URBAN LOGISTICS
REIT PLC

ANNUAL REPORT

31 March 2018

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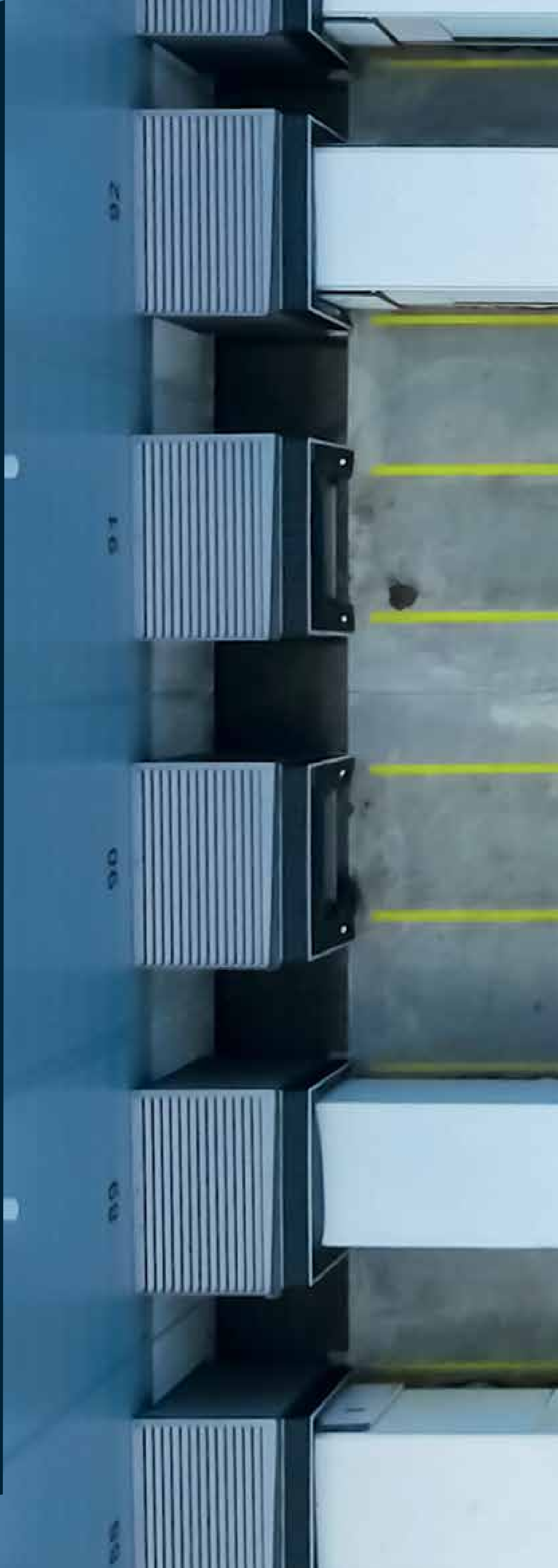
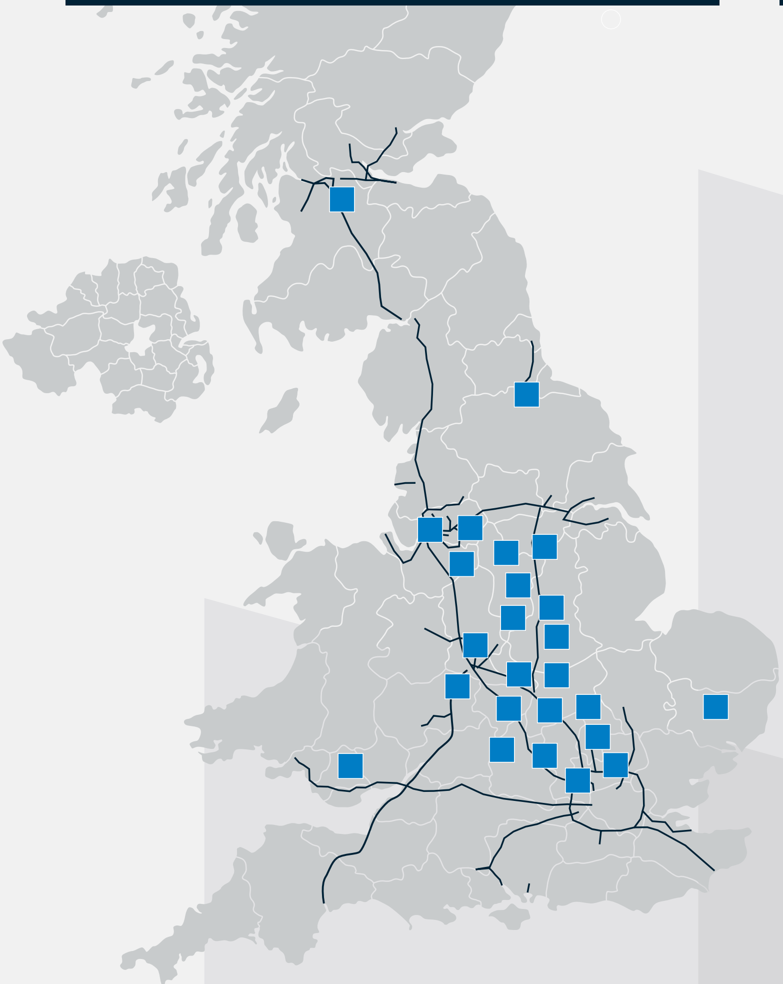


Urban Logistics REIT plc is a property investment company, quoted on the AIM market of the London Stock Exchange, which invests in smaller (sub-£10m) logistics sites across the UK. Our vision is to become the market leader in smaller logistics property investment.

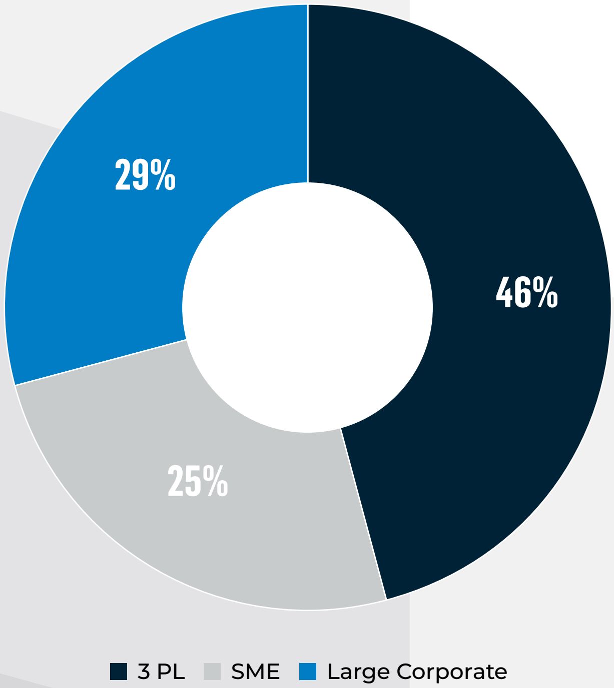
We believe our strategy of consolidating a quality, specialist platform across the established regions will offer shareholders exposure to a real estate sector that offers sustainable and attractive returns.

OUR PORTFOLIO

Asset Location



Customer type by contracted rent (%)



Portfolio Value

£131.9m

Total Return

10.9%

Net Initial Yield

5.9%

Contracted Rent

£7.6m

Occupancy

93.3%

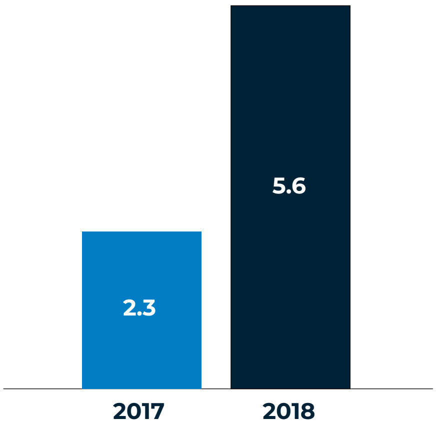
WAULT

5 years

PERFORMANCE HIGHLIGHTS

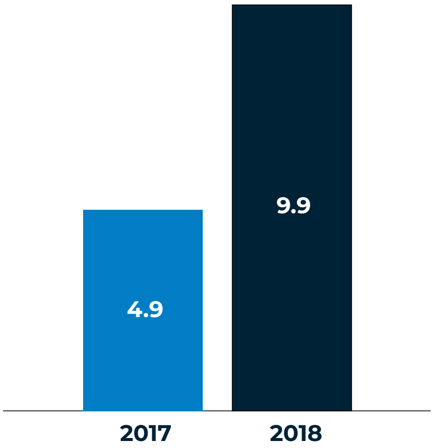
Rental income

£5.6m + 144%



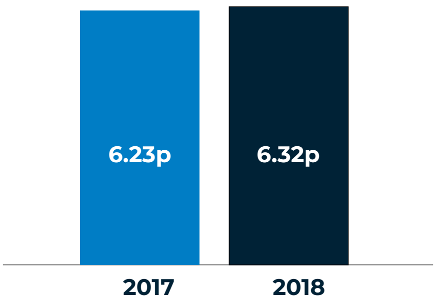
Reported profit

£9.9m + 102%



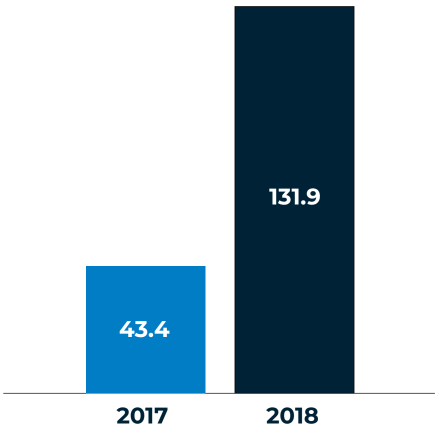
Dividend per share

6.32p + 1%



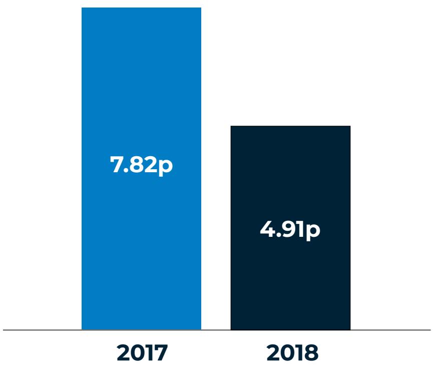
Assets under management

£131.9m + 204%



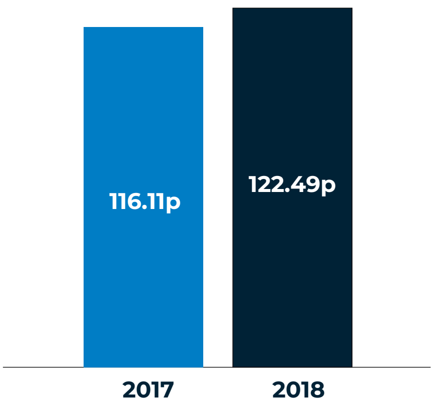
EPRA Earnings per share

4.91p – 37%



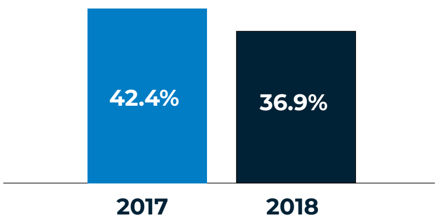
EPRA NAV per share

122.49p + 6%



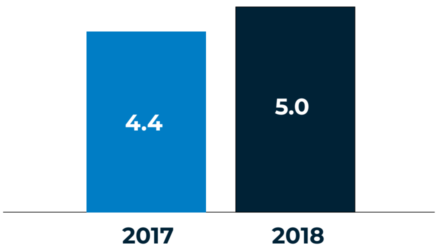
Loan to Value

36.9%



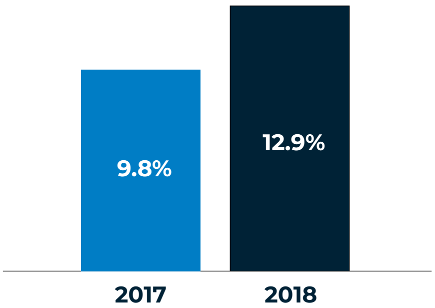
WAULT

5 years



Valuation uplift*

12.9%



*Like for like growth over the year of the existing portfolio in place at 31 March 2017.

"I am pleased to present the Group's consolidated results for its annual reporting year to 31 March 2018."

NIGEL RICH CBE
CHAIRMAN

Overview

The past financial year has been an exciting time in the development of your Company. We continue to build a portfolio that offers secure income from good quality logistics tenants, with the prospect of an attractive total return through asset management initiatives undertaken by the Manager.

In August 2017 we raised £53 million of gross proceeds, which were used together with bank financing for the purchase of £83 million (excluding acquisition costs) of logistics assets. More recently in April 2018 we completed a further £20 million fundraise, which will be used with financing to purchase £36 million of assets in July and September of this year.

