.94
Against	3,136,082	1.06
Total votes cast	296,014,389	—
Number of votes withheld	132,331	—

On behalf of the Board.

### Nigel Rich CBE

Chairman

21 June 2023

# DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 31 March 2023.

## Corporate governance

The Corporate Governance Statement can be found on pages 58 to 67 and forms part of the Directors' Report.

## Directors

The Directors of the Company who were in office during the whole of the year ended 31 March 2023 and their biographies can be found on pages 56 and 57. Since the 31 March 2023, there have been certain directorate changes. As announced to the market on 15 March 2023, Lynda Heywood was appointed as an independent Non-Executive Director with effect from 1 May 2023. On 11 May 2023, Mark Johnson and Jonathan Gray resigned from the Board with effect from the close of that meeting. As at the date of this report, there are two female Directors and three male Directors.

All Directors who are in office as at the date of this report shall stand for re-election at the Company's Annual General Meeting on 18 July 2023, apart from Lynda Heywood, who shall stand for election, this being her first AGM post her appointment to the Board on 1 May 2023.

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 20 July 2022, the Company was granted authority to allot Ordinary Shares up to a maximum nominal amount of £943,950.82 (representing approximately 20% of the issued Ordinary Share capital of the Company as at 22 June 2022) until the earlier of the conclusion of the Annual General Meeting to be held in 2023 and 30 September 2023.

No shares were allotted during the financial year ended 31 March 2023.

A special resolution was also passed at the Company's Annual General Meeting on 20 July 2022, 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 2023. 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.

The Company's issued share capital as at 31 March 2023 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 2023 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

As at 31 March 2023, the Company had received notification of the following disclosable interests in the voting rights of the Company. This information was correct at the date of notification, however notification of any further change is not required until the next applicable threshold is crossed.

	Number of Ordinary Shares	Percentage of voting right (%)
Cohen & Steers UK Limited	23,686,373	5.02
Waverton Investment Management Limited	18,974,592	4.02

The Company has not been informed of any changes to the above interests between 31 March 2023 and the date of this Report.



## DIRECTORS' REPORT CONTINUED

### The AIFM and the Investment Adviser

The Company held a General Meeting on 11 May 2023 where shareholders approved changes to the Company's management arrangements. The changes that were approved by shareholders were that Logistics Asset Management LLP (the "Investment Adviser") was appointed as the Investment Adviser to the Company with effect from 12 May 2023, and G10 Capital Limited (the "AIFM") was appointed as the Company's new AIFM with effect from the same date. The Board delegates the responsibility of its portfolio and risk management to the AIFM, subject to the Board being kept informed of all material property acquisitions and disposals, including development projects. The Company and the AIFM have appointed Logistics Asset Management LLP (the "Investment Adviser") as Investment Adviser pursuant to which the Investment Adviser (i) seeks out and evaluates investment opportunities; (ii) advises the Company and the AIFM in relation to acquisitions and disposals; and (iii) provides asset management services and, if required, development management services.

The Investment Adviser will, from the date of its appointment, be controlled by Richard Moffitt who, together with Christopher Turner, has provided investment management services to the Company since launch, and who reports to the Board at each meeting. Other members of the AIFM team and the investment advisory team attend as required.

The Company regularly uses, as agent for its purchases and sales of assets, M1 Agency LLP, a limited liability partnership in which Richard Moffitt has an interest. Each transaction is reviewed by the AIFM and the Investment Adviser (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 £1.6 million (31 March 2022: £2.0 million). For details as to which Directors are independent of the Investment Adviser, please see the Director biographies on pages 56 and 57 and the table on page 66.

The Management Engagement Committee annually reviews the performance of the AIFM and the Investment Adviser and makes recommendations to the Board as to their continuing appointment. Further information can be found in the Management Engagement Committee Report on page 76.

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 Investment Adviser, the Pacific Group and their respective Affiliates.

No changes to the commercial terms of the LTIP were made as a result of the changes to the management arrangements described on page 6. Following crystallisation of the current LTIP in September 2023, the Company will not establish a new long-term incentive plan to replace the LTIP.

### Annual management fee

The Company will pay the Investment Adviser the following fees, payable quarterly in arrears, less fees due to PCP2 Ltd and G10 Capital Ltd:

- 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.

This fee structure runs until May 2024, when it will be replaced by the following fee structure, paid quarterly in arrears to Logistics Asset Management, the Investment Adviser appointed post period end:

- 0.900% per annum of the Group's EPRA NTA up to and including £250 million;
- 0.825% per annum of the Group's EPRA NTA in excess of £250 million and up to and including £500 million;
- 0.775% per annum of the Group's EPRA NTA in excess of £500 million and up to and including £1 billion; and
- 0.750% per annum of the Group's EPRA NTA in excess of £1 billion.

### LTIP

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

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

- the excess EPRA NTA return payable to the Investment Adviser 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 Investment Adviser 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 pages 106 and 107.

### Related party transactions

Details on related party transactions can be found in note 32 of the Financial Statements on page 120.

## DIRECTORS' REPORT CONTINUED

### Financial results and dividends

IFRS loss after tax for the year was £82.7 million (31 March 2022: £171.8 million profit), representing a basic and diluted earnings per share of -17.51 pence, compared with 48.86 pence for the prior year.

Adjusted earnings for the year were £32.7 million, which represents a £9.1 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 7.6 pence have been paid or declared in respect of the year ended 31 March 2023:

Description	Pence per share	Payment date	Financial year
Second interim dividend	4.35	21 July 2023	2023
First interim dividend	3.25	16 December 2022	2023

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 26 to 30.

### 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 50 to 54.

### Going concern and viability statements

The Company's going concern and viability statements can be found on pages 55 and 100.

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 2023 or 31 March 2022.

### Political donations

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

### Significant agreements

In May 2022, the Group entered into a £46.6 million green loan facility with Aviva Investors, which provided a 10-year term and came at a fixed cost of 3.52%. In August 2022, the Group agreed a further £75.0 million facility with a 10-year term at a fixed rate of 3.99%. This facility includes, inter alia, margin rate improvement on hitting environmental targets across the assets charged.

Further details regarding the principal agreements between the Company and its service providers, including the Investment Adviser, are set out in note 22 to the Financial Statements on page 114.

### Articles of Association

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 pages 37 and 38.

### Streamlined Energy and Carbon Reporting

Further detail on the Company's environmental reporting can be found in the Sustainability Report on pages 31 to 38 and in the Supplementary Information on pages 122 to 135.

### Independent auditor

RSM UK Audit LLP has expressed its willingness to continue as auditor for the financial year ending 31 March 2024. A resolution to re-appoint RSM UK Audit LLP will be put to shareholders at the 2023 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.

# DIRECTORS' REPORT CONTINUED

## 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 82, information required under Listing Rule 9.8.4(4) in relation to the LTIP is set out on page 83, information required under Listing Rule 9.8.4(5 and 6) in relation to waiving of emoluments is set out on page 79 and information required under Listing Rule 9.8.4(10) in relation to management arrangements is set out on pages 76 and 83 one. 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 18 July 2023. 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 12 to 38.

## Post balance sheet events

In May 2023 the Company appointed Logistics Asset Management LLP as Investment Adviser, and G10 Capital Limited as AIFM, replacing PCP2 Ltd.

On 12 June 2023 the group disposed of two properties, one in Nottingham and one in Sheffield, for a combined consideration of £15 million. Both assets have been accounted for as 'Held for Sale' at year end, in line with the Group's accounting policy, details of which can be found within note 2 (on page 100) of this report.

On 12 June 2023 Tuffnells Parcel Express Limited ("Tuffnells") entered into administration. Total rental income from Tuffnells for the year to 31 March 2023 represented 3.5% of the Group's total rental income.

This report was approved by the Board on 21 June 2023.

## Nigel Rich CBE

Chairman

21 June 2023

## 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

21 June 2023



# 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 2023 which comprise the 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. 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 2023 and of the group's loss 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.

### Summary of our audit approach

#### Key audit matters

##### Group

- Valuation of Investment Property

##### Parent company

- No key audit matters

#### Materiality

##### Group

- Overall materiality: £11,570,000 (2022: £11,790,000)
- Performance materiality: £8,670,000 (2022: £8,800,000)

##### Parent company

- Overall materiality: £6,890,000 (2022: £6,890,000)
- Performance materiality: £5,170,000 (2022: £5,170,000)

#### Scope

Our audit procedures covered 98% of revenue, 100% of total assets and 98% of EPRA earnings.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

### Key audit matters continued

#### Valuation of Investment Property

##### Key audit matter description

This is detailed in the Audit Committee report on pages 71 to 73; the significant accounting judgements and estimates on page 100; significant accounting policies on page 101 and notes to the Financial Statements on pages 107 to 110.

The Group owns a portfolio of investment properties located across the UK and the total value of the portfolio at 31 March 2023 was £1,107 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. There is an associated fraud risk that the fee payable to the property manager may be manipulated through misstatement of the property valuation.

##### How the matter was addressed in the audit

We audited the independent valuations of investment properties to ensure that where appropriate 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 valuers 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 valuers objectivity had been compromised.

We engaged a property valuation specialist as our auditor expert to assist in the review and challenge a sample of the valuations. In addition, we selected a sample of thirteen 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 a sample of 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.

### 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
<b>Overall materiality</b>	£11,570,000 (2022: £11,790,000)	£6,890,000 (2022: £6,890,000)
<b>Basis for determining overall materiality</b>	1% of total assets	1% of total assets
<b>Rationale for benchmark applied</b>	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 property, represented by the property valuation.
<b>Performance materiality</b>	£8,670,000 (2022: £8,800,000)	£5,170,000 (2022: £5,170,000)
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Materiality levels for transactions where materiality levels are lower than overall materiality</b>	The income statement values that impact EPRA earnings (see note 13 to the financial statements on page 106) were tested using a performance materiality of 75% of a specific materiality of £1,850,000 which was calculated at 5% of EPRA earnings as these income statement values are significantly lower than overall materiality.	The income statement values that impact profit before dividends received from subsidiaries were tested using a performance materiality of 75% of a specific materiality of £242,000 which was calculated at 5% of profit before dividends received as these income statement values are significantly lower than overall materiality.
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £583,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £344,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

### An overview of the scope of our audit

The group consists of 19 components, all of which are based in the UK, Guernsey and Jersey.

