Annual report and accounts 2017

Pacific
INDUSTRIAL & LOGISTICS

WE BELIEVE LAST-MILE AND REGIONAL LOGISTICS PROPERTIES ARE CURRENTLY ONE OF THE MOST ATTRACTIVE ASSET CLASSES IN THE UK MARKET

9.8% portfolio valuation uplift	16.1% increase in EPRA NAV per share
42.4% loan to value	8.6% rental growth*
22.6% total shareholder return	6.0 pence dividends paid or declared

*on property portfolio acquired at IPO

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Financial Highlights

- IPO in April 2016 raised gross proceeds of £12.2 million at an issue price of 100.0 pence per share
- Further equity raising in November 2016 raised £11.1 million, at an issue price of 100.0 pence per share
- Paid an interim dividend of 3.0 pence per share in December 2016 with a second interim dividend payable in July 2017 of 3.0 pence per share. A total of 6.0 pence per share and in line with initial target dividend on the IPO issue price
- The properties were independently valued as at 31 March 2017 at £43.4 million, an uplift of 9.8% over the aggregate acquisition price
- The EPRA net asset value ("NAV") per share increased from 100.0 pence at the time of the IPO to 116.1 pence as at 31 March 2017, a rise of 16.1%
- Loan to value ("LTV") was 42.4% at 31 March 2017, with long term drawn debt at the period end of £18.4m
- Rental growth of 8.6% across portfolio purchased at IPO
- Low average rents of £4.65 sq ft

Operational Highlights

- Annualised contracted rent roll at 31 March 2017 of £3.2 million
- Running yield on net book value of 7.4%
- 13 assets, 15 tenancies
- Weighted average unexpired lease term ("WAULT") across the portfolio was 4.4 years at period end

Pacific Industrial & Logistics REIT plc is a property investment Company, quoted on the AIM market of the London Stock Exchange, which invests in smaller (sub-£10m) industrial and logistics sites across the UK.

The period since IPO has seen us actively deploy the Company's equity capital in the acquisition of 13 assets for a total combined purchase price of £39.5 million. The assets acquired have proven to be quality investments, with a good geographical spread, diverse tenancies and present a variety of asset management opportunities which have the potential to provide both income and capital appreciation.

In uncertain economic times, investors are naturally drawn to companies that can deliver asset-backed income. Since our IPO, we have looked to construct a portfolio that offers secure income from good quality tenants, with the prospect of an attractive return through our active asset management initiatives. The Group raised further capital and expanded the shareholder base in November 2016 when a combination of new and existing investors subscribed for £11.1 million of equity capital. The capital was quickly deployed to purchase two well-located regional logistics properties and reduce the Group's loan to value from over 50% to below 45%.

The Group's deployment of capital raised during the period, into assets yielding on average 7.9% (excluding purchaser costs), combined with a 3.3% average interest cost and income enhancing asset management initiatives have enabled us to deliver EPRA earnings per share of 7.8 pence.

Investment policy

The Group's focus and Investment Policy is to invest in well-located, fit-for-purpose last mile or regional logistics facilities in the UK, which display appealing characteristics:

- A strong tenant financial covenant and evidence of commitment including fit-out, location and strategic value within the tenant's business model;
- Quality stock which may be mis-priced by the market and can be purchased below replacement cost (leveraging the experience of the Manager to drive stock selection);
- Opportunity for rental growth and out-performance by way of asset management, tenant mix and the re-gearing of leases; and
- Key locations across the occupational industrial and logistics market (e.g. proximity to major transport links and the 'Golden Triangle', a preferred logistics region).

I AM PLEASED TO PRESENT THE GROUP'S CONSOLIDATED RESULTS FOR ITS FIRST REPORTING PERIOD* FROM IPO ON 13 APRIL 2016 TO 31 MARCH 2017.

Overview

The Group for the period to 31 March 2017 delivered a total return of 22.6% with an interim dividend paid of 3.0 pence and second interim dividend declared of 3.0 pence per share.

A total of 13 industrial and logistics assets were acquired during the period – with a diverse portfolio centred across the Midlands 'Golden Triangle'. The Group acquired these assets off-market on attractive terms. The first portfolio, 'M1 Portfolio', was acquired at IPO and following a second fund raising in November 2016 two more properties were acquired in Chesterfield and Leeds.

At the period end the portfolio of properties was valued at £43.4 million, with the portfolio increasing in value by 9.8% over the period.