At the time of writing, our market capitalisation stands at just over £108 million compared with £25 million at 31 March 2017. We now own a portfolio of assets which at 31 March 2018 was valued at £132 million, compared with £43 million at 31 March 2017. Including assets scheduled to be purchased in July and September of this year, the portfolio will be approximately £168 million.

Finally, with the approval of Shareholders we have changed the name of the Company to "Urban Logistics REIT plc", which more accurately reflects what we do.

The Market

The business of logistics is about the delivery of essential product to businesses and consumers. This activity is a critical part of the ongoing commercial revolution changing the way goods are sourced, bought, stored and delivered.

Our tenants typically require warehousing near, or adjacent to, cities with good transport infrastructure. We look to buy 25,000 – 150,000 sq ft properties with single tenants who are involved in the supply of goods to an end user. The leases will usually have an upcoming lease event such as break clause, an impending rent review, or a termination/ vacancy which allows the Manager the opportunity to increase rents and improve the yield.

Financial Results

Turning to our results for the year ended 31 March 2018, contracted rent increased from £3.2 million to £7.6 million and EPRA earnings from £1.1 million to £2.5 million. EPRA earnings per share decreased from 7.82p in the prior year to 4.91p, reflecting the issuance of new shares in August 2017 and the timing of the portfolio purchases enabled by this fundraising. The first portfolio purchase following last summer's raise was completed in September 2017 and the second in December 2017. It was therefore only in the last quarter of the financial year that the full benefit of the rents from these purchases flowed through to earnings.

The assets under management of the Group increased from £43.4 million to £131.9 million during the year. There was little increase in the value of more recently acquired properties. On a like-for-like basis for those properties still owned on 31 March 2018, values increased by 12.9% reinforcing the Manager's investment strategy. The LTV was 36.9% at the year end, versus 42.4% at the end of the prior year – well within our target range of 35-40%.

> "We continue to build a portfolio that offers secure income from good quality logistics tenants, with the prospect of an attractive total return through asset management initiatives."

We have paid four dividends over the course of the financial year, amounting to 6.32 pence per share, of which 3.23 pence per share related to the prior financial year. A further dividend of 3.20 pence per share was paid on 4 May 2018 to shareholders on the register on 20 April 2018. Taking total dividends paid and declared for the financial year to 31 March 2018 to 6.32 pence per share (2017: 6.23 pence per share).

The Manager

Our Manager, Pacific Capital Partners Limited, has continued to serve us very well. Richard Moffitt and Christopher Turner are responsible for asset acquisitions, management and disposals. They remain very successful in finding suitable properties to acquire, and occasionally dispose of when full value has been extracted. Their skills are critical to the success of the Company. Following the acquisition of properties, asset management is vital in both securing and enhancing income. Examples of both are covered in the Manager's Report.

On the financial and administrative front, including the work required on the recent share issues, the Manager's staff have performed extremely well.

Prior to the August 2017 fundraise, the independent directors collectively agreed to changes to the management contract. The annual management fee was replaced with a fee that is now 0.95% of the Group's EPRA NAV, payable quarterly in arrears. The LTIP was also amended and is now linked to both NAV and share price and has a higher hurdle rate. Consideration is being given to the term of the contract.

Outlook

Earnings in the 2019 financial year will benefit from the full effect of the acquisitions made in the 2018 financial year and from the forthcoming LondonMetric acquisition. We are confident that the high-quality portfolio of urban logistic assets will continue to deliver good total returns to shareholders.

Nigel Rich CBE
Chairman
5 June 2018

"The Group's name change to Urban Logistics REIT plc (formerly Pacific Industrial & Logistics REIT plc), effective from 25 April 2018, neatly reflects our investment focus and is consistent with both our investment policy and growth strategy."

RICHARD MOFFITT
NON-EXECUTIVE DIRECTOR

Overview

The term 'logistics' means a number of different things to different people – to us it is about the delivery of essential products to UK businesses and consumers and includes an array of items – from dairy products to pharmaceuticals to sports apparel. All these items are housed across our portfolio of properties.

In the UK we are undergoing a 'business revolution' whereby a structural change is underway with e-commerce in particular driving changes to logistics and how individuals and businesses go about buying and distributing products.

Investor interest is driven by structural changes, e-commerce as well as modern technology according to CBRE. In 2017, third-party logistics providers (3PLs) and online accounted for 41% of all industrial and logistics space take up, maintaining the strongest market shares respectively.

The FT reported in January 2018, that online UK sales for non-food items have increased markedly over the last five years, from 11.6% of the total market in December 2012 to 24.1% in December 2017 and demand for regional warehouse space remains high as a result whilst supply is constrained. This in turn drives rental growth with 2.3% noted across the UK in the six months to end of December 2017 (Source: CBRE Logistics Property Perspective H2 2017).

Whilst stores continue to support retailers online sales, albeit with more of a focus on being a showroom or service centre as opposed to a traditional 'shop', we expect more flexible arrangements going forward. We are seeing an increasing role for "Click and Collect" for example which underpins a continuing role for a store network. This is convenient for consumers and in turn makes life easier for retailers in recycling stock – we note that approximately 45% of online customers returned at least one item in 2017 (source: Mintel).

Online only retailers will no doubt continue to gain traction, e.g. Asos, Boohoo and Amazon. However, it is important in the current climate to keep an eye on general retail, in particular fashion retail, with retail sales contracting (source: ONS April 2018) and declines in all sectors noted over recent months except for non-store retailing.

As occupiers increase their use of smart technology, for example transport automation and robotics, warehouse occupiers will need to find locations close to city centres as consumers expect same day delivery. This rise in same-day delivery across the UK, driven by consumers, has led to an increase in demand for smaller distribution warehouses

Portfolio Summary

Tenant	Location	Month of Acquisition	Acquisition Cost (£k) *	Net Book Value (£k)	Size (sq ft)
Price's Patent Candles	Bedford	Apr 16	2,200	3,170	44,195
Jas Bowman & Sons	Bedford	Apr 16	2,675	3,750	39,306
The BSS Group	Northampton	Apr 16	750	900	13,633
ACO Technologies	Bedford	Apr 16	1,675	3,200	41,603
Blackburn Metals	Bedford	Apr 16	1,250	1,840	24,380
Ball and Young	Bedford	Apr 16	1,100	1,730	22,535
Ideal Industries	Bedford	Apr 16	2,850	2,300	42,392
Marshall Thermo King	Dunstable	Apr 16	600	1,000	9,912
Winit Corporation	Bardon	Apr 16	6,000	6,350	73,791
Void [1]	Bedford	Apr 16	1,393	1,930	21,137
Professional Fulfilment	Bedford	Apr 16	1,394	1,932	21,161
Arqadia	Bedford	Apr 16	2,813	3,898	42,700
Void [2]	Chesterfield	Jan 17	4,659	5,200	108,873
PUMA United Kingdom	Leeds	Mar 17	6,050	6,300	63,979
HID Corporation Ltd	Haverhill	Sep 17	4,090	4,910	37,355
Culina Logistics Ltd	Haverhill	Sep 17	14,150	15,950	194,965
XPO Transport Solutions	Leigh	Sep 17	3,340	3,760	39,720
XPO Transport Solutions	Motherwell	Sep 17	2,420	2,590	100,832
Void [3]	Nuneaton	Sep 17	6,710	6,840	130,508
XPO Supply Chain UK	Hinckley	Sep 17	3,280	3,280	62,082
XPO Transport Solutions	Normanton	Sep 17	6,110	6,110	94,102
J Sainsburys Plc	Hoddesdon	Sep 17	3,950	4,040	45,018
Travis Perkins	Hoddesdon	Sep 17	1,480	1,560	10,935
Komori	Leeds	Nov 17	1,570	1,573	22,460
Pharmacy 2U	Leeds	Nov 17	1,325	1,327	18,960
Panther Warehousing	Northampton	Dec 17	3,025	3,000	42,553
Manitowoc Crane Group	Buckingham	Dec 17	6,286	8,550	29,378
GoCompare.com	Newport	Dec 17	4,644	4,200	26,672
DHL	Hebburn	Dec 17	3,157	3,320	77,430
DHL	Norwich	Dec 17	2,176	2,250	31,410
Void [4]	Leigh	Dec 17	7,154	7,040	110,729
DHL	Runcorn	Dec 17	8,083	8,050	122,478
Total			**118,359**	**131,850**	**1,767,184**

[1] Void from 24 March 2017
[2] Void – rental guarantee expired 31 December 2017
[3] Void from 28 September 2017 – rental guarantee in place until 27 September 2019
[4] Void from 22 December 2017 – rental guarantee in place until 21 December 2018

*Excluding purchaser costs.

that are closer to the customer. Our focus is on smaller single-let logistics sites, rather than multi-let, as we believe in the attractions of minimal service charges and a more stream-lined, less onerous approach to asset management led initiatives.

The Group will continue to benefit from the significant opportunity in this sub-sector of the UK industrial and logistics market due to strong tenant demand, limited stock and current lack of speculative development. Through the Manager's knowledge of the sector, track record and experience, we are well-placed to continue sourcing attractive new opportunities, whilst remaining disciplined in our investment approach.

Financial commentary

The financial year to 31 March 2018 was a period of significant growth for the Company with a focus on both asset management and investment activity. The results demonstrate some substantial achievements, demonstrating how the Group's strategy of adding scale whilst focusing on investment returns, continues to bear fruit. We expect the results to continue to improve as the Group scales and the effect of asset management initiatives are reflected in cash flow and portfolio value.

Investment activity

The Group acquired 17 assets during the year. The Group's portfolio comprised the properties in the table on page 9 as at 31 March 2018. These have proven to be quality logistics investments, with a good geographical spread and diverse tenancies. The new properties all present a variety of asset management opportunities, which have the potential to drive both income growth and capital appreciation.

The average size of the properties in the portfolio at 31 March 2018 was 55,225 sq ft. The weighted average unexpired lease term at the same date was 5.0 years, at 31 March 2017 this was 4.4 years.

Valuation and portfolio growth

CBRE independently valued the portfolio at 31 March 2018, in accordance with the RICS Valuation – Professional Standards. The portfolio's market value was £131.9 million, compared with the assets' combined purchase price of £118.4 million, excluding purchaser costs. This represents an increase of £13.5 million or 11.4%, when compared to the purchase prices. The valuation increase reflects our focus on asset management and buying well-located sites. It also highlights our success in sourcing off-market deals at attractive prices.

Like-for-like across the financial year, property values increased by 12.9%, supporting our growth conviction.

As the Company was so acquisitive during the year, with a number of new properties purchased from September 2017 onwards, we expect to see the benefit of these properties being revalued following asset management initiatives from this financial year onwards.

Current Portfolio Analysis

The Group has invested in 29 assets, comprising 32 properties and 28 tenants as at 31 March 2018. Select asset management across the financial year is presented on page 11.

Financing

As at 31 March 2018, the Group has a senior debt facility with Santander totalling £48.6 million. This facility has a term of five years and reflects an LTV of 36.9%. In the medium term the Group's target LTV is 35-40%. Net financing costs were £0.9 million for the year.

A new term facility is under negotiation with both Santander and another lender on a club basis. This is expected to be completed in September 2018.

Investment Activity

Acquisitions and disposals across the financial year comprised:

Portfolio Acquisitions

A portfolio of nine logistics assets was purchased for £45.5 million (excluding acquisition costs) in September 2017. The acquisition was sourced off-market at a net initial yield of 7.3%. The portfolio's logistics occupiers include Culina, XPO, Sainsbury's and Travis Perkins. The assets are close to established regional transport hubs in urban or last-mile locations where there is strong occupier demand.

In December 2017, the Company purchased another portfolio of assets totalling £31.5 million (excluding acquisition costs), reflecting a 7.1% net initial yield. The portfolio had a low average rent of £4.46 per sq ft, reflecting significant reversionary potential. The sites are well-located single-let assets across the UK and three of the sites are let to DHL.

Asset Acquisitions

A logistics asset at Victoria Road, Seacroft, Leeds was purchased for a total consideration of £2.8 million in November 2017. The purchase price represents a net initial yield of 6.8% and comprises a modern 41,420 sq ft logistics warehouse let to Komori UK Limited and Pharmacy2u Limited on leases through to 2020 and 2022 respectively. There are outstanding rent reviews on both units. This site recently won best 'New Facility' at The Logistics Awards

1. P W Gates, Bedford
Annual passing rent – £375,050, Size (sq ft) – 59,607
Rent per sq ft – £6.29, Tenure – Freehold

The property is located to the north west of Bedford, within the Elms Farm Industrial Estate. It is a 59,607 sq ft logistics unit that sits c. 1.0 miles from the A421. It is a well maintained and configured warehouse.

During the year, the Manager introduced a new tenant at £6.29 per sq ft on a 10-year lease with a five year break and subsequently completed the sale of the property for £5.8 million (excluding sales costs). This was at a net initial yield of 6.0% and reflects an IRR on equity invested of 43.0%.