Full scope audits were performed for 17 components, specific scope audit for one component and analytical procedures at group level for the remaining one component.

All work was performed by RSM UK Audit LLP.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	EPRA earnings
Full scope audit	17	98%	99%	98%
Specific scope audit	1	—	1%	—
<b>Total</b>	<b>18</b>	<b>98%</b>	<b>100%</b>	<b>98%</b>

Analytical review procedures were performed on 1 component which has not been included in the table above.

### The impact of climate change on the audit

In planning our audit, we considered the potential impact of the possible risks arising from climate change on the Group's financial statements and obtained an understanding of how management identifies and responds to climate-related risks. Further information on management's risk assessment, progress and commitments is provided in the Group's climate-related risk disclosures on pages 39 to 44 of the annual report.

We performed risk assessment procedures including making enquiries of management, reading board minutes and applying our knowledge of the Group and the sector within which it operates, to assess the potential impact on the financial statements.

Taking account of the nature of the business, the Group continues to develop its assessment of climate-related risks and resilience of the Group and its properties under different climate scenarios, as explained in the Strategic Report on pages 39 and 44, we have not assessed climate-related risk to be significant to our audit. There was also no impact on our key audit matters.

In accordance with our obligations with regards to other information, we have read the Group's climate-related risk disclosures on pages 39 to 44 of the annual report and in doing so have considered whether those disclosures are materially inconsistent with the financial statements or our knowledge obtained during the course of the audit, or otherwise appear to be materially misstated.

We have not been engaged to provide assurance over the accuracy of the climate-related risk disclosures set out on pages 39 to 44 in the Annual Report.

### 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 entity 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

### 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
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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.

### Corporate governance statement

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

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 to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 55 and 84;

- 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;
- Director's 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 page 55;
- Directors' statement on fair, balanced and understandable set out on page 73;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 50 to 54;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 65 to 66; and,
- Section describing the work of the audit committee set out on pages 71 to 73.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 86, 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.



# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

### 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;
- 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 having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

#### Legislation/ Regulation

#### IFRS/UK-adopted International Accounting Standards and Companies Act 2006

#### Additional audit procedures performed by the Group audit engagement team included:

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.

In addition to the valuation of investment property which is set out in the key audit matters section above, the other areas that we identified as being susceptible to material misstatement due to fraud were:

#### Risk

#### Management override of controls

#### Audit procedures performed by the audit engagement team:

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.

#### Related parties' transactions

We obtained an understanding of the procedures adopted by the Board to ensure all related party transactions are identified and checked that the procedures adopted have been followed.

We confirmed that the group has maintained an up-to-date record of all its related parties.

We tested a sample of related party transactions and checked they are in line with the underlying agreements and are on an arm's length basis.

We audited the accounting treatment of the LTIP and ensured that valuation and terms are disclosed appropriately in the financial statements.

We confirmed that related party transactions are appropriately disclosed in the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

### 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 3 years, covering the years ending 31 March 2021 to 31 March 2023.

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.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

### **EUAN BANKS (Senior Statutory Auditor)**

For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants

25 Farringdon Street  
London  
EC4A 4AB

21 June 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Continuing operations</b>			
Revenue	5	55,305	37,811
Property operating expenses	7	(2,313)	(1,262)
<b>Net rental income</b>		<b>52,992</b>	36,549
Administrative and other expenses		(9,683)	(7,159)
Other income		57	1,021
Long-term incentive plan credit/(charge)	14	4,345	(4,114)
<b>Operating profit before changes in fair value of investment properties and interest rate derivatives</b>		<b>47,711</b>	26,297
Changes in fair value of investment property	6, 16	(121,119)	149,892
Profit on disposal of investment property		—	220
<b>Operating (loss)/profit</b>	8	<b>(73,408)</b>	176,409
Finance income		72	58
Finance expense	10	(10,752)	(6,898)
Changes in fair value of interest rate derivatives	23	1,431	2,663
Exceptional items	12	—	(459)
<b>(Loss)/profit before taxation</b>		<b>(82,657)</b>	171,773
Tax charge	11	—	—
<b>(Loss)/profit and total comprehensive income (attributable to the shareholders)</b>		<b>(82,657)</b>	171,773
<b>(Loss)/Earnings per share – basic</b>	13	<b>(17.51)p</b>	48.86p
<b>(Loss)/Earnings per share – diluted</b>	13	<b>(17.51)p</b>	48.86p

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Non-current assets</b>			
Investment property	16	1,101,583	1,029,071
Intangible assets		32	47
Interest rate derivatives	23	1,883	1,603
<b>Total non-current assets</b>		<b>1,103,498</b>	1,030,721
<b>Current assets</b>			
Assets held for sale	16	14,500	—
Trade and other receivables	19	8,006	20,965
Interest rate derivatives	23	1,151	—
Cash and cash equivalents	20	30,159	127,379
<b>Total current assets</b>		<b>53,816</b>	148,344
<b>Total assets</b>		<b>1,157,314</b>	1,179,065
<b>Current liabilities</b>			
Trade and other payables	21	(13,233)	(23,752)
Deferred rental income		(11,596)	(9,065)
<b>Total current liabilities</b>		<b>(24,829)</b>	(32,817)
<b>Non-current liabilities</b>			
Long-term rental deposits		(6,504)	(5,698)
Lease liability		(9,447)	(8,720)
Other borrowings		—	(3,058)
Bank borrowings	22	(346,774)	(236,140)
<b>Total non-current liabilities</b>		<b>(362,725)</b>	(253,616)
<b>Total liabilities</b>		<b>(387,554)</b>	(286,433)
<b>Total net assets</b>		<b>769,760</b>	892,632

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Equity</b>			
Share capital	27	4,720	4,720
Share premium	28	438,418	438,418
Capital reduction reserve	29	228,760	228,760
Other reserves	14	120	4,465
Retained earnings	31	97,742	216,269
<b>Total equity</b>		<b>769,760</b>	892,632
<b>Net asset value per share – basic</b>	33	<b>163.09p</b>	189.12p
<b>Net asset value per share – diluted</b>	33	<b>163.09p</b>	189.12p

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 21 June 2023 and signed on its behalf by:

**Nigel Rich CBE**

Chairman



## COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Non-current assets</b>			
Investment subsidiaries	18	685,766	552,766
Intangible assets		32	47
<b>Total non-current assets</b>		<b>685,798</b>	552,813
<b>Current assets</b>			
Trade and other receivables	19	3,449	109,374
Cash and cash equivalents	20	22	27,695
<b>Total current assets</b>		<b>3,471</b>	137,069
<b>Total assets</b>		<b>689,269</b>	689,882
<b>Current liabilities</b>			
Trade and other payables	21	(2,583)	(4,426)
<b>Total current liabilities</b>		<b>(2,583)</b>	(4,426)
<b>Total liabilities</b>		<b>(2,583)</b>	(4,426)
<b>Total net assets</b>		<b>686,686</b>	685,456
<b>Equity</b>			
Share capital	27	4,720	4,720
Share premium	28	438,418	438,418
Capital reduction reserve	29	228,760	228,760
Other reserves	14	120	4,465
Retained earnings	31	14,668	9,093
<b>Total equity</b>		<b>686,686</b>	685,456

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 £41.4 million (31 March 2022: £19.3 million).

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 21 June 2023 and signed on its behalf by:

**Nigel Rich CBE**  
Chairman

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year (attributable to equity shareholders)		<b>(82,657)</b>	171,773
Add: amortisation and depreciation		<b>127</b>	97
Add/(less): changes in fair value of investment property	6, 16	<b>121,119</b>	(149,892)
Less: changes in fair value of interest rates swaps		<b>(1,431)</b>	(2,663)
Less: profit on disposal of investment property		<b>—</b>	(220)
Add: finance expense	10, 22	<b>10,752</b>	6,898
(Less)/add: long-term incentive plan	14	<b>(4,345)</b>	4,114
Decrease in trade and other receivables		<b>8,665</b>	9,024
(Decrease)/increase in trade and other payables		<b>(9,111)</b>	18,636
<b>Cash generated from operations</b>		<b>43,119</b>	57,767
<b>Net cash flow generated from operating activities</b>		<b>43,119</b>	57,767
<b>Investing activities</b>			
Purchase of investment properties	16	<b>(86,112)</b>	(315,788)
Capital expenditure on investment properties	16	<b>(34,796)</b>	(44,754)
Disposal of investment properties	16	<b>—</b>	8,380
Acquisition of subsidiary, net of cash acquired	17	<b>(80,391)</b>	(1,270)
<b>Net cash flow used in investing activities</b>		<b>(201,299)</b>	(353,432)

	Note	31 March 2023 £'000	31 March 2022 £'000
<b>Financing activities</b>			
Proceeds from issue of Ordinary Share capital	27	<b>—</b>	358,300
Cost of share issue	28	<b>—</b>	(7,356)
Bank borrowings drawn	22	<b>121,600</b>	40,000
Bank borrowings repaid	22	<b>(10,000)</b>	—
Loan arrangement fees paid	22	<b>(2,058)</b>	(1,300)
Other borrowings repaid		<b>(3,058)</b>	—
Interest paid	10	<b>(9,346)</b>	(5,405)
Finance lease payments		<b>(308)</b>	—
Dividends paid to equity holders	15	<b>(35,870)</b>	(21,654)
<b>Net cash flow generated from financing activities</b>		<b>60,960</b>	362,585
<b>Net (decrease)/increase in cash and cash equivalents for the period</b>		<b>(97,220)</b>	66,920
<b>Cash and cash equivalents at start of period</b>		<b>127,379</b>	60,459
<b>Cash and cash equivalents at end of period</b>		<b>30,159</b>	127,379

# COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Cash flows from operating activities</b>			
Profit for the period (attributable to equity shareholders)		41,445	19,323
Add: amortisation		15	13
Less: dividends received from subsidiaries		(36,600)	(23,040)
(Less)/add: long-term incentive plan (credit)/charge	14	(4,345)	4,114
(Decrease)/increase in trade and other receivables		74	(203)
(Decrease)/increase in trade and other payables		(388)	2
<b>Cash generated from operations</b>		<b>201</b>	209
<b>Net cash flow generated from operating activities</b>		<b>201</b>	209
<b>Investing activities</b>			
Decrease/(increase) in loan due from Group undertakings		7,996	(50,147)
Investment in subsidiary		—	(253,400)
Purchase of intangible assets		—	(48)
<b>Net cash flow generated from/(used in) investing activities</b>		<b>7,996</b>	(303,595)
<b>Financing activities</b>			
Proceeds from issue of Ordinary Share capital	27	—	358,300
Cost of share issue	28	—	(7,356)
Dividends paid to equity holders	15	(35,870)	(21,654)
<b>Net cash flow (used in)/generated from financing activities</b>		<b>(35,870)</b>	329,290
<b>Net (decrease)/increase in cash and cash equivalents for the period</b>		<b>(27,673)</b>	25,904
<b>Cash and cash equivalents at start of period</b>		<b>27,695</b>	1,791
<b>Cash and cash equivalents at end of period</b>		<b>22</b>	27,695