In uncertain political and economic times, investors are naturally drawn to companies that can deliver asset-backed income. The Group has constructed a portfolio that offers secure income, from good quality tenants, with the prospect of an attractive total return through the Manager's active asset management initiatives. Following IPO in April 2016, which raised £12.2m, a further fundraising of £11.1 million in November 2016 was used to purchase two logistics sites in Chesterfield and Leeds, and to streamline the capital structure reducing the Group's loan-to-value from over 50% to below 45% and to broaden the shareholder base.

Financial results

The Group's financial performance for the period was very strong, with rental income for the year totalling £2.3m. Profit, pre-interest and before the gain on the fair value of investment properties, was £1.7m. Incorporating the uplift registered by the portfolio in the financial year of £3.9m, the operating profit of the Group was £5.6m. The EPRA NAV per share at 31 March 2017 was 116.11 pence, compared with 100.00 pence at time of the issue.

The Group benefited from a cap of £533,000 on expenses which was provided by the Manager in accordance with the management agreement. In June 2017, the board has agreed with the Manager an extension of the cap at £650,000 until there is a fundraising or other similar event.

As at 31 March 2017, the Group has a senior debt facility with Santander totalling £50m, of which £18.4m has been drawn. This facility has a term of 3 years and drawn amount reflects a loan to value ("LTV") at 31 March 2017 of 42.4%, within the target set out at the time of the IPO of 45%.

Management

The Group has a management agreement in place with Pacific Capital Partners Limited, (the "Manager"), to provide operational and financial management. The two key property managers are Richard Moffitt, who is a Director of the Company, and Christopher Turner. Richard and Christopher bring considerable property knowledge and complementary experience to the business. Administratively, the Manager provides excellent support services as well as providing strategic input via Mark Johnson, who is also a Director of the Company.

The Board and the Manager intend to review in the next 12 months whether the management agreement in its present form is appropriate as the company grows.

Dividends

During the financial period, we paid an interim dividend per share of 3.0 pence in December 2016, in respect of the six month operating period to 30 September 2016

On 22 May 2017, the Board declared a dividend of 3.0 pence per share in respect of the period from 1 October 2016 to 31 March 2017. This dividend will be paid on or around 28 July 2017, to Shareholders on the register at 2 June 2017.

Board and governance

At the time of the IPO, Jonathan Gray became Chairman of the Group, with Bruce Anderson a second independent non-executive director, and Richard Moffitt a Director representing the Manager. On 1 January 2017, I was appointed as Chairman with Jonathan Gray becoming Senior Independent Director. In addition, Mark Johnson joined the Board, representing the Manager. Bruce remains as Chair of the Audit Committee.

The Board determines the Group's investment objectives and policy and has overall responsibility for the Group's activities, including reviewing investment activity, performance, business conduct and strategy, as well as developing and complying with the principles of good corporate governance. The Board is also responsible for controlling and supervising the Manager and the Group's investment advisor, Pacific Industrial LLP.

Outlook

The Board believes that the Manager has delivered an excellent performance since IPO both in sourcing the assets and then enhancing the value through active management of lease renewals and rent reviews.

The financial performance of the Group during its first period of trading has been very strong and gives us great confidence in the prospects for this coming year and beyond as the Group looks to increase its scale.

The Group having successfully deployed the equity capital raised in April 2016, and in November 2016, continues to target scale, income and an attractive total return whilst adhering to the Group's investment policy of acquiring smaller industrial and logistics properties across the UK. Our focus is on assets which are located in supply constrained areas, priced well below the cost of replacement and which therefore represent a value add opportunity to shareholders. The Group will also be exploring opportunities to raise additional equity.

The industrial and logistics real estate sector remains robust against a backdrop of continued economic uncertainty. It is the best performing commercial property sector in 2017 and it continues to be underpinned by distribution and the changing habits of consumers and retailers migrating online. As such, retailers continue to invest in their fulfilment capability, as well as supply networks. We are well positioned to continue to benefit from strong structural demand/supply dynamics and to deliver sustainable earnings and capital growth to our shareholders.

The Manager, whose recognised expertise across UK industrial and logistics properties is underpinned by a customer-led approach to securing acquisitions and attracting good quality tenants, is presently seeing a number of high quality acquisition targets which meet our investment criteria. We are therefore confident in the Group's ability to continue to generate attractive, risk adjusted returns through the cycle.