2. Price's Candles, Bedford
Annual passing rent – £265,000, Size (sq ft) – 44,195
Rent per sq ft – £6.00, Tenure – Leasehold

This is a well configured warehouse with two bays and a trade counter. It is located in an established commercial location, with good access and circulation.

During the year a rent review was settled and a head lease extension to 150 years was agreed with Bedford Borough Council. The property was under offer to a purchaser at 31 March 2018 and subsequently sold on 5 April 2018 for £3.2 million, representing an IRR on equity invested of 55.8%.

3. Komori / Pharmacy2u, Leeds
Annual passing rent – £213,000, Size (sq ft) – 41,420
Rent per sq ft – £5.14 (Komori/Pharmacy2u),
Tenure – Freehold

This is a well configured warehouse comprising two units in an established strategic location, with good access and circulation. The site was acquired in November 2017.

The acquisition is consistent with the Company's investment strategy of identifying attractively priced stock with asset management potential; and is well located to the north east of Leeds City Centre, close to the A64. It comprises a modern logistics warehouse which is let on leases through to 2020 and 2022 respectively. Both have outstanding rent reviews which are currently being negotiated and both tenants are seeking to extend their lease terms by a further five years.

4. HID, Haverhill
Annual passing rent – £320,366, Size (sq ft) – 37,355
Rent per sq ft – £8.58, Tenure – Freehold

This is a smaller warehouse with an office element in an established strategic location, with good access to main arterial routes and full circulation.

There is potential to extend on land to the rear and the tenant's break option recently lapsed so there is now a five-year unexpired term. There is also an outstanding rent review currently being negotiated.

2017, which recognises operational excellence among companies within the logistics and supply chain sectors.

The Company completed the acquisition of a site in Northampton in December 2017 for £3.0m at a net initial yield of 6.4%. The site located at Moulton Park, Northampton is located close to the A43. It is a 42,553 sq. ft. logistics unit let to Panther Logistics.

Post Year End Acquisitions

Following the equity raise in April 2018, which raised gross proceeds of £20.4 million, the Group exchanged contracts on a portfolio of six urban logistics assets for an acquisition cost of £36.0 million (excluding acquisition costs). The combined portfolio represents a blended net initial yield of 5.9%.

Disposals

The Company completed the sale of a site located at Hammond Road, Bedford, in November 2017 for a total consideration of £5.8 million (excluding sales costs), representing a net initial yield of 6.0%. The disposal follows the recent letting of the property on a 10-year lease to P W Gates (mentioned above) and the total consideration is a 64% gain on the asset's cost, representing an IRR of approximately 43%.

In February 2018, the Company commenced discussions regarding the sale of an asset located at Hudson Road, Bedford. The sale completed post year end on 5 April 2018 for £3.2 million. Taken together with the income returns generated during the Company's ownership this sale price represents an IRR on equity invested of 55.8%.

Market Overview

The industrial and logistics market in the UK continues to see resilient occupier demand outweighing available supply. This is due to on-going under-investment in the sector which is principally due to some substantial barriers to entry, namely: the cost of construction; availability of land; planning constraints; and letting risk. This results in an ongoing supply constraint regarding quality industrial and logistics assets across the UK.

Strong occupier demand, owing in particular to the growth in e-commerce and investment by retailers and suppliers in e-fulfilment supply chain capability, also means that there is sustained low void across key locations.

During 2017 we saw total return potential supported by structural growth, particularly strong rental growth. Sterling's depreciation post the EU referendum should continue to prove a boost to exports and the manufacturing sector. This combined with e-commerce growth is expected to provide strong cyclical and structural support, despite any perceived weakness due to the ongoing negotiations with the EU.

The logistics total return in H2 2017 was 9.3%, a marked uplift on H1 2017 (5.0%). This improvement was driven by stronger capital growth with rental growth stable over the period (Source: CBRE Logistics Property Perspective H2 2017).

A wider range of facilities will underpin the sector's transformation going forward, notably XXL warehouses (with several floors) and urban logistics centres, where we are focused. Speculative development remains subdued as occupiers shift to purpose-built factories and development finance remains limited.

Market Outlook

The Board and the Manager believe that this part of the property sector continues to show resilience in a context of wider economic uncertainty. Underlying market conditions remain favourable for UK business and we see ongoing activity across our occupier base which is centred proportionately across SMEs, logistics firms and larger occupiers.

The UK continues to be one of the fastest growing adopters of online retail and there is a requirement for tenants to develop their e-fulfilment capability accordingly. As such, key geographic regions across the UK are seeing improvements year-on-year in leasing activity. In the longer-term, demand for sites will fluctuate with economic drivers such as the value of Sterling, manufacturing and production, exports, domestic consumption and Brexit. However, the UK has relatively high barriers to entry (compared to other European markets) with respect to planning and development, so we expect sustainable growth for the foreseeable future.

For the rest of 2018 and beyond, we expect the demands that occupiers place on their units to become more advanced. Power demand has become of increasing importance to many occupiers, particularly given the growing level of automation utilised across different supply chains. With electric vehicles (both trucks and cars) increasingly being considered, the ability to accommodate and charge these vehicles on site will become important. Meanwhile, with unemployment reaching record lows, sourcing labour will become an increasing issue.

Supply

Whilst there have been recent tentative steps towards the speculative development of smaller floorplate buildings, this has yet to result in availability matching the requirement for take-up across the UK. Indeed, supply is focussing more on second-hand space with new and early marketed space (units within six month of practical completion) contracting (Source: CBRE Logistics Report H1 2017 – The Property Perspective). Supply remains low by historical standards and there remains a lack of land allocated for warehouse development, particularly across the Midlands where interest and enquiries are being registered on schemes that have yet to secure planning permission. There remain very few large strategic sites across the Midlands that are in a position to complete quickly and meet demand. We also note that since the EU referendum there has been a reduction in speculative commitments by developers whilst good quality demand has held up.

The logistics sector will also be impacted by the introduction of the Minimum Energy Efficiency Standard (MEES) regulations from April 2018 which will prevent 'substandard' property, where an EPC falls below the minimum standard of an E banding, from being let. None of the properties across the Group's portfolio fall into this category.

Demand

Demand for smaller lot size warehouses in recent years has been strong. The underlying driver being a lack of new building availability and high replacement cost. The Manager will continue to focus on purchasing sites below replacement cost.

One of the other key features of demand is the emergence of new locations, traditionally seen as more secondary. These locations have come to the fore due to the limited supply in many prime areas around London and the notable rental growth within the M25. For example, in the South East the lack of supply has led to occupiers considering alternative locations elsewhere – with the South West and West Midlands achieving take-up well above long-run averages.

Acquisitions

The Manager will continue to focus on acquiring attractive assets and implementing asset management initiatives to drive rental growth in light of the current market dynamic of diminishing supply and increasing occupier demand.

The Manager is focussed on maintaining and building existing tenant relationships with a view to extending the Group's reputation as a leader in the smaller lot size logistics market.

Investment volumes remain high and the sector is undeniably popular. The sector's superior returns in 2017 allied to projected rental growth prospects have proven highly attractive to both existing and new entrants. With alternative assets generally providing low returns there is continued search for yield and growth. We are well positioned to continue to achieve our target returns for our investors.

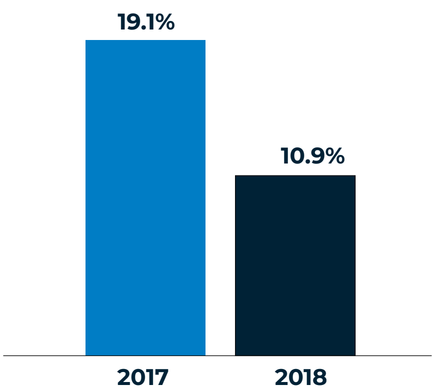
Richard Moffitt
5 June 2018

KEY PERFORMANCE INDICATORS

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

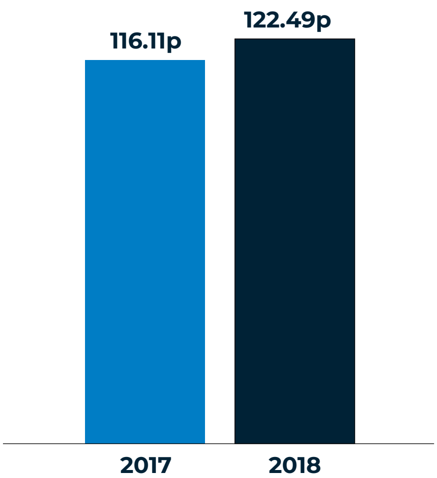
Set out below are the key performance indicators we use to track our progress.

Total Accounting Return (TAR)



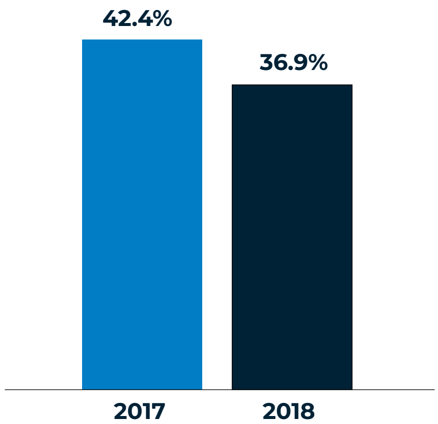
TAR measures the movement in EPRA NAV per share plus dividend paid during the period expressed as a percentage of the EPRA NAV per share at the beginning of the period. Our objective is to deliver long-term returns through execution of our strategy.

EPRA NAV per Share



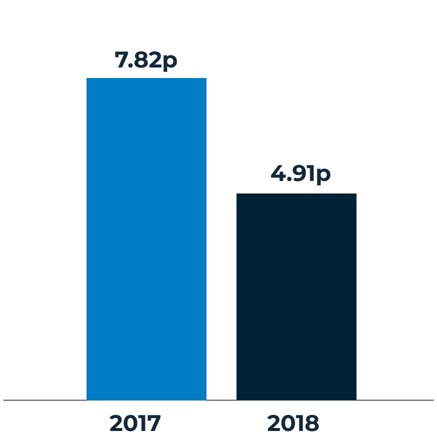
EPRA NAV per share is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. Our aim is to build on long-term asset value growth whilst managing liabilities.

Loan to Value (LTV)



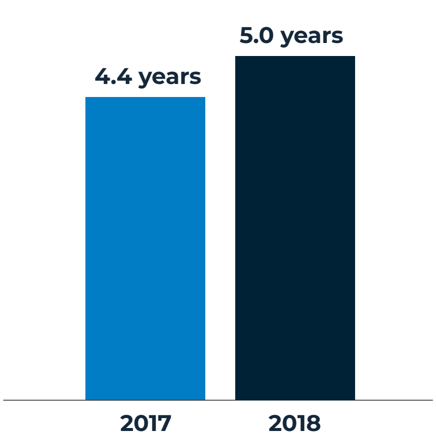
LTV measures the proportion of our property assets that are funded by borrowings. Our medium-term target is 35-40% of the Group's gross asset value.

EPRA Earnings per Share (EPS)



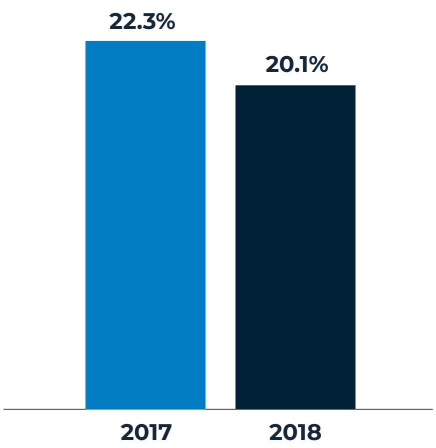
EPRA EPS measures the Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Weighted Average Unexpired Lease Term (WAULT)



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

EPRA Cost Ratio (excluding direct vacancy costs)



The ratio of our total administrative costs expressed as a percentage of gross rental income throughout the period. This is an indicator of how cost-effectively we manage both our property assets and our administrative costs to improve operational efficiency.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Property market risks

- Both the condition of the real estate market and the overall UK economy will impact the returns of the Group.
- Market conditions may also negatively impact on revenues earned from property assets and the price at which the Group is able to dispose of these assets.
- The Group will continue to focus exclusively on the UK smaller lot size, sub-sector of the UK logistics market, therefore it will have direct reliance on the online and general retailer requirements in the UK.
- Other competitors in the sector may have greater financial resources than the Group or greater ability to borrow or leverage funds to acquire properties. With a limited supply of smaller lot assets existing in the UK, competition for available properties in the UK may be strong, hence no assurance that the Group will be able to secure suitable assets at competitive prices.

Operational risks

The REIT Group will continue to be reliant on the management and advisory services the Group receives from the Manager. As a result, the Group's performance will, to a large extent, be dependent upon the ability of the Manager and retention of its key staff by the Manager.

Taxation risks

If the Group breaches any of the REIT regulations, this may lead to the Group losing its REIT status and therefore members of the Group may become subject to UK corporation tax.