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Year ended 31 March 2023</b>						
<b>1 April 2022</b>	4,720	438,418	228,760	4,465	216,269	892,632
Loss for the period	—	—	—	—	(82,657)	(82,657)
<b>Total comprehensive expense</b>	—	—	—	—	<b>(82,657)</b>	<b>(82,657)</b>
Dividends to shareholders	—	—	—	—	<b>(35,870)</b>	<b>(35,870)</b>
Long-term incentive plan credit	—	—	—	<b>(4,345)</b>	—	<b>(4,345)</b>
<b>31 March 2023</b>	<b>4,720</b>	<b>438,418</b>	<b>228,760</b>	<b>120</b>	<b>97,742</b>	<b>769,760</b>
<b>1 April 2021</b>	2,550	89,644	228,760	351	66,150	387,455
Profit for the period	—	—	—	—	171,773	171,773
<b>Total comprehensive income</b>	—	—	—	—	171,773	171,773
Dividends to shareholders	—	—	—	—	(21,654)	(21,654)
Long-term incentive plan charge	—	—	—	4,114	—	4,114
Issue of Ordinary Shares	2,170	348,774	—	—	—	350,944
<b>31 March 2022</b>	<b>4,720</b>	<b>438,418</b>	<b>228,760</b>	<b>4,465</b>	<b>216,269</b>	<b>892,632</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Year ended 31 March 2023</b>						
<b>1 April 2022</b>	4,720	438,418	228,760	4,465	9,093	685,456
Profit for the period	—	—	—	—	41,445	41,445
<b>Total comprehensive income</b>	—	—	—	—	<b>41,445</b>	<b>41,445</b>
Dividends to shareholders	—	—	—	—	<b>(35,870)</b>	<b>(35,870)</b>
Long-term incentive plan	—	—	—	<b>(4,345)</b>	—	<b>(4,345)</b>
<b>31 March 2023</b>	<b>4,720</b>	<b>438,418</b>	<b>228,760</b>	<b>120</b>	<b>14,668</b>	<b>686,686</b>
<b>1 April 2021</b>	2,550	89,644	228,760	351	11,424	332,729
Profit for the period	—	—	—	—	19,323	19,323
<b>Total comprehensive income</b>	—	—	—	—	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
<b>31 March 2022</b>	<b>4,720</b>	<b>438,418</b>	<b>228,760</b>	<b>4,465</b>	<b>9,093</b>	<b>685,456</b>

# 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](http://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 £41.4 million (31 March 2022: £19.3 million).

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

## Going concern

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

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. The Group recorded a loss for the year of £82.7 million (2022: profit of £171.8 million). The Directors note that the current year loss was driven by the change in fair value of investment property, a non-cash movement. There is sufficient headroom within all banking loan to value covenants.

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 a 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 16 to the Financial Statements.

The market value of an 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 2022 (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 16.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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. Where a business combination has occurred, the Directors consolidate the business acquired when control is obtained, which is when the Group is exposed to, or has the rights to, variable returns from its involvement with the business and has the ability to affect these returns through its power to direct the activities of the entity.

## 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 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.

An investment property will be classified as held for sale, in line with "IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations", if its carrying value is expected to be recovered through a sale transaction rather than through continuing use. An investment property will be classified in this way when a sale is highly probable, management are committed to selling the asset at the year-end date, the asset is available for immediate sale in its current condition and the asset is expected to be disposed of within twelve months after the date of the Consolidated Statement of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4. Principal accounting policies continued

### 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.

### Long term rent deposits

Long term rent deposits are held by the Group in separate designated bank accounts where the use of the monies is restricted and defined in the lease agreements, however the access to these monies by the Group is not restricted. Rent deposits are typically held for the term of the lease, and recognised as a separate liability on the statement of financial position. The rent deposit is classified as non-current until there is less than 12 months remaining on the lease, when the balance is then recognised as a current liability.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4. Principal accounting policies continued

### 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 an investment property in accordance with the Group's accounting policy.

ROU assets are included in investment properties and the lease liability included in the Statement of Financial Position.

### Long-term incentive plan

There is a long-term incentive plan ("LTIP") in place whereby Logistics Asset Management LLP 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 Logistics Asset Management, 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 2022:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022)
- Annual Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 4 (effective 1 January 2022)
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)

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



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4. Principal accounting policies *continued*

### Standards and interpretations in issue but not yet effective

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

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current - Deferral of Effect Date (effective 1 January 2023)
- IFRS17 Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current (effective 1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective 1 January 2023)
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)
- Amendments to IAS 8 'Definition of Accounting Estimates' (effective 1 January 2023)
- Amendments to IFRS 16 'Lease liability in a sale and leaseback' (effective 1 January 2024)
- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (effective 1 January 2024)

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 2023 £'000	31 March 2022 £'000
Rental income	54,119	36,626
Service charge income	251	193
Licence fee	935	992
<b>Total revenue</b>	<b>55,305</b>	37,811

## 6. Changes in fair value of investment property

	31 March 2023 £'000	31 March 2022 £'000
Revaluation (deficit)/surplus	(120,420)	153,474
Provision for profit share	(699)	(3,582)
<b>Total changes in fair value of investment property</b>	<b>(121,119)</b>	149,892

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

## 7. Property operating expenses

	31 March 2023 £'000	31 March 2022 £'000
Vacant property costs	1,566	685
Letting and marketing fees	201	122
Premise expenses	43	63
Service charge expenses	503	392
<b>Total property operating expenses</b>	<b>2,313</b>	1,262

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 8. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	31 March 2023 £'000	31 March 2022 £'000
Directors' remuneration (note 9)	302	257
Long-term incentive plan (note 14)	(4,345)	4,114
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	28	25
– Fees payable for the ISRE 2410 review of the Company's interim accounts	32	20
– Fees payable for the audit of the Company's subsidiaries	170	135
– Fees payable for other services	—	119
<b>Total auditor's fee</b>	<b>230</b>	<b>299</b>

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 2023 £'000	31 March 2022 £'000
Directors' fees	269	230
Employer's National Insurance	33	27
<b>Total</b>	<b>302</b>	<b>257</b>

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 entitled 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 2023 £'000	31 March 2022 £'000
Interest on bank borrowings	11,789	6,024
Swap interest (received)/paid	(1,351)	467
Other interest payable	—	178
Interest on lease liability	314	229
<b>Total</b>	<b>10,752</b>	<b>6,898</b>

## 11. Taxation

As a REIT, the Group is exempt from corporation tax on the losses/profits and losses/gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ending 31 March 2023 and 31 March 2022, the Group did not have any non-qualifying losses/profits, and accordingly there is no tax charge in the period. Any non-qualifying profits and gains, however, will continue to be subject to corporation tax.

## 12. Exceptional items

There were £nil exceptional items in the current year. The prior year items, totalling £0.5m, were one-off expenses in relation to the Company's migration from AIM to the Main Market.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 2023 £'000	31 March 2022 £'000
<b>Profit attributable to Ordinary Shareholders</b>		
Total comprehensive (loss)/income	<b>(82,657)</b>	171,773
Weighted average number of Ordinary Shares in issue	<b>471,975,411</b>	351,533,233
<b>Basic (loss)/earnings per share (pence)</b>	<b>(17.51)p</b>	48.86p
Number of diluted shares under option/warrant	—	—
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	<b>471,975,411</b>	351,533,233
<b>Diluted (loss)/earnings per share (pence)</b>	<b>(17.51)p</b>	48.86p
<b>Adjustments to remove:</b>		
Changes in fair value of investment property	<b>121,119</b>	(149,892)
Changes in fair value of interest rate derivatives	<b>(1,431)</b>	(2,663)
Profit on disposal of investment properties	—	(220)
<b>EPRA earnings</b>	<b>37,031</b>	18,998
<b>EPRA earnings per share (pence)</b>	<b>7.85p</b>	5.40p
<b>Adjustments to add back:</b>		
LTIP adjustment	<b>(4,345)</b>	4,114
Exceptional items	—	459
<b>Adjusted earnings</b>	<b>32,686</b>	23,571
<b>Adjusted earnings per share (pence)</b>	<b>6.93p</b>	6.71p

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, in either shares of Urban Logistics REIT plc, or cash, or a combination of both, 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 2023 and 31 March 2022 Logistics Asset Management LLP, has subscribed for 1,000 C Ordinary Shares of £0.01 each issued in Urban Logistics Holdings Limited, a subsidiary of the Company.

	Class of share	Fair value £'000	Charge/ (credit) for the year £'000
<b>31 March 2023</b>			
Option granted in August 2017			
– Share price element	C Ordinary	131	21
– EPRA NTA element	C Ordinary	—	(4,366)
		<b>131</b>	<b>(4,345)</b>
<b>31 March 2022</b>			
Option granted in August 2017			
– Share price element	C Ordinary	131	21
– EPRA NTA element	C Ordinary	7,418	4,093
		<b>7,549</b>	<b>4,114</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 14. Long-term incentive plan (“LTIP”) continued

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 2023, 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 2023 and 31 March 2022 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 2023 £’000	31 March 2022 £’000
Ordinary dividends paid		
2021: second interim dividend: 4.35 pence per share	—	11,094
2022: first interim dividend: 3.25 pence per share	—	10,560
2022: second interim dividend: 4.35 pence per share	20,531	—
2023: first interim dividend: 3.25 pence per share	15,339	—
<b>Total dividends paid in the year</b>	<b>35,870</b>	21,654
<b>Total dividends paid in the year (per share)</b>	<b>7.60p</b>	7.60p
<b>Total dividends declared in respect of the financial year (per share)</b>	<b>7.60p</b>	7.60p

On 11 November 2022, the Company declared an interim dividend for the first half of the financial year ended 31 March 2023 of 3.25 pence per Ordinary Share. The dividend was paid as a property income distribution on 16 December 2022 to shareholders on the register on 25 November 2022.