Nigel Rich, Chairman
9 June 2017

*The Group's IPO took place on 13 April 2016. The Company was incorporated on 8 December 2015; but did not commence trading until the IPO date

OUR FIRST PERIOD'S TRADING SINCE IPO HAS SEEN GOOD RESULTS.

Investment activity

The Group acquired 13 assets between the Group's IPO in April 2016 and period end of 31 March 2017, at which time the portfolio comprised the properties in the table below. These have proven to be quality investments, with a good geographical spread and diverse tenancies. The portfolio also presents a variety of asset management opportunities, which have the potential to provide both income growth and capital appreciation.

The average size of the properties in the portfolio at 31 March 2017 was 41,523 sq ft. The weighted average unexpired lease term at the same date was 4.4 years.

Valuation and portfolio growth

CBRE independently valued the portfolio at 31 March 2017, in accordance with the RICS Valuation – Professional Standards. The portfolio's market value was £43.4 million, compared with the assets' combined purchase price of £39.5 million, including purchaser costs. This represents an increase of £3.9 million or 9.8%, 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 for the Group.

Financial results

Operating profit for the period was £5.6 million (driven by portfolio yield and a revaluation uplift of £3.9m from the portfolio purchased at IPO) for the period. There were two principal drivers of this positive performance. The first was the portfolio's strong rental income which includes the benefit of rent reviews which at period end equated to a running yield based on net book value of 7.4%. The second was the successful asset management undertaken during the period 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 costs of running the Group, were £0.5 million, equivalent to 2.1% of the Net Asset Value at 31 March 2017. The expenses were capped with the Manager bearing the costs above £0.5 million, which amounted to £0.3 million.

Summary of Portfolio at 31 March 2017

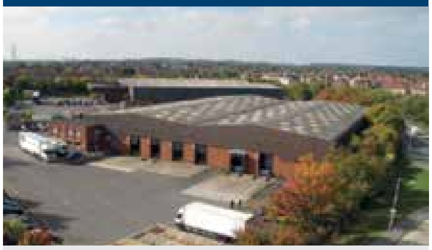
Tenant	Location	Month of Acquisition	Acquisition* Cost (£k)	Net Book Value (£k)	Size (sq ft)
Price's Patent Candles Ltd	Bedford	Apr 16	2,200	2,380	44,338
Jas Bowman & Sons Ltd	Bedford	Apr 16	2,675	3,150	39,306
The BSS Group Ltd	Northampton	Apr 16	750	760	13,633
ACO Technologies Plc	Bedford	Apr 16	1,675	2,450	38,716
Blackburns Metals Ltd	Bedford	Apr 16	1,250	1,750	24,008
Ball and Young Ltd	Bedford	Apr 16	1,100	1,570	22,672
Ideal Industries Ltd	Bedford	Apr 16	2,850	2,300	42,320
The BSS Group Ltd	Bedford	Apr 16	2,300	4,900	59,607
Marshall Thermo King Ltd	Dunstable	Apr 16	600	750	9,452
Winit (UK) Ltd	Bardon	Apr 16	6,000	6,080	73,466
7 Day Shop.com Ltd**	Bedford	Apr 16	1,393	1,549	21,140
Professional Fulfilment Services Ltd	Bedford	Apr 16	1,394	1,551	21,165
Arqadia Ltd	Bedford	Apr 16	2,813	3,130	42,707
Tangerine Confectionery Ltd	Chesterfield	Jan 17	4,659	5,000	108,194
PUMA United Kingdom Ltd	Leeds	Mar 17	6,050	6,100	62,117
Total at 31 March 2017			**37,709**	**43,420**	**622,841**

*Excluding purchaser costs.
**Void from 24 March 2017.

Current Portfolio Analysis

The Group has invested in 13 assets, comprising 15 tenancies. Select properties include:

1. BSS, BEDFORD



Annual passing rent – £357,642
Size (sq ft) – 59,607
Rent per sq ft – £6.00
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 with a good covenant.

During the period, the Manager negotiated a rent review at £6.00 sq. ft. (+38%, +£97,642 p.a.).

2. PUMA/NEWDAY, LEEDS

Annual passing rent – £552,859
Size (sq ft) – 62,117
Rent per sq ft – £4.88
Tenure – Freehold

The property is located to the north-west of Bruntcliffe Way, Morley. It is a 62,117 sq ft logistics unit that sits at J27 of the M62, 5 miles from Leeds city centre. Built as an industrial site originally, it has recently been fully refurbished and upgraded. It benefits from 4 access doors and a new secure yard with parking, eaves height are 7.6m.