The Board is ultimately responsible for ensuring the Group adheres to the UK REIT rules and continually monitors reports provided by the Manager, Administrator and Registrar.

Funding risks

The Group's strategy anticipates incurring debt with interest payable based on LIBOR and it intends to hedge or partly hedge interest rate exposure on borrowings. However, such measures may not be sufficient to protect the Group from adverse movements in prevailing interest rates.

Acquisition of properties may be funded partly by borrowings. If the value of the Group's assets falls, the NAV of the Group will reduce. Furthermore, the borrowings which the Group uses contain loan to value covenants, if the Group assets decrease in value there is a risk that such covenants could be breached.

Without the continued availability of debt on acceptable terms, the Group may be unable to progress investment opportunities as they arise and continue to grow the Group in line with the long-term strategy.

In 2018, the Board intends to establish a risk register that encompasses all material risks that impact the Group.

APPROVAL OF STRATEGIC REPORT

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

Nigel Rich
Chairman
5 June 2018

CORPORATE GOVERNANCE REPORT

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. As an AIM quoted company, Urban Logistics REIT plc is required to declare which recognised corporate governance code it has adopted and state how that code has been applied. The Board has decided to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as it considers it to be suitable for the current size and stage of development of the Company. In preparing this year's Annual Report, the timely release of the new and updated version of the QCA Code has been considered and applied where appropriate.

The Board

The Board is ultimately responsible for providing overall leadership of the Company. It determines the Company's strategy, investment objectives and investment policy and has responsibility for the Company's activities, including reviewing investment activity, performance, and business conduct, as well as developing and complying with the principles of good corporate governance.

The Board is also responsible for controlling and supervising the Manager, Pacific Capital Partners Limited.

The Board has determined that the Chairman, Nigel Rich CBE, Jonathan Gray and Bruce Anderson are independent. Jonathan Gray has been appointed as the Senior Independent Director. As Richard Moffitt and Mark Johnson have an interest in the Manager, they are not considered independent and exclude themselves from voting on matters that involve Pacific Capital Partners Limited, or where there is a perceived potential conflict of interest. Whilst not independent, the Board considers that both Richard and Mark remain able to provide constructive challenge and scrutiny to the Board, as well as valuable and relevant skills and experience.

The Directors believe that the Board is well balanced and that between the Directors, it possesses sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one Director. There are no Executive Directors. Biographical information on each Director is set out on page 22.

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

During the year ended 31 March 2018, there were 15 Board meetings. The Company is currently in a growth phase, so the Board convened a substantial number of additional meetings during the year, to consider and implement equity fundraisings and investment opportunities.

The Board follows a formal agenda at its quarterly meetings, which the Company circulates in advance of the meeting. This agenda includes reviewing investment performance, assessing the progress of new investment opportunities, reviewing the Group's strategy in the context of a broader market outlook, reviewing the Group's historical financial performance and future forecasting, an update on investor relations and an update on any regulatory or compliance issues advised by the Manager or other advisers.

When considering investment opportunities, the Board reviews detailed proposals prepared by the Manager and approves investment decisions, as appropriate.

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.

Board committees

The Board has delegated a number of responsibilities to its Audit, Nomination and Management Engagement Committees. Each Committee has prepared appropriate Terms of Reference which have been reviewed and approved by the Board during the year. Further information on each Committee can be found below and a copy of each Committee's Terms of Reference can be found on our website www.pacificil.com.

The Board has not established a Remuneration Committee as it currently has no Executive Directors or employees.

In late December 2017, the Board established in accordance with its Articles of Association an additional ad-hoc committee to discuss the status of acquisitions, a new debt facility and the interim dividend. The Board delegated responsibility to that Committee to approve the interim dividend, subject to the completion of acquisitions and deal with all related paperwork and announcements required. This particular Committee was established for a short time only to focus on particular matters as indicated above and has since been disbanded.

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

	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich	15/15	4/4	2/2	–
Bruce Anderson	15/15	4/4	1/2	–
Jonathan Gray	13/15	4/4	2/2	–
Richard Moffitt	15/15	n/a	n/a	–
Mark Johnson	12/15	4/4	n/a	–

The Manager

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

The Manager regularly use for its purchase and sales of assets, M1 Agency LLP, a limited liability partnership in which Richard Moffitt has an interest. Each transaction is reviewed by the Manager excluding Richard Moffitt and by the Independent Directors to ensure that the fees payable are in line with market fees and practice. The total fees paid in the year amount to £0.6 million.

The Board formally reviews the Manager's performance each year, to allow the Board to state, if appropriate, that the Manager's continued appointment is in shareholders' interests and is in accordance with the Listing Rules.

Fees

In August 2017 the Independent Directors, on behalf of the Company, agreed a new arrangement with the Manager. Under the previous Management Agreement, the Manager received a management fee payable half yearly in arrears and no fee was paid until Shareholders received an annual dividend yield (by reference to the IPO issue price of 100.00p) of at least 6.0 per cent.

Following the Share Placing in August 2017 which raised £53 million, the Company and the Manager agreed to a new management fee such that the existing arrangement was replaced with a management fee of 0.95 per cent. per annum of the Group's EPRA NAV, payable quarterly in arrears.

The Board believes that the success of the Company depends, in part, on the future performance of the Manager. The Directors also recognise the importance of ensuring that the Manager is incentivised and identifies closely with the success of the Company. Accordingly, at the time of the IPO, the Company adopted the LTIP for the benefit of the Manager and its' Management Team. This was also amended in August 2017 and details are below.

Existing arrangement crystallised

20.0 per cent. of the Company's total return over eight per cent. per annum from the date of IPO to 13 July 2017 (being the day immediately prior to the announcement of the proposed Placing) was crystallised and the resulting value paid by way of the issue of 520,557 Ordinary Shares to Pacific Industrial LLP (an affiliate of the Manager) (the "LTIP Shares") at Admission of the August 2017 Placing Shares and subject to a lock-in until the third anniversary of the IPO, April 2019.

New arrangement of an LTIP

The new LTIP has an EPRA NAV element and a share price element and will be assessed on: (i) 30 September 2020 (the "First Calculation Date"); and (ii) 30 September 2023 (the "Second Calculation Date").

The EPRA NAV element is 10 per cent. of the excess of the EPRA NAV per Ordinary Share return over an annualised 9 per cent. hurdle, multiplied by the number of Ordinary Shares in issue at relevant calculation date. The share price element will be 10 per cent. of the excess of the share price return over an annualised 9 per cent. hurdle, multiplied by the number of Ordinary Shares in issue at the relevant calculation date.

For further information on the calculations, please refer to note 11 to the financial statements.

Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received either orally or in writing. All shareholders have at least 21 days' notice of the AGM, where all directors and committee members are available to answer questions.

At the AGM all votes are dealt with on a show of hands and the number of proxy votes cast is indicated. Votes on separate issues are proposed as separate resolutions. The Manager also regularly updates the Board with the views of shareholders and analysts.

Conflicts of interest

The Articles of Association allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation if this is appropriate.

Only independent Directors (who have no interest in the matter being considered) will be able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider will be most likely to promote the Group's success. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

Internal control

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

Anti-bribery and corruption

The Manager has a zero-tolerance policy and is committed to carrying out business fairly, honestly and openly. The Manager undertakes annual regulatory training on AML, anti-bribery and corruption and there is a whistle blowing policy with the Manager which the Board has reviewed.

Financial and business information

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

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

Composition

The Management Engagement Committee, which was established in 2017, comprises of all independent Directors with Nigel Rich as Chairman.

Responsibilities

The role of the Committee is to review the appropriateness of the Investment Manager's continuing appointment together with the terms of conditions thereof and make recommendations on any proposed amendments to the Investment Management Agreement. The Management Engagement Committee will also perform a review of the performance of other key service providers to the Company.

The Committee met on 8 February 2018 and all members were present to review the Company's relationships with its Manager and Pacific Industrial LLP (the "Investment Adviser"), in its collective capacity as the Company's investment manager, from the IPO in April 2016.

The Committee concluded that the Manager's performance was satisfactory for the year with no issues noted. The management agreement is being reviewed with a view to an extension being granted to 2024.

To date, the Committee has not identified any issues or material weaknesses.

Nigel Rich
Management Engagement Committee chairman
5 June 2018

THE BOARD

NIGEL RICH CBE
NON-EXECUTIVE CHAIRMAN

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

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

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

RICHARD MOFFITT
NON-EXECUTIVE DIRECTOR

Previously an Executive Director at CBRE where he was Head of the UK Industrial team.

- More than 25 years' experience of the UK Industrial and Logistics markets
- Credibility with owners and operators of real estate
- In-depth market understanding and awareness of current issues
- A thorough understanding of owner and tenant requirements
- Extensive contact list including institutional funds
- Member of The Chartered Institute of Logistics and Transport

Transaction history includes:

- Goodman acquisition of Rosemound for £650m +
- Scaling up and subsequent disposal by London & Stamford Plc for in excess of £350m
- Disposal of £300m of assets to Logicor by Anglesea

Founding partner of M3 Agency LLP (logistics property consultancy). Sold to CBRE in 2010

CHRISTOPHER TURNER
ASSET MANAGER*

Christopher is a Chartered Surveyor with more than 25 years' experience in the UK and European investment markets where he has built up extensive contacts with investors and developers of industrial, office and retail real estate.

He has a considerable depth of experience in the acquisition performance and disposal of investments through all sectors.

He has a detailed focus on tenant management and covenant performance, adding value and active asset management to achieve overall investment returns.

His most recent experience includes:

- Acquired, managed and traded £175 million balanced asset portfolio
- Acquired and repositioned €135 million industrial and office portfolio in Germany
- Former Director at Hill Samuel and Lambert Smith Hampton

*Christopher does not sit on the board of directors of the company.

JONATHAN GRAY
NON-EXECUTIVE DIRECTOR

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

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

BRUCE ANDERSON
NON-EXECUTIVE DIRECTOR

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

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

MARK JOHNSON
NON-EXECUTIVE DIRECTOR

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

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

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

Composition

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

Responsibilities

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

The key responsibilities and principal activities of the Committee are as follows:

- Make recommendations to the Board of Directors that the Interim Report, Annual Report and financial statements were fair, balanced and understandable and provided the necessary information for Shareholders to assess the Group's position and performance, business model and strategy;
- To review any formal announcements on the Group's financial performance, including as assessment of the estimates and judgements.
- The appropriateness of the interim and year end individual property valuations and the independence of the external valuers.
- To review the Manager's system of internal control and risk management.
- Review any changes in accounting policies that may impact the financial statements.
- To review and approve the external auditor's terms of engagement, remuneration and tenure of appointment.

External auditor

Nexia Smith & Williamson ("Smith & Williamson") was appointed as part of the IPO, following a formal tender process.

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

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

Audit and non-audit fees

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

	2018	2017
Audit fees including related assurance services (£000)	**88**	42
Non-audit fees (£000):		
Property transaction advice	**466**	–
Capital raise fees	**25**	–
IPO fees	**–**	75
Total	**579**	117

Smith & Williamson received £466k for advice and assistance in relation to a specific property transaction involving the acquisition of a corporate structure which required a significant amount of restructuring to transfer the assets into our continuing business and liquidate companies no longer required. The fees incurred were shared equally with the vendor, by way of a price reduction, therefore, the true economic burden of these costs was £233k. These fees were capitalised as part of the acquisition process. In similar circumstances in the future we would use an alternative service provider.

Smith & Williamson also received £25k in respect of providing reporting accountant services in connection with the Company's public offering in August 2017. These fees have been treated as share issue expenses and offset against share premium.

Internal audit

As all the finance functions are carried out by the Manager, we rely on the internal controls of the Manager.

Valuation of property portfolio

The Group has property assets of £131.9 million as at 31 March 3018. 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 2018, in accordance with the RICS valuation – Professional Standards January 2014 (the "Red Book"). The Committee met with the team from CBRE in May 2018 and discussed the assumptions underlying the individual property valuations and has concluded that the valuation is appropriate.

REIT status

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

Business combinations

At the time of acquiring a subsidiary that owns investment properties, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Where acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations.

Fair, balanced and understandable

The Audit Committee considered whether the 2018 Annual Report and financial statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy. In reaching its decision, the Audit Committee reviewed the procedures established and adopted by finance team of the Manager which consisted of the following:

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

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

Bruce Anderson
Chairman of the Audit Committee
5 June 2018

DEPOSITARY STATEMENT

INDOS Financial Limited ("IFL") is a specialist independent, FCA regulated AIFMD depositary. IFL was the first AIFMD depositary to be authorised by the FCA in January 2014, and currently provides depositary services to over 100 alternative investment funds, encompassing $20 billion of assets. Funds cover a broad range of open and closed-ended structures and strategies managed by EU and non-EU managers.

IFL was appointed as Depositary to Urban Logistics REIT plc (formerly known as Pacific Industrial and Logistics REIT plc (the "Company")) on its admission to trading on AIM. The principal terms of the depositary agreement between IFL and the Company are set out in the section 10.9 of Part VIII of the Company's admission prospectus.