On 22 June 2023, the Company declared a second interim dividend of 4.35 pence per Ordinary Share in respect of the six months to 31 March 2023. The dividend will be paid as a property income distribution on 21 July 2023 to shareholders on the register on 30 June 2023. The second interim dividend has not been recognised in the Financial Statements for the year ended 31 March 2023.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 2023, in accordance with the RICS Valuation – Professional Standards UK January 2022 (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 2023	Investment properties £'000	Development properties £'000	Total £'000
At 1 April 2022	979,962	34,735	1,014,697
Property acquisitions through corporate acquisitions	82,610	—	82,610
Property acquisitions	83,595	2,517	86,112
Capital expenditure	8,616	26,180	34,796
Revaluation (deficit)/surplus	(126,171)	5,751	(120,420)
Transfer of assets held for sale	(14,500)	—	(14,500)
Transfer of development land	(4,630)	4,630	—
Tenant lease incentives	8,712	—	8,712
Transfer of completed development properties	55,908	(55,908)	—
<b>Investment properties excluding head lease ROU assets at 31 March 2023</b>	<b>1,074,102</b>	<b>17,905</b>	<b>1,092,007</b>
Add: right-of-use asset	9,576	—	9,576
<b>Total investment properties at 31 March 2023</b>	<b>1,083,678</b>	<b>17,905</b>	<b>1,101,583</b>

Included within the carrying value of investment property is £8.7 million (2022: £5.4 million) in respect of tenant lease incentives. This balance is recognised in accordance with IFRS treatment of leases and the Group's revenue recognition policy. Lease incentives are amortised on a straight-line basis over the term of the lease.

	31 March 2023 £'000	31 March 2022 £'000
Investment property at fair value per Group Statement of Financial Position	1,074,102	979,962
Assets held for sale	14,500	—
<b>Total investment property valuation (excluding Developments)</b>	<b>1,088,602</b>	979,962
Developments	17,905	34,735
<b>Total investment property valuation</b>	<b>1,106,507</b>	1,014,697

### Assets held for sale

	31 March 2023 £'000	31 March 2022 £'000
Assets held for sale	14,500	—

Assets held for sale represent two investment properties that were under offer at year end. The assets have been classified as held for sale due to meeting the criteria detailed in the Group's accounting policy, which can be found under 'Investment properties' within note 4.

Investment property is made up of 77.5% Freehold assets and 22.5% Leasehold assets. The right-of-use asset balance solely relates to the Leasehold assets.

The Group has no restrictions on the realisability of its investment properties. Contractual obligations arising from contracts entered into as at year end are disclosed in the capital commitments note 26. There are no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16. Investment properties *continued*

31 March 2022	Investment properties £'000	Development properties £'000	Total £'000
At 1 April 2021	507,071	500	507,571
Property acquisitions through corporate acquisitions	1,270	—	1,270
Property acquisitions	300,605	15,183	315,788
Capital expenditure	7,302	37,452	44,754
Property disposals	(8,160)	—	(8,160)
Revaluation surplus	137,644	15,830	153,474
Transfer of completed development properties	34,230	(34,230)	—
<b>At 31 March 2022</b>	<b>979,962</b>	<b>34,735</b>	<b>1,014,697</b>
Add: tenant lease incentives	5,421	—	5,421
<b>Investment properties excluding head lease ROU assets at 31 March 2022</b>	<b>985,383</b>	<b>34,735</b>	<b>1,020,118</b>
Add: right-of-use asset	8,953	—	8,953
<b>Total investment properties at 31 March 2022</b>	<b>994,336</b>	<b>34,735</b>	<b>1,029,071</b>

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £54.1 million (31 March 2022: £36.6 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. Investment properties continued

### Investment property – level 3 continued

#### 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 values based on recent market transactions.

For investment properties under development, properties are valued using a residual values 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:

	Fair value £'000	Valuation technique	Key unobservable inputs	Range
<b>31 March 2023</b>				
Completed investment	1,088,602	Yield capitalisation	ERV Equivalent yield	£30,000-£3,441,936 per annum 4.6%-12.6%
Development property	17,905	Residual method	Various	
	<b>1,106,507</b>			
<b>31 March 2022</b>				
Completed property	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	
	<b>1,014,697</b>			

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16. Investment properties continued

#### 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 £54.4 million and a 5% decrease would decrease the completed property portfolio valuation by £54.4 million. Similarly, a decrease in net initial yield ("NIY") by 0.25% would increase the completed property portfolio valuation by £46.4 million and an increase of 0.25% would decrease the completed property portfolio valuation by £42.7 million.

### 17. Acquisition of subsidiaries

On 23 August 2022, the Group obtained sole control of Athora UK Re Log Property 21 Limited and Athora Re Log Property 12 Limited, property investment companies incorporated in Guernsey, through the acquisition of the entire issued share capital.

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	81,385	—	1,225	82,610
Other receivables	61	—	—	61
Finance liabilities	(30,775)	30,775	—	—
Other liabilities	(2,280)	—	—	(2,280)
<b>Total</b>	<b>48,391</b>	<b>30,775</b>	<b>1,225</b>	<b>80,391</b>
Net cash outflow arising on acquisition				
Total consideration				80,391
Less: cash and cash equivalents acquired				—
<b>Cash consideration net of cash acquired</b>				<b>80,391</b>

### 18. Investments

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2022	—	552,766
Additions	—	133,000
<b>At 31 March 2023</b>	<b>—</b>	<b>685,766</b>

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 18. Investments *continued*

Details of the Group's subsidiary undertakings as at 31 March 2023, all of which are included in the consolidated Financial Statements, are given below:

Company name	Holding	Country of incorporation	Principal activity	Effective Group interest
Urban Logistics Holdings Limited	Direct	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 1 Limited	Indirect	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 2 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 3 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 4 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 5 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 6 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 7 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 8 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 9 Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Prop Co 1 (AC) Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Hoddesdon Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics K Holdings Limited	Indirect	England and Wales	Holding Company	99.99%
Urban Logistics K Properties Limited	Indirect	England and Wales	Property Investment	99.99%
Urban Logistics Dundee Limited	Indirect	Scotland	Property Investment	99.99%
EOS Property Unit Trust	Indirect	Jersey	Property Investment	99.99%
Athora UK RE Log Property 12 Limited	Indirect	Guernsey	Property Investment	99.99%
Athora UK RE Log Property 21 Limited	Indirect	Guernsey	Property Investment	99.99%
Sheds General Partner 2 Limited <sup>1</sup>	Indirect	England and Wales	Dormant	99.99%

1. At 31 March 2023, these companies were in liquidation.

Unless otherwise stated, the registered office address for companies incorporated in England and Wales: Bond House, 19-20 Woodstock Street, Mayfair, W1C 2AN.

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 of the companies incorporated in Guernsey: Regency Court, Gategny Esplanade, St. Peter Port, Guernsey, GY1 3AP.

Logistics Asset Management LLP (formerly 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 19. Trade and other receivables

	Group 31 March 2023 £'000	Company 31 March 2023 £'000	Group 31 March 2022 £'000	Company 31 March 2022 £'000
Trade receivables	2,176	—	3,992	—
Other receivables	3,624	105	15,234	114
Amounts due from Group undertakings	—	3,230	—	109,174
Prepayments	2,095	114	1,231	86
Licence fee receivable	111	—	508	—
<b>Total</b>	<b>8,006</b>	<b>3,449</b>	20,965	109,374

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 2023, £2,175,805 (31 March 2022: £4,021,745) 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 £nil (31 March 2022: £29,764), equivalent to 0.0% (31 March 2022: 0.05%) of all rent demanded over the year.

Based upon historical loss experience and a forward looking assessment, no expected credit loss provision has been recognised (2022: £nil).

Included within Other receivables is £nil (31 March 2022: £13,300,560) 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 held as at 31 March 2022 was recovered post year end in the year to 31 March 2023.

## 20. Cash and cash equivalents

	Group 31 March 2023 £'000	Company 31 March 2023 £'000	Group 31 March 2022 £'000	Company 31 March 2022 £'000
Cash and cash equivalents	30,159	22	127,379	27,695
<b>Total</b>	<b>30,159</b>	<b>22</b>	127,379	27,695

Group cash and cash equivalents available include £7.00 million (31 March 2022: £5.70 million) of restricted cash in the form of rental deposits held on behalf of tenants.

## 21. Trade and other payables

	Group 31 March 2023 £'000	Company 31 March 2023 £'000	Group 31 March 2022 £'000	Company 31 March 2022 £'000
Falling due in less than one year				
Trade and other payables	2,307	39	3,092	17
Social security and other taxes	—	425	—	369
Accruals	5,518	2,066	13,586	2,299
Amounts owed to Group companies	—	53	—	1,600
Lease liability	272	—	262	—
Rent deposits	544	—	—	—
Other creditors	4,592	—	6,812	141
<b>Total</b>	<b>13,233</b>	<b>2,583</b>	23,752	4,426

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.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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.

<b>31 March 2023</b>	<b>Bank borrowings £'000</b>	<b>Lease Liability</b>	<b>Total</b>
Balance at 1 April 2022	236,140	8,982	245,122
Bank borrowings drawn in the year	121,600	—	121,600
Bank borrowings repaid in the year	(10,000)	—	(10,000)
Loan arrangement fees paid	(2,058)	—	(2,058)
Rental payments	—	(308)	(308)
Non-cash movements:			
Amortisation of loan arrangement fees	1,092	—	1,092
Interest on lease liability	—	314	314
New leases	—	731	731
<b>Total</b>	<b>346,774</b>	<b>9,719</b>	<b>356,493</b>

<b>31 March 2022</b>	<b>Bank borrowings £'000</b>
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
<b>Total bank borrowings per the Consolidated Group Statement of Financial Position</b>	<b>236,140</b>

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, both of which have now been exercised. Interest is charged at a fixed margin of 2.10% plus GBP SONIA.

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 of the interest rates swaps in effect at 31 March 2023 was 0.74% (31 March 2022: 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%. 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%.

On 31 May 2022, the Group entered into a £46.6 million green loan facility with Aviva Investors, which provided a ten-year term and came at a fixed cost of 3.52%. On 20 August 2022, the Group agreed a further £75.0 million interest-only facility with a term of ten-years at a fixed rate of 3.99%.

The bank borrowings from both facilities are secured over investment properties owned by the Group. At 31 March 2023, £871.3 million of the £1,107 million was pledged as security across both facilities.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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 2023 £'000	Year ended 31 March 2022 £'000
<b>Derivative interest rate swaps</b>		
At beginning of year	1,603	(1,060)
Change in fair value in the year	1,431	2,663
<b>Total</b>	<b>3,034</b>	1,603
Current derivative interest rate swaps	1,151	—
Non-current derivative interest rate swaps	1,883	1,603
<b>Total</b>	<b>3,034</b>	1,603

The interest rate derivatives run coterminous to the term of the respective loan, being 6 August 2025.

## 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 2023 £'000	Fair value 31 March 2023 £'000	Book value 31 March 2022 £'000	Fair value 31 March 2022 £'000
<b>Financial assets</b>				
Trade and other receivables	4,679	4,679	6,176	6,176
Cash and short-term deposits	30,159	30,159	127,379	127,379
Interest rate derivatives	3,034	3,034	1,603	1,603
<b>Financial liabilities</b>				
Trade and other payables	(9,257)	(9,257)	(23,490)	(23,490)
Bank loans	(350,964)	(319,384)	(239,364)	(239,364)
Lease liabilities	(9,719)	(9,719)	(8,982)	(8,982)
Rent deposits	(7,048)	(7,048)	(5,698)	(5,698)

Amounts totalling £3,327,406 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 £3,431,894 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 and VAT.

The fair value of the non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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 its 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 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 99.96% (31 March 2022: 99.95%) of all rent due and demanded, and 0.04% (31 March 2022: 0.05%) was written off or outstanding at the time of signing these financial statements. Calculation of the loss allowance as at 31 March 2023 and 31 March 2022 has not been disclosed based on the closing allowance being immaterial.

Credit risk is mitigated by tenants being required to pay rent in advance under their lease obligations. Tenant deposits and/or guarantees are obtained at the time of entering into a lease agreement if the covenant testing performed suggests the tenant has a low credit rating. Covenant analysis is carried out regularly to review the credit position of every tenant.

### 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 monitors its interest rate exposure on a regular basis. A sensitivity analysis was performed to ascertain the impact of a 100 basis point shift in interest rates on the Group profit or loss; it would result in an increase of £1.2 million or a decrease of £1.2 million.

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 interest rate swaps to mitigate interest rate risk.

### Foreign exchange risk

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 24. Financial risk management continued

### 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	Five to ten years £'000	Total £'000
<b>31 March 2023</b>						
Bank borrowings	5,286	5,286	10,574	163,169	209,964	394,279
Lease liabilities	152	152	304	911	42,596	44,115
Trade and other payables	12,417	—	—	—	—	12,417
Rent deposits	544	—	—	498	6,006	7,048
	<b>18,399</b>	<b>5,438</b>	<b>10,878</b>	<b>164,578</b>	<b>258,566</b>	<b>457,859</b>
	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
<b>31 March 2022</b>						
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
	<b>27,010</b>	<b>3,230</b>	<b>7,295</b>	<b>156,494</b>	<b>133,269</b>	<b>327,298</b>

Included within the bank borrowings is £43.31 million (31 March 2022: £16.53 million) bank interest payable up to the point of maturity across both facilities.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 24. Financial risk management continued

### 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 2023 £'000	Fair value 31 March 2023 £'000	Book value 31 March 2022 £'000	Fair value 31 March 2022 £'000
<b>Financial assets</b>				
Trade and other receivables	3,336	3,336	109,288	109,288
Cash and short-term deposits	22	22	27,695	27,695
<b>Financial liabilities</b>				
Trade and other payables	(2,158)	(2,158)	(3,964)	(3,964)

Amounts totalling £113,969 have been deducted from Trade and other receivables in relation to prepayments. These have been deducted as there is either no contractual right to receive cash or they relate to a right to receive goods or services in the future.

Amounts totalling £425,335 have been deducted from Trade and other payables in relation to VAT.

### 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; and

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 and investment properties are classified as level 3 (see note 16). 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 £65.0 million (31 March 2022: £60.4 million). At 31 March 2023, £11.1 million of such commitments remained outstanding (31 March 2022: £40.6 million).

## 27. Share capital

	31 March 2023 Number	31 March 2022 £'000
<b>Authorised, issued and fully paid up at 1 pence each</b>	471,975,411	4,720
At beginning of period	471,975,411	4,720
<b>At 31 March 2023</b>	<b>471,975,411</b>	<b>4,720</b>



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 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 2023 £'000	31 March 2022 £'000
Balance brought forward	438,418	89,644
Share premium on the issue of Ordinary Shares	—	356,130
Share issue costs	—	(7,356)
<b>At end of the year</b>	<b>438,418</b>	438,418

## 29. Capital reduction reserve

	31 March 2023 £'000	31 March 2022 £'000
At beginning of the year	228,760	228,760
<b>At end of the year</b>	<b>228,760</b>	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
<b>31 March 2023</b>	<b>57,774</b>	<b>194,115</b>	<b>234,466</b>	<b>486,355</b>
31 March 2022	45,896	146,854	173,959	366,709

### 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
<b>31 March 2023</b>	<b>272</b>	<b>1,215</b>	<b>8,232</b>	<b>9,719</b>
31 March 2022	262	973	7,747	8,982

The total cash outflow in the year in respect of the lease liability was £295,138 (31 March 2022: £294,000). The incremental borrowing rate applied was 3.0% (31 March 2022: 3.0%).

The total gross lease payments under non-cancellable leases are £44,114,650 (31 March 2022: £41,958,197) over a period from the balance sheet date to December 2908 (31 March 2022: December 2908).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 31. Retained earnings

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

	Group 31 March 2023 £'000	Company 31 March 2023 £'000
Balance at the beginning of the year	216,269	9,093
Retained (loss)/profit for the year	(82,657)	41,445
Second interim dividend year ended 31 March 2022	(20,531)	(20,531)
First interim dividend year ended 31 March 2023	(15,339)	(15,339)
<b>At 31 March 2023</b>	<b>97,742</b>	<b>14,668</b>

## 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 PCP2 Ltd (the "Manager") totalled £7.59 million (31 March 2022: £5.43 million). The total amount outstanding at the year end relating to the Investment Management Agreement was £2.04 million (31 March 2022: £1.96 million).

### Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 31 March 2023, 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.

## M1 Agency LLP

During the year, the Group incurred fees totalling £1,569,710 (31 March 2022: £2,004,105) 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 £nil (31 March 2022: £323,358).

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 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 £9,720,578 (31 March 2022: £7,673,294) were charged to Urban Logistics Acquisitions 1 Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2023, £2,874,021 (31 March 2022: £3,085,378) was due from Urban Logistics Acquisitions 1 Limited.

During the year, Urban Logistics REIT plc carried out transactions with Urban Logistics Holdings Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan decrease of £105,956,338 (31 March 2022: increase of £74,219,611). At 31 March 2023, Urban Logistics REIT plc was due £2,121,701 (31 March 2022: £108,078,039) from Urban Logistics Holdings Limited.

During the year, Urban Logistics REIT plc received a dividend of £36.6 million from Urban Logistics Holdings Limited (31 March 2022: £23,040,000).

## Remuneration of key management personnel

The Group and the Company have no key management personnel, and only employ Non-Executive Directors. Directors' personal interests and compensation are outlined in note 9. Non-Independent Directors receive remuneration from Pacific Industrial LLP via the investment management fee.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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:

	<b>31 March 2023 £'000</b>	31 March 2022 £'000
Net assets per Consolidated Statement of Financial Position	<b>769,760</b>	892,632
Adjustment for:		
Fair value of interest rate derivatives	<b>(3,034)</b>	(1,603)
Intangible assets	<b>(32)</b>	(47)
<b>EPRA net tangible assets</b>	<b>766,694</b>	890,982
Ordinary Shares:		
Number of Ordinary Shares in issue at period end	<b>471,975,411</b>	471,975,411
<b>IFRS NAV per share (basic and diluted)</b>	<b>163.09p</b>	189.12p
<b>EPRA NTA per share</b>	<b>162.44p</b>	188.78p

### 34. Post balance sheet events

In May 2023 the company appointed Logistics Asset Management LLP as Investment Advisor, and G10 Capital Limited as AIFM to the fund, replacing PCP2 Ltd.

On 12 June 2023 the group disposed of two properties, one in Nottingham and one in Sheffield, for a combined consideration of £15 million. Both assets have been accounted for as 'Held for Sale' at year end, in line with the Group's accounting policy, details of which can be found within note 2 (on page 100) of this report.

On 12 June 2023 Tuffnells Parcel Express Limited ("Tuffnells") entered into administration. Total rental income from Tuffnells for the year to 31 March 2023 represented 3.5% of the Group's total rental income.

# SUPPLEMENTARY INFORMATION

## 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 below. 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.

### 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.

## EPRA overarching recommendations

### Organisational boundaries

Our EPRA reporting covers the properties owned by the Group, which at 31 March 2023 included a portfolio of 130 mid-box logistics warehouse assets. An operational control approach has been adopted for greenhouse gas footprinting as it reflects the REITs ability to effect change and implement operating policies.

Urban Logistics REIT has no direct employees and at 31 March 2023 was externally managed by the investment management team from PCP2 Ltd. The PCP2 Ltd investment management team received 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.

In 2021/22, Urban Logistics reported absolute performance for GHG emissions. 2021/22 is the base year for reporting on GHG emissions and is used for like-for-like data comparison.

## Coverage

We state the data coverage by number of assets included in reporting for each absolute Performance Measure within table 1. We have reported 100% of data for all landlord-obtained metrics in the table on page 125. Landlord obtained and consumed supplies exist at three assets, and the remaining landlord-obtained data is from vacant properties of which there were 13 during the reporting year. All landlord data is produced from invoice records and collected by the asset manager for each asset.

Where assets are subject to tenant control, data is reported where tenants have responded to data sharing requests. These assets are included in the total number of applicable properties for each performance measure in the table on pages 125 to 127. We aim to achieve as high coverage as possible but since the assets are not in our operational control, we are reliant on tenant responses. The reliability of data from tenant-controlled assets is also subject to tenant data management practices.