IFL has a daily requirement to monitor the cash flows of the Company. This allows IFL to track the key activities and review specific events such as share issues, financing activity and the acquisition of property investments. The underlying remit of this testing is to ensure that cash transactions are consistent with normal expected operations of the Company.

IFL must also maintain an up to date record of the property portfolio and obtain and review evidence to verify the ownership right of the Company over its underlying assets. These procedures are required to be performed after each new investment and annually thereafter.

In addition, IFL reviews the quarterly management accounts of the Company to ensure that appropriate and consistent procedures are applied and those procedures and methodologies are in line with the prospectus. At the same time IFL also performs a series of tests to ensure compliance with limits and restrictions as set out in the prospectus.

To complete these duties, IFL works closely with the Manager on a day to day basis, and holds periodic meetings in person at their offices. IFL also provides periodic reporting to the Board of Directors of the Company.

During the year, IFL has reviewed one capital raise, the exercise of warrants on two occasions, the acquisition of two property portfolios, two individual property purchases and one disposal. Based upon the results of the work performed to date, IFL can confirm that no issues came to our attention to indicate that the Company was not being operated as intended.

Bill Prew, CEO
For and on behalf of
INDOS Financial Limited
London
United Kingdom
5 June 2018

DIRECTORS' REPORT

Report and financial statements

The Directors present their report together with the audited financial statements for the year ended 31 March 2018.

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

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

Financial results and dividends

The Group reported a profit for the year after taxation of £9.9 million (2017: £4.9 million).

EPRA earnings for the year were £2.5 million, up from £1.1m in the prior year. There were two principal drivers of this positive performance. The first was the growth in number of properties across the portfolio and its strong rental income, following successful rent reviews and lease extensions. The second was the successful asset management undertaken during the year which was in line with our Investment Policy and undertaken across a number of sites, with further initiatives available to the Manager.

Administrative and other expenses, which include the Manager's fee (excluding the LTIP charge) and other costs of running the Group, were £1.0 million, equivalent to 1.2% of the diluted EPRA NAV at 31 March 2018. EPRA cost ratio, excluding vacancy costs, was 20.1% for the year – with the vacancy at 6.7% at year end.

During the year, the following interim dividends were paid:

Description	Pence per share	Payment date	Financial year
Second interim dividend	3.0p	28/07/2017	2017
Third interim dividend	0.2p	22/12/2017	2017
Interim dividend	1.0p	22/12/2017	2018
Special interim dividend	2.1p	22/12/2017	2018

The total dividends paid and proposed in respect of the period ended 31 March 2017 was 6.2 pence.

A third interim dividend in respect of the year ended 31 March 2018 of 3.2 pence per share was declared on 6 April 2018. This takes the total dividend paid and proposed in respect of the year ended 31 March 2018 to 6.3 pence.

Share capital

On 17 August 2017, the Company issued 46,607,514 new ordinary shares, consisting of 46,086,957 placing shares and 520,557 LTIP shares, which were admitted to trading on the AIM Market of the London Stock Exchange. At 31 March 2018, there were 68,114,724 ordinary shares of £0.01 in issue.

As at 31 March 2018, there is only one class of share in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company, and are all fully paid.

The Company made no purchase of its own shares during the year. Further details on issued share capital is set out in note 23 to the financial statements.

Directors' interests and remuneration

The present membership of the Board and biographical details of Directors are set out on pages 22 to 23.

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

Directors' shareholdings

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

Director	Number of Ordinary shares held	Percentage of issued share capital at 31 March 2018
Nigel Rich – Chairman	183,695	0.27%
Bruce Anderson	37,391	0.05%
Jonathan Gray	40,000	0.06%
Mark Johnson	193,478	0.28%
Richard Moffitt	356,521	0.52%

Directors' remuneration

The fees paid to the current Directors in the year to 31 March 2018, which have been audited, are set out below.

Director	Annual Fee	Total to 31 March 2018
Nigel Rich – Chairman	£75,000	£75,000
Bruce Anderson	£35,000	£26,667
Jonathan Gray	£35,000	£26,667
Mark Johnson *	–	–
Richard Moffitt *	–	–
Total	£145,000	£128,334

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

Future developments

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

Employees

The Group has no employees.

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in note 21 and in the Principal risks and uncertainties section on page 16.

Political donations

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

Substantial shareholdings

The Directors have been notified that the following shareholders have a disclosable interest of 5% or more in the ordinary shares of the Company at 31 March 2018.

	Number of shares held	Percentage of issued share capital
Allianz Global Investors GmbH (UK)	7,862,676	11.54%
Premier Fund Managers Ltd	6,275,813	9.21%
Rathbone Investment Management Ltd	6,140,550	9.02%
Sir John Beckwith	5,750,000	8.44%
Henderson Global Investors Ltd	5,405,500	7.94%
Killik & Co. LLP	3,619,815	5.31%
Blackstone Sington Ltd	3,516,325	5.16%

Sir John Beckwith and associated interests amount to 12.14% of the issued share capital as at 31 March 2018.

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 tenant leases.

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

Post balance sheet events

On 5 April 2018, the Group completed on the sale of 16 Hudson Road for a consideration of £3.2 million. This represented an IRR on equity invested of 55.8%.

On 6 April 2018, the Company announced the placing of 17,071,130 Ordinary shares of £0.01 each at an issue price of 119.50 pence per share.

On 11 April 2018, the Group exchanged contracts on a portfolio of six urban logistics assets with an aggregate acquisition price of £36.0 million from LondonMetric.

On 8 May 2018, the Company announced the issue of 521,964 Ordinary shares of £0.01 each pursuant to the exercise of 521,964 warrants.

Independent auditor

Nexia Smith & Williamson has expressed its willingness to continue as Auditor for the financial year ended 31 March 2018.

Disclosure of information to the auditor

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

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

This report was approved by the Board on 5 June 2018.

Nigel Rich
Chairman

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

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

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

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

Approval

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

Nigel Rich
Chairman
5 June 2018

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 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Cash Flow Statement, the Company Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed 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.

Conclusions relating to going concern

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

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

Key audit matters

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

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

Valuation of investment property (Group)

Description of risk

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

The valuations as at 31 March 2018 were carried out by third party valuers, CBRE Limited (the 'Valuers'). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book").

In determining each property's valuation the Valuers take into account property-specific information such as the property attributes and conditions, current lease agreements and rental income. They apply assumptions for tenure, letting, yields, taxation, town planning and condition and repair of the property and sites, which are influenced by comparable market transactions, to arrive at the final valuation.

The Group's accounting policy for investment properties is included within note 4. Details of the Groups valuation methodology and resulting valuation can be found in notes 3, 13 and 21.

How the matter was addressed in the audit

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

We carried out procedures, on a sample basis, to satisfy ourselves of the reasonableness of the inputs used by the Valuers in the valuations.

We read the valuation reports for all the properties, met and corresponded with the Valuers to understand their approaches and confirmed that the valuation approaches were in accordance with RICS standards and suitable for use in determining the carrying value for the purpose of the financial statements.

Materiality

The materiality for the Group financial statements as a whole was set at £4,000,000. This has been determined with reference to the benchmark of the Group's total assets, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 3% of the total assets as presented on the face of the Consolidated Statement of Financial Position.

The materiality for the Parent Company financial statements as a whole was set at £2,200,000. This has been determined with reference to the benchmark of the Parent Company's total assets as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Parent Company's Statement of Financial Position.

An overview of the scope of our audit

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Nexia Smith & Williamson

Guy Swarbreck
for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
5 June 2018

25 Moorgate
London
EC2R 6AY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31 Mar 18 £'000	31 Mar 17 £'000
Rental income	5	**5,564**	2,277
Cost of sales		**(561)**	(25)
Gross income		**5,003**	2,252
Administrative and other expenses		**(1,074)**	(499)
Other income		**133**	–
Long-term incentive plan charge	11	**(657)**	(34)
Operating profit before changes in fair value of investment properties		**3,405**	1,719
Changes in fair value of investment property	13	**7,194**	3,881
Profit on disposal of investment property		**57**	–
Operating profit	6	**10,656**	5,600
Finance income		**4**	2
Finance expense	8	**(929)**	(600)
Changes in fair value of interest rate derivatives	20	**134**	(115)
Profit before taxation		**9,865**	4,887
Tax credit/(charge) for the year	9	**–**	–
Profit and total comprehensive income (attributable to the shareholders)		**9,865**	4,887
Earnings per share – basic	10	**19.54p**	46.80p
Earnings per share – diluted	10	**19.51p**	46.40p
EPRA earnings per share – diluted	10	**4.91p**	7.82p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Mar 18 £'000	31 Mar 17 £'000
Non-current assets			
Investment property	13	**131,850**	43,420
Interest rate derivatives	20	**19**	–
Total non-current assets		**131,869**	43,420
Current assets			
Trade and other receivables	16	**585**	535
Cash and cash equivalents	17	**3,280**	1,680
Total current assets		**3,865**	2,215
Total assets		**135,734**	45,635
Current liabilities			
Trade and other payables	18	**(1,490)**	(632)
Deferred rental income		**(1,694)**	(676)
Total current liabilities		**(3,184)**	(1,308)
Non-current liabilities			
Long-term rental deposits		**(672)**	(645)
Interest rate derivatives	20	**–**	(115)
Bank borrowings	19	**(47,672)**	(18,196)
Total non-current liabilities		**(48,344)**	(18,956)
Total liabilities		**(51,528)**	(20,264)
Total net assets		**84,206**	25,371
Equity			
Share capital	23	**681**	215
Share premium	24	**71,832**	20,454
Share warrant reserve	25	**89**	91
Other reserves		**75**	34
Retained earnings	27	**11,529**	4,577
Total equity		**84,206**	25,371
Net Asset Value per share basic	29	**123.62p**	118.26p
Net Asset Value per share diluted	29	**122.51p**	115.64p
EPRA Net asset Value – diluted	29	**122.49p**	116.11p

The financial statements of Urban Logistics REIT plc (registered number 09907096) on pages 31 to 56 were approved by the Board of Directors and authorised for issue on 5 June 2018 and signed on its behalf by:

Nigel Rich
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 Mar 18 £'000	31 Mar 17 £'000
Non-current assets			
Investment in subsidiaries	14	**11,800**	11,800
Total non-current assets		**11,800**	11,800
Current assets			
Trade and other receivables	16	**62,816**	11,314
Cash and cash equivalents	17	**41**	66
Total current assets		**62,857**	11,380
Total assets		**74,657**	23,180
Current liabilities			
Trade and other payables	18	**(346)**	(232)
Total current liabilities		**(346)**	(232)
Total liabilities		**(346)**	(232)
Total net assets		**74,311**	22,948
Equity			
Share capital	23	**681**	215
Share premium	24	**71,832**	20,454
Share warrant reserve	25	**89**	91
Other reserves		**75**	34
Retained earnings	27	**1,634**	2,154
Total equity		**74,311**	22,948

The profit and total comprehensive income for the Company for the year to 31 March 2018 was £2.39 million.

The financial statements of Urban Logistics REIT plc (registered number 09907096) on pages 31 to 56 were approved by the Board of Directors and authorised for issue on 5 June 2018 and signed on its behalf by:

Nigel Rich
Chairman

CONSOLIDATED CASH FLOW STATEMENT

	Note	31 Mar 18 £'000	31 Mar 17 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		**9,865**	4,887
Less: changes in fair value of investment property		**(7,194)**	(3,881)
(Less)/add: changes in fair value of interest rate derivatives		**(134)**	115
Less: profit on disposal of investment property		**(57)**	–
Less: finance income		**(4)**	(2)
Add: finance expense		**929**	600
Long-term incentive plan		**657**	34
Decrease in trade and other receivables		**(45)**	(513)
Increase in trade and other payables		**1,443**	551
Cash generated from operations		**5,460**	1,791
Net cash flow generated from operating activities		**5,460**	1,791
Investing activities			
Purchase of investment properties	13	**(12,236)**	(12,022)
Disposal of investment properties	13	**5,542**	–
Acquisition of a subsidiary, net of cash acquired	15	**(74,031)**	(26,135)
Net cash flow used in investing activities		**(80,725)**	(38,157)
Financing activities			
Proceeds from issue of ordinary share capital		**53,053**	21,453
Proceeds from issue of preference shares		**–**	2,000
Redemption of preference shares and interest payment		**–**	(2,076)
Cost of share issue		**(1,826)**	(693)
Bank borrowings drawn		**32,582**	20,475
Bank borrowings repaid		**(2,394)**	(2,070)
Loan arrangement fees paid		**(860)**	(287)
Interest paid		**(781)**	(446)
Interest received		**4**	–
Dividends paid to equity holders	12	**(2,913)**	(310)
Net cash flow generated from financing activities		**76,865**	38,046
Net increase in cash and cash equivalents for the year		**1,600**	1,680
Cash and cash equivalents at start of year		**1,680**	–
Cash and cash equivalents at end of year		**3,280**	1,680