Like-for-like performance measures are reported for properties for which we have collected consistent data for a period of two years, excluding properties sold, acquired or under development during 2021/22 and 2022/23.

The type and number of sustainably certified assets is reported with respect to all assets in our portfolio.

## Estimation of landlord and tenant utility consumption

Landlord obtained data has been estimated at 0 units, representing 0% of the portfolio by floor area. No like-for-like landlord-obtained energy performance measures have been estimated.

All tenant-obtained data included in our reporting is as reported to us by tenants and therefore subject to the reliability of each tenants’ data management practices estimates have been produced using known consumption as either between:

- Between last invoice and tenant taking occupation; or
- Last invoice and year end.

Tenant data has been estimated for the following proportion of tenant-controlled assets for the period ended March 2023:

- electricity 2%;
- fuels 4%; and
- water 5%.

Head office energy for 2022 was estimated using floor areas and the Better Building Partnership’s Real Estate Environmental Benchmark (REEB) Typical Conditioned Office Benchmark 2020. For 2023, actual data was available for six months of the year and so this was used to estimate for the six months before the data was available.

# SUPPLEMENTARY INFORMATION CONTINUED

## EPRA overarching recommendations continued

### EPRA Index

EPRA code	Indicator	Page Reference
Elec-Abs	Total electricity consumption	125
Elec-LfL	Like-for-like total electricity consumption	125
DH&C-Abs	Total district heating and cooling consumption	124
DH&C-LfL	Like-for-like total district heating and cooling consumption	124
Fuels-Abs	Total fuel consumption	125
Fuels-LfL	Like-for-like total fuel consumption	125
Energy-Int	Building energy intensity	125
GHG-Dir-Abs	Total direct greenhouse gas ("GHG") emissions	126
GHG-Indir-Abs	Total indirect greenhouse gas ("GHG") emissions	127
GHG-Int	Greenhouse gas ("GHG") emissions intensity from building energy consumption	127
Water-Abs	Total water consumption	127
Water-LfL	Like-for-like total water consumption	127
Water-Int	Building water intensity	127
Waste-Abs	Total weight of waste by disposal route	125 and 126
Waste-LfL	Like-for-like total weight of waste by disposal route	125 and 126
Cert-Tot	Type and number of sustainably certified assets	128 and 129
Diversity-Emp	Employee gender diversity	130
Diversity-Pay	Gender pay ratio	130
Emp-Training	Employee training and development	130
Emp-Dev	Employee performance appraisals	130
Emp-Turnover	New hires and turnover	130
H&S-Emp	Employee health and safety	130
H&S-Asset	Asset health and safety assessments	130
H&S-Comp	Asset health and safety compliance	130
Comty-Eng	Community engagement, impact assessments and development programmes	130
Gov-Board	Composition of the highest governance body	130
Gov-Selec	Process for nominating and selecting the highest governance body	130
Gov-Col	Process for managing conflicts of interest	130



## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

#### Third-party assurance

All data is subject to external checking and review by our ESG consultants, CBRE's Investor ESG team. However, our sustainability data has not undergone third party assurance.

#### Boundaries – reporting on landlord and occupier consumption

Performance measures referred to as landlord-obtained are within the organisational boundary, relates to assets where we procure utilities for tenant areas and those properties that are vacant. There are no landlord-obtained supplies relating to common areas. Utility supplies were provided to tenant areas in three occupied assets within the portfolio covering 247,774 sq m (2%) of the total floor area of the REIT, all other landlord-obtained utilities were provided to vacant units.

All other properties are leased to single occupiers which obtain their water and waste supplies independent of the landlord. The Manager of Urban Logistics actively engages with tenants on ESG-matters, and we disclose tenant-obtained consumption from these FRI sites where tenants have replied to data sharing requests. We recognise that the reporting of tenant obtained performance measures is additional to EPRA's core requirements. We recognise that the reporting of tenant obtained performance measures is additional to EPRA's core requirements, but we disclose tenant obtained consumption in keeping with good practice as tenant-obtained emissions are the most significant to the environmental performance of the buildings in the portfolio. We will continue to work collaboratively with tenants on ESG issues, as this remains fundamental to improving environmental performance data coverage and to identifying key ESG-related challenges and opportunities to minimise our environmental impact in tenant-controlled assets.

In 2022/23, Urban Logistics has reported absolute performance for energy and water consumption for areas under the landlord's operational control. 2021/22 is the base year for reporting on energy and water consumption and is used for like-for-like data comparison.

#### Normalisation

We normalise all environmental intensity data by floor area, using the square metre (m<sup>2</sup>) area for the whole building at unit level as this is considered most appropriate for the portfolio. As most landlord-controlled properties are vacant units, whole building floor area is used for normalisation. Water and Energy Intensities are normalised to data availability using consumption start and end dates where the consumption is not full year. This is to ensure the numerator and denominator are as aligned as possible.

Employee related Social Performance Measures are normalised using full-time equivalent numbers of employees.

### Segmental analysis – by property type, geography

Urban Logistics operate in a single geographical and business segment. Our portfolio is located entirely in the United Kingdom, and the property classification used in our financial reporting defines our investment portfolio as small logistics warehouse assets. For this reason, additional analysis by geography and property type is not applicable.

### Disclosure on own offices

Urban Logistics is an externally managed REIT – managed in the year 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. "Head Office" in the data tables, refers to the Head Office of 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 "Commentary" sections in the Environmental and Social Performance Measure tables below.

### Location of EPRA Sustainability Performance Measures

See EPRA Index on page 123.

### Reporting period

The reporting period is from 1 April 2022 to 31 March 2023, and we refer to this as our 2023 reporting year. Like-for-like performance measures are reported for the two most recent years that we are able to collect consumption data (2023 and 2022).

### 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 and DH&C-like-for-like: no DH&C is procured across our portfolio;
- 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; and
- Waste-LFL – no landlord waste supplies exist. All landlord generated waste is generated through development activities and is excluded from the scope of the EPRA sBPR. Tenant Waste LFL is reported where we have been able to collect waste data from the tenant.

## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

#### Environmental performance measures

EPRA code	Performance measure	Unit	Scope	Absolute		like-for-like		% change like-for-like		
				2023	2022	2023	2022			
Elec-Abs; Elec-LfL	Total electricity consumption	kWh	Landlord-obtained electricity	1,610,886	674,233	496,077	445,258	11.4%		
			Tenant-obtained electricity	36,823,659	35,127,016					
			Proportion of tenant obtained electricity from renewable sources	23%	11%					
			Number of applicable properties	88 of 130 assets	77 of 113 assets		39 of 71 assets			
			Head Office	8,301	14,792	N/A	N/A		N/A	
	Number of applicable properties	1 of 1	1 of 1							
<b>Total</b>				<b>38,442,846</b>	35,816,041	<b>496,077</b>	445,258	-7.6%		
Fuels-Abs; Fuels-LfL	Total fuel consumption	kWh	Landlord-obtained fuels	94,367	63,826	26,427	23,145	14.2%		
			Tenant-obtained fuels	22,442,417	14,630,536	7,534,861	10,353,614		-27.2%	
			Number of applicable properties	88 of 130 assets	72 of 113 assets		39 of 71 assets			
			Head Office	—	5,356	N/A	N/A			N/A
			Number of applicable properties	1 of 1	1 of 1					
<b>Total</b>				<b>22,536,784</b>	14,699,718	<b>7,561,288</b>	10,376,759	-27.1%		
Waste-Abs; Waste-LfL		tonnes	Landlord waste hazardous	0	0	N/A	N/A	N/A		
			Landlord waste non-hazardous	0	0	N/A	N/A			
			Non Hazardous Tenant Waste:							
			Landfill	80 (0.1%)	145 (2.3%)	27 (0.9%)	22 (0.8%)		23%	
			Incineration	225 (0.2%)	52 (0.8%)	28 (1.0%)	22 (0.8%)		29%	
			Waste to energy	19,095 (16%)	3,020 (49%)	122 (4.2%)	118 (4.2%)		3%	
			Recycling	91,925 (76%)	2,814 (46%)	2,674 (93%)	2,537 (91%)		5%	

## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued Environmental performance measures continued

EPRA code	Performance measure	Unit	Scope	Absolute		like-for-like		% change like-for-like
				2023	2022	2023	2022	
		tonnes	Disposed (unspecified)	<b>9,870 (8%)</b>	83 (1.3%)	<b>25 (0.9%)</b>	83 (3.0%)	-70%
			<b>Total</b>	<b>121,195</b>	6,114	<b>2,876</b>	2,782	3%
			Hazardous Tenant Waste:					
			Landfill	<b>26 (7%)</b>	4.8 (6%)	<b>25 (9%)</b>	5 (6%)	434%
			Incineration	<b>40 (11%)</b>	5.5 (7%)	<b>21 (85)</b>	6 (7%)	285%
			Waste to energy	<b>0 (0%)</b>	53.0 (68%)	<b>0 (0%)</b>	53 (68%)	-100%
			Recycling	<b>88 (23%)</b>	14.3 (18%)	<b>0 (0%)</b>	14 (18%)	-100%
		tonnes	Disposed (unspecified)	<b>226 (60%)</b>	0.8 (1%)	<b>223 (83%)</b>	1 (1%)	28,490%
			<b>Total</b>	<b>380</b>	78	<b>269</b>	79	245%
			Number of applicable properties	<b>50 of 130</b>	16 of 113		10 of 71 assets	
			Non Hazardous Head Office Waste :					
			Landfill	<b>0</b>				
			Incineration	<b>0</b>				
			Waste to energy	<b>0</b>	N/A	<b>N/A</b>	N/A	N/A
			Recycling	<b>575</b>				
			Disposed (unspecified)	<b>575</b>				
			<b>Total</b>	<b>1,150</b>				
			Hazardous Head Office Waste :					
			Number of applicable properties	<b>1 of 1</b>	1 of 1			
<b>Total</b>				<b>122,725</b>	6,193	<b>3,145</b>	2,861	10%
Energy-Int	Energy Intensity	kWh/m <sup>2</sup> /year	Energy Intensity of landlord obtained energy	<b>17.8</b>	18.4			
			Energy Intensity of tenant obtained energy	<b>108</b>	101	<b>4.8</b>	4.2	
			Scope 1 Number of applicable properties	<b>17.23</b>	12.67	<b>4.8</b>	4.2	13.8%
GHG-Dir-Abs	Total direct greenhouse gas emissions (Scope 1)	tCO <sub>2</sub> e	Number of applicable properties	<b>8 of 8</b>	6 of 6		4 of 4	

## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

#### Environmental performance measures continued

EPRA code	Performance measure	Unit	Scope	Absolute		like-for-like		% change like-for-like
				2023	2022	2023	2022	
	Total indirect greenhouse gas emissions from landlord-obtained electricity (Scope 2)	tCO <sub>2</sub> e	Scope 2	<b>324</b>	163	<b>96</b>	95	1.5%
GHG-Indir-Abs			Number of applicable properties	<b>15 of 15</b>	13 of 13		1 of 1	
	Total indirect greenhouse gas emissions from tenant-obtained energy (Scope 3)	tCO <sub>2</sub> e	Scope 3	<b>11,218</b>	10,138			
GHG-Indir-Abs			Number of applicable properties	<b>82 of 130 assets</b>	72 of 113			
	Greenhouse gas ("GHG") emissions Intensity from landlord-obtained energy	tCO <sub>2</sub> e m <sup>2</sup> /year	GHG Intensity of landlord obtained energy	<b>3.43</b>	3.42			
GHG-Int			GHG Intensity of tenant obtained energy	<b>20.4</b>	20.5			
Water-Abs; Water-LfL	Total water consumption	m <sup>3</sup>	Landlord-obtained water	<b>4,796</b>	1,193	<b>504</b>	478	5.4%
			Tenant-obtained water	<b>693,198</b>	75,840			
			Number of applicable properties	<b>53 of 130</b>	36 of 113		1 of 71	
		m <sup>3</sup>	Head office of the Manager	<b>N/A</b>	2,890			
<b>Total</b>		m <sup>3</sup>	<b>Total</b>	<b>697,994</b>	79,923	<b>504</b>	478	-100%
Water-Int	Water intensity	m <sup>3</sup> /m <sup>2</sup> /year	Water Intensity of landlord obtained water	<b>0.19</b>	0.16			
			Water Intensity of tenant obtained water	<b>0.40</b>	0.39			

## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

### Environmental performance measures continued

#### Data notes

- Previously published data for the year to 31 March 2022 has been updated, including associated intensity metrics, as additional data was obtained since the publishing of the previous report.
- No off-site renewable sources have been identified for landlord-obtained energy performance measures. Solar panels have been installed at 8 of our sites and reduce tenant-obtained electricity impacts.
- There is no Hazardous Head Office waste, and no landlord waste.
- Greenhouse gas emissions have been calculated using UK government conversion factors and the Corporate Greenhouse Gas Protocol location-based methodology.
- Scope 3 reporting is constrained to energy related emissions from downstream leased assets, no other scope 3 emissions sources are included in the table.
- All reported water consumption is from municipal water sources. No landlord or tenant abstraction from ground or surface water, or rain or grey water use takes place within the portfolio.
- The following waste disposal routes are not used within the portfolio: Reuse and Composting. Materials Recovery Facility (MRF) may be used as part of recycling processing.
- Water and Energy Intensities are normalised to data availability using consumption start and end dates where the consumption is not a full year. This is to ensure that the numerator and denominator are aligned as possible.
- In this disclosure estimation refers to filling invoice gaps, not to whether invoices are based on estimated or actual readings.

#### Commentary

The increase in absolute landlord-obtained fuels and water is predominantly due to expansion of the portfolio and there being a higher number of sites with vacancies, which account for most landlord-obtained energy.

Total landlord (Scope 1 & 2) GHG emissions have increased because of the increased number of sites with landlord electricity supply, this is caused by an increased vacancy rate.

No landlord-obtained waste supplies exist within the portfolio. The increase in absolute waste production results from increased data availability from tenants.

Head office waste data was previously unavailable. However in the reporting year the Investment Manager has changed the waste contract in order to have better visibility of this data.

The increase in tenant-obtained absolute electricity, fuels, water and waste consumption is predominantly caused by receiving data from a higher proportion of tenants as well as the expansion of the portfolio through acquisition. This is the same for Scope 3 GHG emissions, and will continue to increase as we aim for full coverage on tenant controlled areas and an understanding of our full Scope 3 emissions. There are new tenants within the portfolio that operate their main manufacturing facility for the whole country from one of our assets, and therefore produce very high quantities of waste on the site.

The like-for like decrease in fuels and electricity, is likely down to energy price increases in the year and tenants' own commitment to sustainability, and it may also have been supported by our EPC improvement and solar PV programmes. However, as the tenant reported data is out of our operational control, it is not possible to understand all the variations in their consumption data.

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.

#### Building certifications

BREAA Green certificates for new developments are an important performance indicator for us, but are only applicable for new developments. All three completed developments have been BREEAM certified and so the number of certifications has increased by the same number compared to 2022 developments have been BREEAM certified, this is an increase of 43% compared to 2022. As developments are a small part of our total portfolio, the majority of the portfolio does not have BREAA certification.

cert-tot: BREEAM Rating	Excellent	Very Good
Number of certificates	1	9
Floor area coverage	0.2m sq ft	0.7m sq ft
Percentage of portfolio by floor area	2%	7%



## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

#### 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.

cert-tot: EPC	Count (March-23)	Count (March-22)	Floor area (sq ft <sup>2</sup> ) (March-23)	Floor area (m <sup>2</sup> ) (March-22)	% of Floor area (March-23)	% of Floor area (March-22)	LFL Count		% change
							March-23	March-22	
A	32	15	1,205,435	55,062	12%	7%	19	11	73%
B	41	24	3,836,952	1,670,934	39%	20%	36	24	50%
C	66	70	3,314,446	4,042,017	34%	49%	57	70	-19%
D	26	45	1,362,912	1,933,229	14%	23%	23	28	-18%
E	1	2	13,437	50,300	0%	1%	0	2	-100%
F	—	—	—	—	—	—	—	—	—
G	—	—	—	—	—	—	—	—	—
Unknown	—	—	—	—	—	—	—	—	—

#### 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 plc assesses social performance on a monitor and report basis. This follows our materiality review and the nature of our assets.

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 and partners of the Investment 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 18 employees of the Investment Manager who dedicate 100% of the time they are contracted to working on the REIT.

#### Community engagement

We ensure that key decisions relating to the portfolio consider our impact on local communities. Due to the FRI nature of the portfolio, assets are not under Urban Logistics operational control and therefore any community engagement is performed by the tenants. Comty-Eng below is therefore only applicable for development projects which are under landlord control. The community is consulted at 100% of development projects. The requirements and impacts are assessed, proposed plans publicly displayed and feedback integrated into the final design.

## SUPPLEMENTARY INFORMATION CONTINUED

### EPRA overarching recommendations continued

#### Social and governance performance measures continued

EPRA code	Performance measure	Unit	Result
Diversity-Emp	Board gender diversity	%	Male: 83% Female: 17%
	Investment Manager employee gender diversity	%	Male: 53% Female: 47%
Diversity-Pay	Salary ratio of men to women, reported by median basic salary	Gender pay gap of the Board	22%
		Gender pay gap of the Investment Manager	137%
Emp-Training	Employee training and development	average hours/year/employee	19
Emp-Dev	Employees with performance appraisals	%	100%
Emp-Turnover	New hires and turnover	Total number of new employee hires	4
		Rate of new employee hire	22%
		Total number of employee turnover	0
		Rate of employee turnover	0%
H&S-Emp	Employee health and safety - reported for all direct employees	Absentee rate (days lost relative to scheduled work days)	0.3
		Injury Rate (per 100,000 hours worked)	0
		Lost Day Rate (lost days relative to scheduled work days)	0
		Fatalities (total number in the reporting period)	0
H&S-Asset	Asset health and safety assessments	% of assets	N/A
H&S-Comp	Asset health and safety compliance	Number	N/A
Comty-Eng	Community engagement, impact assessments and development programmes	%	100% of developments
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)	6.2
		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 68 in the Annual Report
Gov-Col	Process for managing conflicts of interest		Please refer to page 67 in the Annual Report

## **SUPPLEMENTARY INFORMATION** CONTINUED

### **EPRA overarching recommendations** continued

### **Social and governance performance measures** continued

#### **Data notes**

- All employee related performance measures are reported for all direct employees and Partners of the Investment Manager.
- Gender pay gap is expressed as a percentage of the difference between average (median) basic salary or drawings of men and women, showing the percentage that men earn more than women.

#### **Narrative on Performance**

The board has undergone significant changes in May 2023, as detailed in the Nomination Committee Report on page 69, and post period end the board comprises 40% female Directors.

The Manager is 47% female, but has a high gender pay gap. caused by a gender imbalance in the senior management team. Due to the small size of the team, no further segregation of employee categories is considered appropriate.

Employee turnover and absence remains very low.

Injury Rate, Lost Day Rate and Fatalities in the Investment Manager are reported for the first time. However, due to the nature of our lease arrangements, all health and safety assessments and compliance checks are conducted by our tenants and Urban Logistics REIT does not have operational oversight.

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.