COMPANY CASH FLOW STATEMENT

	Note	31 Mar 18 £'000	31 Mar 17 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity shareholders)		**2,393**	2,464
Less: finance income		**(2)**	–
Add: finance expense		**–**	76
Long-term incentive plan		**657**	34
Increase in trade and other receivables		**(4)**	(4)
Increase in trade and other payables		**114**	230
Cash generated from operations		**3,158**	2,800
Net cash flow generated from operating activities		**3,158**	2,800
Investing activities			
Acquisition of a subsidiary, net of cash acquired	14	**–**	(11,800)
Increase in loan due from group undertakings		**(51,499)**	(11,308)
Net cash flow used in investing activities		**(51,499)**	(23,108)
Financing activities			
Proceeds from issue of ordinary share capital		**53,053**	21,453
Proceeds from issue of preference shares		**–**	2,000
Redemption of preference shares and interest payment		**–**	(2,076)
Cost of share issue		**(1,826)**	(693)
Interest received		**2**	–
Dividends paid to equity holders	12	**(2,913)**	(310)
Net cash flow generated from financing activities		**48,316**	20,374
Net increase in cash and cash equivalents for the year		**(25)**	66
Cash and cash equivalents at start of year		**66**	–
Cash and cash equivalents at end of year		**41**	66

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2017	**215**	**20,454**	**91**	**34**	**4,577**	**25,371**
Profit for the year	–	–	–	–	9,865	9,865
Total comprehensive income	**–**	**–**	**–**	**–**	**9,865**	**9,865**
Dividends to shareholders	–	–	–	–	(2,913)	(2,913)
Long-term incentive plan	–	–	–	657	–	657
Crystallisation of long-term plan	5	611	–	(616)	–	–
Issue of Ordinary Shares	461	50,767	–	–	–	51,228
Redemption of Warrant Shares	–	–	(2)	–	–	(2)
31 March 2018	**681**	**71,832**	**89**	**75**	**11,529**	**84,206**
Period ended 31 March 2017						
8 December 2015	–	–	–	–	–	–
Profit for the period	–	–	–	–	4,887	4,887
Total comprehensive income	**–**	**–**	**–**	**–**	**4,887**	**4,887**
Dividends to shareholders	–	–	–	–	(310)	(310)
Long-term incentive plan	–	–		34	–	34
Issue of Ordinary Shares	215	20,454	91	–	-	20,760
31 March 2017	**215**	**20,454**	**91**	**34**	**4,577**	**25,371**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2017	**215**	**20,454**	**91**	**34**	**2,154**	**22,948**
Profit for the year	–	–	–	–	2,393	2,393
Total comprehensive income	**–**	**–**	**–**	**–**	**2,393**	**2,393**
Dividends to shareholders	–	–	–	–	(2,913)	(2,913)
Long-term incentive plan	–	–	–	657	–	657
Crystallisation of long-term incentive plan	5	611	–	(616)	–	–
Issue of Ordinary Shares	461	50,767	–	–	–	51,228
Redemption of Warrant Shares	–	–	(2)	–	–	(2)
31 March 2018	**681**	**71,832**	**89**	**75**	**1,634**	**74,311**
Period ended 31 March 2017						
8 December 2015	**–**	**–**	**–**	**–**	**–**	**–**
Profit for the period	–	–	–	–	2,464	2,464
Total comprehensive income	**–**	**–**	**–**	**–**	**2,464**	**2,464**
Dividends to shareholders	–	–	–	–	(310)	(310)
Long-term incentive plan	–	–		34	–	34
Issue of Ordinary Shares	215	20,454	91	–	–	20,760
31 March 2017	**215**	**20,454**	**91**	**34**	**2,154**	**22,948**

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

Urban Logistics REIT plc, previously Pacific Industrial & Logistics REIT plc, (the "Company") and its subsidiaries (the "Group") carry on the business of property lettings throughout the United Kingdom. The Company is a public limited company incorporated and domiciled in England and Wales and listed on the AIM Market of The London Stock Exchange. The registered office address is 124 Sloane Street, London, SW1X 9BW.

2. Basis of preparation

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

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

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

The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £2.39 million.

Going concern

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

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 is preparing the Annual Report and financial statements.

Standards issued but not yet effective

The company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 "Financial instruments" will be effective for the year ending March 2019 onwards.
- IFRS 15 "Revenue from contracts with customers" will be effective for the year ended March 2019 onwards.
- IFRS 16 "Leases" will be effective for the year ending March 2020 onwards.
- Amendments to IFRS 2 "Classification and measurement of share-based payment" will be effective for the year ending March 2019 onwards.
- Amendments to IAS 40 "Transfers of Investment Property" will be effective for the year ended March 2019 onwards.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

3. Significant accounting judgements, estimates and assumptions

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

Business combinations

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

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

Long-term incentive plan

In determining the fair value of the long-term incentive plan and the related charge to the statement of comprehensive income, the group makes assumptions about future events and market conditions.

In particular, judgement must be formed as to the likely number of shares that will vest, and the fair value of each award granted.

3. Significant accounting judgements, estimates and assumptions (continued)

The fair value is determined using a valuation model which is dependent on a number of assumptions of the Group's future dividend policy and the future volatility in the price of the group's shares. Such assumptions are based on publicly available information and reflects market expectation. Different assumptions about these factors to those made by the group could materially affect the reported value of long-term investment plan.

Details of the Group's long-term incentive plan can be found in note 11.

Fair value of investment property

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

The valuations have been prepared in accordance with RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 13.

4. Principal accounting policies

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

Basis of consolidation

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

Business combinations

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

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

Subsidiaries are entities which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

Investment in subsidiaries

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

Borrowing costs

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

Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reported to the chief operating decision maker to allocate resources to the segments and to assess their performance. Following the strategic review, the directors consider there to be only one reportable segment, being the investment in the United Kingdom of medium size industrial warehouses.

Investment properties

Investment properties comprises completed property that is held to earn rentals or for capital appreciation or both.

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

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Financial instruments

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

Financial assets

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

A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected. The amount of any provision is recognised in the statement of comprehensive income.

Cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost. Cash and cash equivalents comprise cash in hand, deposits held with banks and other short-term, highly liquid investments with original maturities of three months or less.

Financial liabilities

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

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

Derivative financial instruments

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. The gain or loss at each fair value measurement date is recognised in the statement of comprehensive income. Premiums payable under such arrangements are initially capitalised into the statement of financial position, subsequently they are remeasured and held at their fair values.

Hedge accounting has not been applied in these financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties.

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

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

Leases

Leases where substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All others are deemed operating leases. Property interests held under operating leases which meet the definition of investment properties are carried, as such, at fair value with the related lease treated as a finance lease.

Long-term incentive plan

There is a Long-Term Incentive Plan ("LTIP") in place whereby Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited (the "Manager") has subscribed for B Ordinary shares and C Ordinary shares issued in Pacific Industrial & Logistics Limited. Under the terms of the LTIP, the Company is obliged to acquire the B Ordinary shares and C Ordinary shares in Pacific Industrial & Logistics Limited, in return for services provided by Pacific Industrial LLP, subject to certain conditions.

4. Principal accounting policies (continued)

The fair value of the long-term incentive plan is calculated at the grant date using the Monte Carlo Model. The resulting cost is charged to the Statement of Comprehensive Income over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Taxation

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

Dividends

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

5. Revenue

The Group is involved in UK property ownership and letting and is considered to operate in a single geographical and business segment. The total revenue of the Group for the year was derived from its principal activity, being that of property lettings.

For the year to 31 March 2018, no single tenant accounted for more than 10% of the Group's gross rental income.

6. Operating profit

Operating profit is stated after charging:

	31 Mar 18 £'000	31 Mar 17 £'000
Directors' remuneration (note 7)	**128**	41
Long-term incentive plan (note 11)	**657**	34
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	**15**	11
– Fees payable for the audit of the Company's interim accounts	**13**	19
– Fees payable for the audit of the Company's subsidiaries	**56**	12
– Fees payable for other services	**4**	7
Total Auditor's fee	**88**	49

In addition to the above, Smith & Williamson received £466k for advice and assistance in relation to a specific property transaction involving the acquisition of a corporate structure which required a significant amount of restructuring to transfer the assets into our continuing business and liquidate companies no longer required. The fees incurred were shared equally with the vendor, by way of a price reduction, therefore, the true economic burden of these costs was £233k. These fees were capitalised as part of the acquisition process.

Smith & Williamson also received £25k in respect of providing reporting accountant services in connection with the Company's public offering in August 2017. These fees have been treated as share issue expenses and offset against share premium.

7. Directors' remuneration

	31 Mar 18 £'000	31 Mar 17 £'000
Directors' fees	**114**	97
Employer's National Insurance	**14**	3
	128	100

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Report. Two directors are also set to benefit from the Long-term incentive plan (LTIP). For further information refer to related party transactions in note 28.

8. Finance expense

	31 Mar 18 £'000	31 Mar 17 £'000
Interest on bank borrowings	**781**	446
Amortisation of loan arrangement fees	**148**	78
Interest on preference shares	**–**	76
	929	600

9. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ending 31 March 2018, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

10. Earnings per share

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

	31 Mar 18 £'000	31 Mar 17 £'000
Profit attributable to Ordinary Shareholders		
Total comprehensive income (£'000)	**9,865**	4,887
Weighted average number of Ordinary Shares in issue	**50,473,801**	10,441,474
Basic earnings per share (pence)	**19.54p**	46.80p
Number of diluted shares under option/warrant	**88,860**	90,510
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	**50,562,661**	10,531,984
Diluted earnings per share (pence)	**19.51p**	46.40p
Adjustments to remove:		
Changes in fair value of investment property (£'000)	**(7,194)**	(3,881)
Changes in fair value of interest rate derivatives (£'000)	**(134)**	115
Profit on disposal of investment properties	**(57)**	–
EPRA earnings (£'000)	**2,480**	1,121
EPRA diluted earnings per share	**4.91p**	7.82p
Adjustments to add back:		
LTIP crystallisation	**616**	–
Adjusted earnings (£'000)	**3,096**	1,121
Adjusted earnings per share	**6.12p**	7.82p

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

The profit before tax for the year ended 31 March 2018 includes a £0.62m charge in relation to the crystallisation of the Long-Term Incentive Plan ("LTIP"). The Directors believe that a more appropriate measure to assess the underlying operating performance of the business is to add back the LTIP crystallisation charge to EPRA earnings for the year.

At 31 March 2018, the Company had 2,962,000 warrant shares in issue. Each warrant holder has the right to subscribe for new Ordinary shares on the basis of one new Ordinary share for each warrant held at a strike price of 97.0 pence per Ordinary share. The dilutive nature of the share is 3.0 pence per share.

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

The Company has a Long-Term Incentive Plan ("LTIP"), accounted for as an equity settled share-based payment. At 31 March 2018, Pacific industrial LLP, an affiliate of Pacific Investments Limited, has subscribed for 1,000 B Ordinary Shares of £0.01 each and 1,000 C Ordinary Shares of £0.01 each issued in Pacific Industrial & Logistics Limited, a subsidiary of the Company, as detailed.

Date options granted	Class of Share	Fair Value at Grant £'000	Charge for the Year £'000
April 2016	A Ordinary	76	556
April 2016	B Ordinary	307	77
August 2017	C Ordinary	131	24
			657

On 13 July 2017, the A Ordinary Shares were crystallised and the resulting value was paid by way of the issue of 520,557 Ordinary Shares to Pacific Industrial LLP, an affiliate of the Manager.

Following the completion of the placement of Ordinary Shares in Urban Logistics REIT plc (the "Company") on 17 August 2017, the Company amended the existing LTIP adopted at the time of IPO.

The new LTIP has an EPRA NAV element and a share price element and will be assessed on: i) 30 September 2020 (the "First Calculation Date") and ii) 30 September 2023 (the "Second Calculation Date"). The EPRA NAV element will be 10 per cent. of the excess of the EPRA NAV per Ordinary share return over an annualised 9 per cent. hurdle, multiplied by the number of Ordinary shares in issue at the relevant calculation date. The share price element will be 10 per cent. of the excess of the share price return over an annualised 9 per cent. hurdle, multiplied by the number of Ordinary shares in issue at the relevant calculation date.

At the First Calculation Date, the share price element and the EPRA NAV element hurdle will be calculated by reference to the Placing Price.

At the Second Calculation Date, if a payment has been made at the First Calculation Date under either element, the hurdle for that element at the Second Calculation Date will be re-set to be based on the prevailing EPRA NAV per Ordinary Share/share price as at the First Calculation Date (as applicable). If no payment is made under an element at the First Calculation Date, then the hurdle for that element will continue to be calculated by reference to the Placing Price.

The LTIP will be paid in shares or, at the Board's discretion, cash.

12. Dividends

	31 Mar 18 £'000	31 Mar 17 £'000
Ordinary dividends paid		
2017 Interim dividend: 3.00p per share	**–**	310
2017 Second interim dividend: 3.00p per share	**644**	–
2017 Third interim dividend: 0.23p per share	**157**	–
2018 Interim dividend: 1.00p per share	**681**	–
2018 Special interim dividend: 2.10p per share	**1,431**	–
Total dividends paid	**2,913**	310

On 6 April 2018, the Company announced the declaration of a third interim dividend in respect of the financial year ended 31 March 2018 of 3.2 pence per Ordinary share. This has not been recognised in the financial statements and was paid on 4 May 2018.

13. 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 2018, in accordance with the RICS valuation – Professional Standards UK January 2017 (revised April 2015) (the "Red Book").

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

	Investment properties freehold £'000	Investment properties leasehold £'000	**Total £'000**
As at 1 April 2017	41,040	2,380	**43,420**
Property additions through business combinations	50,791	23,694	**74,485**
Property additions through acquisitions	12,226	10	**12,236**
Disposals in year	(5,485)	–	**(5,485)**
Change in fair value during the year	7,528	(334)	**7,194**
As at 31 March 2018	**106,100**	**25,750**	**131,850**

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £5.6 million.

Further information relating to property valuation techniques have been disclosed in note 21.

14. Investments

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2017	–	11,800
Increase in investments via share purchase	–	–
At 31 March 2018	**–**	**11,800**

Details of the Group's subsidiary undertakings as at 31 March 2018, all of which are included in the consolidated financial statements, are given below:

Company Name	Country of Incorporation	Principal Activity	Effective Group Interest
Pacific Industrial & Logistics Limited	England and Wales	Holding Company	99.98%
Pacific Industrial & Logistics Acquisitions (1) Limited	England and Wales	Holding Company	99.98%
Pacific Industrial & Logistics Acquisitions 2 Limited	England and Wales	Property Investment	99.98%
Alanchoice Limited	England and Wales	Property Investment	99.98%
Sheds General Partner 2 Limited	England and Wales	Holding Company	99.98%
Sheds GP Nominee Co. 1 Limited	England and Wales	Holding Company	99.98%
Sheds GP Nominee Co. 2 Limited	England and Wales	Holding Company	99.98%
Sheds Prop 4 S.a.r.l	Luxembourg	Holding Company	99.98%
Sheds YPL (Investments) Limited	Guernsey	Investment Property	99.98%
Sheds YPL (Investments II) Limited	Guernsey	Investment Property	99.98%
Sheds YPL (Investments III) Limited	Guernsey	Investment Property	99.98%

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

Registered office address for companies incorporated in Guernsey companies; 11 New Street, St Peter Port, Guernsey GY1 2PF

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

Pacific Industrial LLP, an affiliate of the Manager, owns 0.02% of the issued share capital in Pacific Industrial & Logistics Limited. These shares have no right to dividends, therefore, no amounts have been recognised within non-controlling interests.

15. Acquisition of subsidiaries

On 28 September 2017, the Group obtained sole control of Sheds Prop 4 Sarl, Sheds General Partner 2 Limited and Sheds Haverhill Limited, property investment companies incorporation in Luxembourg, England and Wales and Jersey respectively, through the acquisition of the entire issued share capital in the companies.

On 22 December, the Group obtained sole control of Sheds YPL (Investments) Limited, Sheds YPL (Investments II) Limited and Sheds YPL (Investments III) Limited, property investment companies in Guernsey, through the acquisition of the entire issued share capital in the companies.

These acquisitions are not judged to be the acquisition of a business and 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.

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

	Book Value £'000	Redemption of Liabilities £'000	Fair Value Adjustments £'000	**Total £'000**
Investment properties	72,365	–	2,120	**74,485**
Other receivables	725	–	(719)	**6**
Finance liabilities	(60,547)	60,547	–	–
Other liabilities	(460)	–	–	**(460)**
Total	**12,083**	**60,547**	**1,401**	**74,031**

Net cash outflow arising on acquisition:	
Total consideration	**74,031**
Cash and cash equivalents acquired	**–**
Cash consideration net of cash acquired	**74,031**

16. Trade and other receivables

	Group 31 March 2018 £'000	**Company 31 March 2018 £'000**	Group 31 March 2017 £'000	Company 31 March 2017 £'000
Trade receivables	**194**	**–**	492	–
Other receivables	**34**	**–**	6	–
Amounts due from group undertakings	**–**	**62,807**	–	11,308
Prepayments and accrued income	**357**	**9**	37	6
	585	**62,816**	535	11,314

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

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

17. Cash and cash equivalents

	Group 31 March 2018 £'000	**Company 31 March 2018 £'000**	Group 31 March 2017 £'000	Company 31 March 2017 £'000
Cash and cash equivalents	**3,280**	**41**	1,680	66
	3,280	**41**	1,680	66

Group cash and cash equivalents include £0.67 million of restricted cash in the form of rental deposits held on behalf of tenants.

18. Trade and other payables

	Group 31 March 2018 £'000	Company 31 March 2018 £'000	Group 31 March 2017 £'000	Company 31 March 2017 £'000
Falling due in less than one year				
Trade and other payables	**693**	**302**	284	95
Social security and other taxes	**110**	**10**	87	22
Accruals	**647**	**34**	235	10
Other creditors	**40**	**–**	–	105
Rent deposits	**–**	**–**	26	–
	1,490	**346**	632	232

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

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

	£'000
Balance at 1 April 2017	18,196
Bank borrowings drawn in the year	32,582
Bank borrowings repaid in the year	(2,394)
Loan arrangement fees paid	(860)
Non-cash movements:	
Amortisation of loan arrangement fees	148
Total bank borrowings per the Consolidated Group Statement of Financial Position	**47,672**

On 22 December 2017, the Group and Santander UK plc entered into a facility agreement pursuant to which Santander UK plc has agreed to provide the Group with a loan facility of £48.6 million for a term of five years.

Bank borrowings are secured by charges over investment properties held by certain asset holding subsidiaries, providing the lender with a maximum loan to value of 55% on those properties specifically charged to it and the interest cover will be at least 200%. Under the terms of the loan, the Group pays interest of 2.1% above three-month LIBOR pa on the outstanding utilised under the terms of the agreement. At 31 March 2018, £48.6 million was drawn to fund business and property acquisitions.

20. Interest rate derivatives

The Group has used interest rate swaps to mitigate exposure to interest rate risk. The total fair value of these contracts are recorded in the statement of financial position. The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the fair value of the interest rate derivatives are taken to finance costs in the statement of comprehensive income.

	Year ended 31 Mar 18 £'000	Year ended 31 Mar 17 £'000
Non-current assets/(liabilities): derivative interest rate swaps:		
At beginning of year	**(115)**	–
Change in fair value in the year	**134**	(115)
	19	(115)

21. Financial risk management

Financial instruments – Group

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

	Book Value 31 March 2018 £'000	**Fair Value 31 March 2018 £'000**	Book Value 31 March 2017 £'000	Fair Value 31 March 2017 £'000
Financial assets				
Trade and other receivables	**228**	**228**	498	498
Cash and short-term deposits	**3,280**	**3,280**	1,680	1,680
Interest rate derivatives	**19**	**19**	–	–
Financial liabilities				
Trade and other payables	**2,052**	**2,052**	(1,190)	(1,190)
Bank loans	**(48,593)**	**(48,593)**	(18,405)	(18,405)
Interest rate derivatives	**–**	**–**	(115)	(115)

Credit risk

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

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

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

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 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 19.

Market risk

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

Liquidity risk

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

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

	6 months or less £'000	**6-12 months £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than 5 years £'000**	**Total £'000**
31 March 2018						
Bank borrowings	733	734	1,436	52,858	–	55,761
Trade and other payables	1,490	–	–	672	–	2,162
	2,223	**734**	**1,436**	**52,530**	**–**	**57,923**

	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
31 March 2017						
Bank borrowings	217	243	481	18,520	–	19,461
Trade and other payables	631	–	–	646	–	1,227
	848	**243**	**481**	**19,166**	**–**	**20,738**

Included within the contracted payments is £7.17 million bank interest payable up to the point of maturity across the facility

Financial instruments – Company

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

	Book Value 31 March 2018 £'000	**Fair Value 31 March 2018 £'000**	Book Value 31 March 2017 £'000	Fair Value 31 March 2017 £'000
Financial assets				
Trade and other receivables	**62,807**	**62,807**	11,308	11,308
Cash and short-term deposits	**41**	**41**	66	66
Financial liabilities				
Trade and other payables	**345**	**345**	(210)	(210)

Fair value hierarchy

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

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

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

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

Investment property – level 3

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

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

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

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

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

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

A 5% increase in Estimated Rental Value ("ERV") would increase the property portfolio valuation by £6.59m and a 5% decrease would decrease the property portfolio valuation by £6.59m. Similarly, a decrease in Net Initial Yield ("NIY") by 0.25% would increase the property portfolio valuation by £5.87m and an increase of 0.25% would decrease the property portfolio valuation by £5.39m.

22. Capital risk management

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

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

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

23. Share capital

	31 Mar 18 Number	31 Mar 18 £'000
Issued and fully paid up at £0.01 each	**68,114,724**	**681**
At beginning of year	21,452,210	214
Issued and fully paid – 11 May 2017	55,000	1
Issued and fully paid – 17 August 2017	46,607,514	466
At 31 March 2018	**68,114,724**	**681**

On 11 May 2017, 55,000 warrant shares were redeemed for an issue price of 97.0 pence per share.

On 17 August 2017, Urban Logistics REIT plc raise £53.0 million through the issue of 46,086,957 Ordinary shares at an issue price of 115.0 pence per share.

On 17 August 2017, Urban Logistics REIT plc issued 520,557 shares as a result of the crystallisation of the LTIP.

24. Share premium

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

	31 Mar 18 £'000	31 Mar 17 £'000
Balance brought forward	**20,454**	–
Share premium on the issue of ordinary shares	**52,593**	21,147
Crystallisation of LTIP – Ordinary A shares	**611**	–
Share issue costs	**(1,826)**	(693)
	71,832	20,454

25. Share warrant reserve

	31 Mar 18 Number	31 Mar 18 £'000
At beginning of the year	3,017,000	91
Redeemed – 11 May 2017	(55,000)	(2)
At 31 March 2018	**2,962,000**	**89**

At 31 March 2018, there were 2,962,000 (2017: 3,017,000) warrant shares in issue. Each warrant holder has the right to subscribe for new Ordinary shares on the basis of one new Ordinary share for each warrant held at a strike price of 97.0 pence per Ordinary share.

26. Operating leases

The Group as lessor

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

	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
31 March 2018	7,599	23,082	7,020	37,701

27. Retained earnings

Retained earnings relates to all other net gains and losses and transactions with owner (e.g. dividends) not recognised elsewhere.

	Group 31 March 2018 £'000	Company 31 March 2018 £'000
Balance at the beginning of the year	4,577	2,154
Retained profit for the year	9,865	2,393
Second interim dividend for the period ended 31 March 2017	(644)	(644)
Third interim dividend for the period ended 31 March 2017	(157)	(157)
First interim dividend for the year ended 31 March 2018	(681)	(681)
Special interim dividend for the year ended 31 March 2018	(1,431)	(1,431)
Balance at end of the year	**11,529**	**1,634**

28. Related party transactions

The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. During the year, the amount paid for services provided by Pacific Capital Partners Limited (the "Manager") totalled £0.58 million. The total amount outstanding at the year end relating to the Investment Management Agreement was £0.24 million.

Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 31 March 2018 Pacific Industrial LLP, an affiliate of Pacific Investments Limited has subscribed for shares in Pacific Industrial & Logistics Limited. Further details have been provided in note 11.

Acquisition of investment properties

During the year, the Group incurred fees totalling £636,480 from M1 Agency LLP, a partnership in which Richard Moffitt is a designated member, in relation to the acquisition of two investment property portfolios, sale of one investment property and one re-letting. The fees were charged in line with standard commercial property terms.

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

The Manager and the Board, excluding Richard Moffitt, review and approve each fee payable to M1 Agency LLP.

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 £1,032,313 were charged to Pacific Industrial & Logistics Acquisitions (1) Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2018, £nil was due from Pacific Industrial & Logistics Acquisitions (1) Limited.

During the year, Urban Logistics REIT plc carried out transactions with Pacific Industrial & Logistics Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan increase of £51,499,288. At 31 March 2018, Urban Logistics REIT plc was due £62,806,879 from Pacific Industrial & Logistics Limited.

During the year, Urban Logistics REIT plc received a dividend of £3,000,000 from Pacific Industrial & Logistics Limited.

29. Net asset value per share (NAV)

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

Net Asset Values have been calculated as follows:

	31 Mar 18	31 Mar 17
Net assets per Condensed Statement of Financial Position (£'000)	**84,206**	25,371
Add:		
Cash received from issued share warrants (£'000)	**2,873**	2,926
Diluted NAV (£'000)	**87,079**	28,297
Adjustment for:		
Fair value of interest rate derivatives (£'000)	**(19)**	115
EPRA NAV (£'000) – basic	**84,187**	25,486
EPRA NAV (£'000) – diluted	**87,060**	28,412
Ordinary shares:		
Number of Ordinary shares in issue at period end	**68,114,724**	21,452,210
Number of Ordinary shares for the purposes of dilutive Net Asset Value per share at period end	**71,076,724**	24,469,210
Basic NAV	**123.62p**	118.26p
EPRA NAV – basic	**123.60p**	118.80p
Diluted NAV	**122.51p**	115.64p
EPRA NAV – diluted	**122.49p**	116.11p

30. Post Balance Sheet Events

On 5 April 2018, the Group completed on the sale of 16 Hudson Road for a consideration of £3.2 million. This represented an IRR on equity invested of 55.8%.