## SUPPLEMENTARY INFORMATION CONTINUED

### I. EPRA performance measures summary

	Note	31 March 2023	31 March 2022
EPRA earnings per share	II	<b>7.85p</b>	5.40p
EPRA net tangible asset value	III	<b>162.44p</b>	188.78p
EPRA net reinstatement value	III	<b>178.16p</b>	203.19p
EPRA net disposal value	III	<b>163.09p</b>	189.12p
EPRA net initial yield	IV	<b>5.0%</b>	4.4%
EPRA "topped up" net initial yield	IV	<b>5.1%</b>	4.5%
EPRA vacancy rate	V	<b>7.4%</b>	6.9%
EPRA cost ratio (including vacant property costs)	VI	<b>21.2%</b>	21.8%
EPRA cost ratio (excluding vacant property costs)	VI	<b>18.3%</b>	20.0%
EPRA LTV	VII	<b>29.3%</b>	12.4%

### II. Income statement

	31 March 2023 £'000	31 March 2022 £'000
Gross revenue	<b>55,305</b>	37,811
Property operating costs	<b>(2,313)</b>	(1,262)
<b>Net rental income</b>	<b>52,992</b>	36,549
Administrative expense	<b>(9,683)</b>	(7,159)
Other income	<b>57</b>	1,021
Long-term incentive plan charge	<b>4,345</b>	(4,114)
<b>Operating profit before interest and tax</b>	<b>47,711</b>	26,297
Net finance costs	<b>(10,680)</b>	(6,840)
Exceptional items	<b>—</b>	(459)
<b>Profit before tax</b>	<b>37,031</b>	18,998
Tax on EPRA earnings	<b>—</b>	—
<b>EPRA earnings</b>	<b>37,031</b>	18,998
Weighted average number of Ordinary Shares	<b>471,975,411</b>	351,533,233
<b>EPRA earnings per share</b>	<b>7.85p</b>	5.40p

### III. Balance sheet

	31 March 2023 £'000	31 March 2022 £'000
Investment properties	<b>1,101,583</b>	1,029,071
Other net assets	<b>14,951</b>	99,701
Net borrowings	<b>(346,774)</b>	(236,140)
<b>Total shareholders' equity</b>	<b>769,760</b>	892,632
Adjustments to calculate EPRA NTA:		
Fair value of interest rate derivative	<b>(3,034)</b>	(1,603)
Intangible assets	<b>(32)</b>	(47)
<b>EPRA net tangible assets</b>	<b>766,694</b>	890,982
Ordinary Shares in issue at year end	<b>471,975,411</b>	471,975,411
Dilutive shares in issue at year end	<b>—</b>	—
	<b>471,975,411</b>	471,975,411
<b>EPRA NTA per share</b>	<b>162.44p</b>	188.78p

## SUPPLEMENTARY INFORMATION CONTINUED

### III. Balance sheet continued

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.

	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
<b>31 March 2023</b>			
IFRS equity attributable to shareholders	<b>769,760</b>	<b>769,760</b>	<b>769,760</b>
Fair value of interest rate derivatives	<b>(3,034)</b>	<b>(3,034)</b>	—
Intangible assets	<b>(32)</b>	—	—
Real estate transfer tax	—	<b>74,136</b>	—
<b>EPRA net asset value</b>	<b>766,694</b>	<b>840,862</b>	<b>769,760</b>
Diluted shares (number)	<b>471,975,411</b>	<b>471,975,411</b>	<b>471,975,411</b>
<b>EPRA net asset value per share</b>	<b>162.44p</b>	<b>178.16p</b>	<b>163.09p</b>
<b>31 March 2022</b>			
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	—
<b>EPRA net asset value</b>	<b>890,982</b>	<b>959,014</b>	<b>892,632</b>
Diluted shares (number)	471,975,411	471,975,411	471,975,411
<b>EPRA net asset value per share</b>	<b>188.78p</b>	<b>203.19p</b>	<b>189.12p</b>

### IV. EPRA net initial yield and “topped up” net initial yield

	31 March 2023 £'000	31 March 2022 £'000
<b>Total properties per Financial Statements</b>	<b>1,101,583</b>	1,029,071
Less head lease right-of-use asset	<b>(9,576)</b>	(8,953)
Less development properties	<b>(17,905)</b>	(34,735)
<b>Completed property portfolio</b>	<b>1,074,102</b>	985,383
Add: notional purchasers' costs	<b>71,965</b>	66,021
<b>Gross up completed property portfolio valuation (A)</b>	<b>1,146,067</b>	1,051,404
Annualised passing rent <sup>1</sup>	<b>59,307</b>	46,315
Less irrecoverable property outgoings	<b>(2,181)</b>	(390)
<b>Annualised net rents (B)</b>	<b>57,126</b>	45,925
Contractual rental increases for rent-free period	<b>989</b>	936
<b>“Topped up” annualised net rent (C)</b>	<b>58,115</b>	46,861
<b>EPRA net initial yield (B/A)</b>	<b>5.0%</b>	4.4%
<b>EPRA “topped up” net initial yield (C/A)</b>	<b>5.1%</b>	4.5%

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



## SUPPLEMENTARY INFORMATION CONTINUED

### V. EPRA vacancy rate

	31 March 2023 £'000	31 March 2022 £'000
Estimated rental value of vacant space	5,517	3,753
Estimated rental value of the whole portfolio	74,176	54,529
<b>EPRA vacancy rate</b>	<b>7.4%</b>	6.9%

### VI. Total cost ratio/EPRA cost ratio

	31 March 2023 £'000	31 March 2022 £'000
Total cost ratio		
<b>Costs</b>		
Property operating expenses	2,313	1,262
Administrative expenses	9,683	7,159
Less: service charge income	(251)	(193)
Less: ground rents	(112)	(83)
<b>Total costs including vacant property costs (A)</b>	<b>11,633</b>	8,145
Group vacant property costs	(1,566)	(685)
<b>Total costs excluding vacant property costs (B)</b>	<b>10,067</b>	7,460
<b>Gross rental income</b>		
Gross rental income	55,305	37,811
Less: ground rents paid	(112)	(229)
Less: service charge income	(251)	(193)
<b>Total gross rental income (C)</b>	<b>54,942</b>	37,389
<b>Total cost including vacant property costs (A/C)</b>	<b>21.2%</b>	21.8%
<b>Total cost excluding vacant property costs (B/C)</b>	<b>18.3%</b>	20.0%

	31 March 2023 £'000	31 March 2022 £'000
EPRA cost ratio		
<b>Total costs (A)</b>	<b>11,633</b>	8,145
Long-term incentive plan crystallisation	—	—
<b>EPRA total costs including vacant property costs (D)</b>	<b>11,633</b>	8,145
Vacant property costs	(1,566)	(685)
<b>EPRA total costs excluding vacant property costs (E)</b>	<b>10,067</b>	7,460
<b>EPRA cost ratio (including vacant property costs) (D/C)</b>	<b>21.2%</b>	21.8%
<b>EPRA cost ratio (excluding vacant property costs) (E/C)</b>	<b>18.3%</b>	20.0%

### VII. EPRA LTV

	31 March 2023 £'000	31 March 2022 £'000
Gross drawn debt	350,964	242,422
Net payables	1,474	12,490
Cash and cash equivalents	(30,159)	(127,379)
<b>Net debt (A)</b>	<b>322,279</b>	127,533
Investment property (excluding ROU asset)	1,092,007	1,020,118
Head lease ROU asset	9,576	8,953
Intangible assets	32	47
<b>Total property value (B)</b>	<b>1,101,615</b>	1,029,118
<b>EPRA LTV (A/B)</b>	<b>29.3%</b>	12.4%

## SUPPLEMENTARY INFORMATION CONTINUED

### VIII. EPRA capital expenditure analysis

	31 March 2023 £'000	31 March 2022 £'000
Acquisitions	166,205	301,875
Development	28,697	52,935
Capital expenditure:		
– no incremental lettable space	8,616	7,002
<b>Total</b>	<b>203,518</b>	<b>361,812</b>

### IX. EPRA like-for-like net rental income

	31 March 2023 £'000	31 March 2022 £'000	Change
Like-for-like net rental income	29,515	28,924	2.0%
Other	394	—	
<b>Like-for-like net rental income (and other)</b>	<b>29,909</b>	<b>28,924</b>	<b>3.4%</b>
Development lettings	4,113	2,197	
<b>Like-for-like net rental income plus developments</b>	<b>34,022</b>	<b>31,121</b>	<b>9.3%</b>
Properties acquired	18,970	5,025	
Properties sold	—	403	
<b>Net rental income</b>	<b>52,992</b>	<b>36,549</b>	<b>45.0%</b>

### X. Total accounting return

	31 March 2023 £'000	31 March 2022 £'000
Opening EPRA NTA	188.78p	152.33p
Closing EPRA NTA	162.44p	188.78p
<b>Change in EPRA NTA</b>	<b>(26.34)p</b>	<b>36.45p</b>
Dividends paid	7.60p	7.60p
<b>Total growth in EPRA NTA plus dividends</b>	<b>(18.74)p</b>	<b>44.05p</b>
<b>Total return</b>	<b>-9.9%</b>	<b>28.9%</b>

# 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 no 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 LTV

EPRA LTV represents debt divided by market value of the property.

### 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 rental income ratio

Net property operating expenses expressed as a percentage of rental income.

### Investment Adviser

Logistics Asset Management LLP (formerly known as Pacific Industrial LLP) is the partnership led by Richard Moffitt which was appointed Investment Adviser in May 2023.

### Investment Manager

PCP2 Ltd was the AIFM and Investment Manager until May 2023. Post May 2023 G10 Capital Limited took on the role of AIFM to the Company.

### 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.

## **GLOSSARY OF TERMS** CONTINUED

### **Net initial yield (“NIY”)**

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

### **SONIA**

Sterling Overnight Index Average.

### **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 – resigned 11 May 2023
Heather Hancock	Director
Richard Moffitt	Director
Bruce Anderson ACMA FCI OBS	Director
Mark Johnson	Director – resigned 11 May 2023
Lynda Heywood	Director – appointed 1 May 2023

## Company Secretary

### Link Company Matters Limited

Central Square, 10th Floor  
29 Wellington Street  
Leeds  
LS1 4DL

## Registered Office

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London  
EC2V 7NQ

## Manager and AIFM (until 11th May 2023)

### PCP2 Ltd

124 Sloane Street  
London  
SW1X 9BW

## Manager and AIFM (post 11th May 2023)

### G10 Capital Limited

4th Floor 3 More London Riverside,  
London  
SE1 2AQ

## Investment Adviser (post 11th May 2023)

### Logistics Asset Management LLP

Bond House, 19/20 Woodstock Street  
London  
W1C 2AN

## Joint Brokers

### Singer Capital Markets LLP

One Bartholomew Lane  
London  
EC2N 2AX

## Panmure Gordon (UK) Limited

40 Gracechurch Street,  
London  
EC3V 0BT

## 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

## Depository

### 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

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Bridgwater Road  
Bristol  
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## Bankers

### Santander UK PLC

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Regent's Place  
London  
NW1 3AN

### Barclays Bank PLC

1 Churchill Place  
London  
E14 5HP

### Lloyds Bank PLC

25 Gresham Street  
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EC2V 7HN

### Aviva PLC

St Helen's, 1 Undershaft  
London  
EC3P 3DQ

# FINANCIAL INFORMATION

## Website

[www.urbanlogisticsreit.com](http://www.urbanlogisticsreit.com)

<b>21 July 2023</b>	Interim dividend
<b>18 July 2023</b>	Annual General Meeting
<b>30 September 2023</b>	Half year end
<b>November 2023</b>	Announcement of half-year results
<b>31 March 2024</b>	Year end



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