On 6 April 2018, the Company announced the placing of 17,071,130 Ordinary shares of £0.01 each at an issue price of 119.50 pence per share.

On 11 April 2018, the Group exchanged contracts on a portfolio of six urban logistics assets with an aggregate acquisition price of £36.0 million from LondonMetric.

On 8 May 2018, the Company announced the issue of 521,964 Ordinary shares of £0.01 each pursuant to the exercise of 521,964 warrants.

i. EPRA performance measures summary

	31 Mar 18	31 Mar 17
EPRA earnings per share (diluted)	**4.91p**	7.82p
EPRA net asset value per share (diluted)	**122.49p**	116.11p
EPRA triple net asset value per share (diluted)	**122.51p**	115.65p
EPRA net initial yield	**5.9%**	6.5%
EPRA 'topped up' net initial yield	**6.1%**	7.1%
EPRA vacancy rate	**6.7%**	3.8%
EPRA cost ratio (including vacant property costs)	**29.0%**	22.3%
EPRA cost ratio (excluding vacant property costs)	**20.1%**	22.3%

ii. Income statement

	31 Mar 18 £'000	31 Mar 17 £'000
Gross rental income	**5,564**	2,277
Property operating costs	**(561)**	(25)
Net rental income	**5,003**	2,252
Administrative expenses	**(1,074)**	(499)
Other income	**133**	-
Long-term incentive plan charge	**(657)**	(34)
Operating profit before interest and tax	**3,405**	1,719
Net finance costs	**(925)**	(598)
Profit before tax	**2,480**	1,121
Tax on EPRA earnings	**–**	-
EPRA earnings	**2,480**	1,121

iii. Balance sheet

	31 Mar 18 £'000	31 Mar 17 £'000
Investment property	**131,850**	43,420
Other net assets	**9**	262
Net borrowings	**(47,672)**	(18,196)
EPRA net assets	**84,187**	25,486

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

	31 Mar 18 £'000	31 Mar 17 £'000
Investment property – wholly owned	**131,850**	43,420
Completed property portfolio	**131,850**	43,420
Add:		
Allowance for estimated purchasers' costs	**8,646**	2,808
EPRA property portfolio valuation (A)	**140,496**	46,228
Annualised passing rent	**8,960**	3,068
Less irrecoverable property costs	**(714)**	(43)
Annualised net rents (B)	**8,246**	3,025
Contractual rental increased for rent free year	**380**	257
'Topped up' annualised net rent ('C)	**8,626**	3,282
EPRA net initial yield (B/A)	**5.9%**	6.5%
EPRA 'topped up' net initial yield (C/A)	**6.1%**	7.1%

v. EPRA vacancy rate

	31 Mar 18 £'000	31 Mar 17 £'000
Annualised potential rental value of vacant properties	**649**	132
Annualised potential rental value for the completed property portfolio	**9,665**	3,475
EPRA vacancy rate	**6.7%**	3.8%

vi. EPRA cost ratio

	31 Mar 18 £'000	31 Mar 17 £'000
Costs		
Property operating expenses	**561**	25
Administrative expenses	**1,074**	499
Less:		
Ground rents	**(34)**	(22)
Total costs including vacant property costs (A)	**1601**	502
Group vacant property costs	**(492)**	–
Total costs excluding vacant property costs (B)	**1,109**	502
Gross rental income	**5,564**	2,277
Less:		
Ground rents	**(34)**	(22)
Total gross rental income (C')	**5,530**	2,255
Total EPRA cost ration (including vacant property costs) (A/C)	**29.0%**	22.3%
Total EPRA cost ration (excluding vacant property costs) (B/C)	**20.1%**	22.3%

GLOSSARY OF TERMS

EPRA cost ratio	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.
EPRA earnings per share ("EPS")	Earnings from continuing operational activities divided by weighted average number of shares in issue during the year.
EPRA NAV per share	Net Asset Value, adjusted to exclude interest rate derivatives, divided by number of shares in issue at the balance sheet date.
EPRA NNNAV per share	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.
EPRA net initial yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA topped-up net initial yield	EPRA net initial yield adjusted for expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents.
EPRA vacancy rate	Estimated Market Rental Value ("ERV") of vacant space divided by ERV of the whole portfolio.
Estimated Rental Value ("ERV")	The market rental value of lettable.
European Public Real Estate Association (EPRA)	The European Public Real Estate Association (EPRA) is the industry body for European Real Estate Investment Trusts (REITs).
Loan to Value ("LTV")	The Group's gross debt expressed as a percentage of the investment property portfolio.
Occupancy rate	The ERV of the let units as a percentage of the total ERV of the investment property portfolio.
Net initial yield	Annual rents on investment properties as a percentage of the investment property portfolio valuation having added notional purchaser's costs.
Property income distribution ("PID")	Dividends from the Group's tax-exempt property business.
REIT	UK Real Estate Investment Trust.
Total Accounting Return ("TAR")	Represents the movement in EPRA NAV per share plus dividends paid during the period expressed as a percentage of EPRA NAV per share at the beginning of the period.
Weighted Average Unexpired Lease Term (WAULT)	The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

COMPANY INFORMATION

Directors

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

Company secretary
Jordan Company Secretaries Limited
21 St Thomas Street
Bristol
BS1 6JS

Registered office
124 Sloane Street
London
SW1X 9BW

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

Broker and Nominated Advisor
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Depositary
INDOS Financial Limited
25 North Row
London
W1K 6DJ

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

Commercial property valuer
CBRE Limited
Henrietta House
London
W1G 0NB

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

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

Website
www.pacificil.com

FINANCIAL CALENDAR

6 July 2018	Annual General Meeting
30 September 2018	Half Year End
November 2018	Announcement of Half Year Results
31 March 2019	Year End

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting ("**AGM**") of Urban Logistics REIT plc (the "**Company**") will be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU on 6 July 2018 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 9 as ordinary resolutions and resolutions 10 and 11 as special resolutions):

Ordinary business

ORDINARY RESOLUTIONS

1. To receive the Annual Report and Accounts of the Company for the financial year ended 31 March 2018 together with the Directors' Report and Auditors' Report thereon.
2. That Nigel Rich be re-elected as a Director of the Company with effect from the end of the meeting.
3. That Jonathan Gray be re-elected as a Director of the Company with effect from the end of the meeting.
4. That Bruce Anderson be re-elected as a Director of the Company with effect from the end of the meeting.
5. That Richard Moffitt be re-elected as a Director of the Company with effect from the end of the meeting.
6. That Mark Johnson be re-elected as a Director of the Company with effect from the end of the meeting.
7. To re-appoint Nexia Smith & Williamson as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which the Company's accounts are laid.
8. To authorise the Audit Committee of the Company to determine the amount of the auditors' remuneration.

Special business

ORDINARY RESOLUTION

9. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the **"Act**") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £85,707.82 (equating to 8,570,782 ordinary shares of £0.01 each ("**Ordinary Shares**") and representing approximately 10.00 per cent. of the ordinary share capital of the Company as at 8 June 2018) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2019 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to section 551 of the Act.

SPECIAL RESOLUTIONS

10. That, subject to the passing of resolution no. 9, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution no. 9 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or transfer of equity securities up to an aggregate nominal amount of £85,707.82 (equating to 8,570,782 Ordinary Shares and representing approximately 10.00 per cent. of the ordinary share capital of the Company as at 8 June 2018) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2019 save that the Company shall be entitled to make, prior to the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or transferred after such expiry, and the Directors may allot and/or transfer equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities previously granted to the Directors to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.
11. That the Company be authorised generally and unconditionally, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:
    (a) the maximum number of Ordinary Shares that may be purchased is 12,847,602, representing approximately 14.99 per cent. of the issued ordinary share capital as at 8 June 2018;
    (b) the minimum price which may be paid for an Ordinary Share is 1 penny; and
    (c) the maximum price which may be paid for an Ordinary Share is the higher of: (i) five per cent. above the average of the mid-market quotation of an Ordinary Share for the five business days before the purchase is made; and (ii) the higher of the last independent trade and the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out.

    The authority conferred by this resolution will expire on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2019 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

By order of the Board of Directors
Company Secretary of Urban Logistics REIT plc
11 June 2018
Registered Office: 124 Sloane Street, London SW1X 9BW

NOTES:

Proxies

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend, speak and vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member. To appoint more than one proxy, the proxy form should be photocopied and the name of the proxy to be appointed indicated on each form together with the number of shares that such proxy is appointed in respect of (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. A form of proxy is enclosed with this notice. Forms of proxy may also be obtained on request from the Company's registered office. In order to be valid any proxy form or other instrument appointing a proxy must be returned duly completed by one of the following methods no later than 48 hours before the time of the Annual General Meeting (excluding non-working days), in hard copy form by post, by courier, or by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. Submission of a proxy appointment will not preclude a member from attending and voting at the AGM should they wish to do so. To direct your proxy on how to vote on the resolutions, mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

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

Thresholds and entitlement to vote

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

5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 4 July 2018 (or if the AGM is adjourned, members entered on the Register of Members of the Company no later than 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend, speak and vote at the AGM in respect of the number of Ordinary Shares registered in his or her name at that time. Changes to entries on the Register of Members of the Company after 6.00 p.m. on 4 July 2018 shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

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

7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

8. As at 8 June 2018, being the latest practicable date before the publication of this notice of AGM, the Company's issued share capital consisted of 85,707,818 Ordinary Shares each carrying one vote. Therefore, the total voting rights in the Company as at 8 June 2018 is 85,707,818.

Miscellaneous

9. Copies of the Directors' letters of appointment are available for inspection at the registered office of the Company during normal business hours from 8 June 2018 and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

10. Members who have general queries about the Annual General Meeting should write to the Company Secretary at the Company's registered office: 124 Sloane Street, London SW1X 9BW.

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

Explanation of certain resolutions

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

2. Resolutions 2 to 6 – Re-appointment of Directors – The Board, led by the Chairman, has considered each of the Directors and has concluded that each of them makes positive and effective contributions to the meetings of the Board and the committees on which they sit, and that they demonstrate commitment to their roles. The Board is satisfied that each

independent non-executive director offering themselves for re-appointment is independent in character and there are no relationships or circumstances likely to affect their character or judgement. Biographies of each of the directors are provided on pages 22 and 23 of the Annual Report and Accounts and are also available from the Company's website: www.pacificil.com. The Board unanimously recommends the re-appointment of each of the directors.

3. **Resolutions 7 and 8 – auditor re-appointment and remuneration** – The auditors of a Company must be re-appointed at each general meeting at which accounts are laid. Resolution 7 proposes the re-appointment of the Company's existing auditor, Nexia Smith & Williamson (who have been in office since the Company's incorporation) until the next general meeting at which accounts are presented. Resolution 8 is a separate resolution which proposes to grant authority to the Audit Committee to determine the auditor's remuneration.

4. **Resolution 9 – general authority to allot** – this resolution, to be proposed as an ordinary resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the earlier of the conclusion of the annual general meeting to be held in 2019 and 30 September 2019 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum nominal amount of £85,707.82 (representing approximately 10.00 per cent. of the issued Ordinary Share capital of the Company as at 8 June 2018 (the latest practicable date prior to the publication of this document)). The Directors have no present intention to exercise the authority sought under this resolution. As at 8 June 2018, the Company held no Ordinary Shares in treasury.

5. **Resolution 10 – statutory pre-emption rights** – the Act requires that if the Directors decide to allot unissued shares in the Company or transfer them out of treasury, the shares proposed to be issued or transferred must be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot and/or transfer shares out of treasury for cash without regard to the provisions of section 561(1) of the Act. Therefore this resolution, to be proposed as a special resolution, seeks authority to enable the directors to allot and/or transfer equity securities out of treasury up to a maximum nominal amount of £85,707.81 (representing approximately 10.00 per cent. of the issued Ordinary Share capital of the Company as at 8 June 2018 (the latest practicable date prior to the publication of this document)). This authority expires on the earlier of the conclusion of the annual general meeting to be held in 2019 and 30 September 2019 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.

6. **Resolution 11 – market purchases** – the Directors are requesting authority for the Company to make market purchases of up to 12,847,601 Ordinary Shares (representing approximately 14.99 per cent. of the issued Ordinary Share capital of the Company as at 8 June 2018 (the latest practicable date prior to the publication of this document)). There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Directors (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Directors, and not at the option of shareholders. Subject to shareholder authority for the proposed repurchases, general purchases of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) five per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.