It comprises a logistics warehouse which has recently been let to Puma United Kingdom Limited and a car park facility with a lease in place to NewDay Cards Limited. There are further asset management opportunities available to the Manager relating to the lease and the car park.

3. JAS BOWMAN, BEDFORD

Annual passing rent – £166,520
Size (sq ft) – 39,306
Rent per sq ft – £4.24
Tenure – Freehold

The building comprises an industrial unit which has recently been fully refurbished, including replacement of the cladding and roof at the tenant's cost.

The Manager has recently negotiated a 20-year lease which expires in 2036, there is a rent review in 2020 so further lease discussions are available to the Manager.

Financing and hedging

During the period, the Group drew down a senior debt facility with Santander, resulting in long-term borrowings of £18.4 million at 31 March 2017. The margin payable at period end was 210 bps.

Net financing costs were £0.6 million for the period, with the Group reducing leverage to below its target level of 45% loan-to-value ("LTV") following the secondary capital raise in November 2016. At 31 March 2017, the Group's LTV was 42.4%.

The Group's medium term target is an LTV ratio of 45% against the Group's gross asset value. The facility in place contains LTV covenants requiring a cash sweep at 50% LTV and a hard default of 60% LTV, so there is sufficient headroom across all covenants, demonstrating the robust nature of the Group's cash flow cover and favourable working capital profile.

Outlook

We believe that there is a healthy pipeline of suitable new investment opportunities. Further to the purchase of two regional distribution warehouses in January and March 2017 respectively, the Manager continues to have discussions with the current owners of a number of other suitable portfolios and assets that meet the Group's Investment Policy.

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 replacement, 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.

2016 was a record year of take-up for UK logistics (29.4m sq ft v. 19.5m sq ft in 2015 according to IPD) and we have witnessed a strong start to 2017 across key regions, notably the 'Golden Triangle' where our portfolio is located.

Market Outlook

The Manager believes that an opportunity exists for investment in the UK industrial and logistics market, owing to strong tenant demand and limited stock supply.

The UK continues to be one of the fastest growing adaptors 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.

Demand for lots has increased significantly and is driven by manufacturing / distribution and the continued growth in e-commerce. Parcel carriers, retailers and companies within the UK manufacturing supply chain are all involved with the rise in take-up of smaller format lots.

Target market

Yields on target investment sites (sub-£10m) have historically been 1.0% higher than those of larger lots (over £10m) as investors and real estate investment trusts are almost unilaterally focussed on larger lot sizes. Smaller lots therefore trade at a discount to more institutional grade assets due to the reduced weight of money targeting this stock. There is also a less active debt market for smaller companies and investors in this lot size.

Supply

Supply levels for logistics property peaked in 2009 following a period of speculative development in the run up to the economic downturn. Following strong occupational demand resulting from the recent economic recovery there is now a significant shortage.

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 more than a third lower than the peak post-recession in 2009. In 2016 total availability was 71 million square feet.

Supply remains low by historical standards and there remains a lack of land allocated for warehouse development.

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. According to CBRE's United Kingdom Logistics – The Property Perspective H2 2016 report, demand for logistics warehousing has been exceptionally strong recently. A number of regions are also reporting record prices being achieved for land sales, especially in core locations such as the Midlands' Golden Triangle. The Manager will continue to focus on purchasing sites at 40-70% of replacement cost.

Take-up for logistics space in 2016 pushed to a record high of 29.4m sq ft, 10m sq ft ahead of the previous long-run annual average over 10 years.

We note that online retail accounted for 30% of all take-up during 2016 and was the most acquisitive sector, acquiring greater space than the more traditional grocery chains and other retail. One of the other key features of demand in 2016 was 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. For example, in the South East the lack of supply has led to occupiers considering alternative locations elsewhere around the M25.

Acquisitions

The focus of the Manager will be to continue acquiring attractive assets with the potential for rental growth in light of the current market dynamic of diminishing supply and increasing occupier demand.

The Manger 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 market.

Richard Moffitt, Christopher Turner
Manager
9 June 2017

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 Shareholder Return (TSR)

22.6%

Performance: TSR of 22.6% for the period ended 31 March 2017.

Objective: TSR measures that change in our share price over the year, assuming dividends paid are reinvested. This measure reflects our ability to deliver long-term shareholder returns through execution of our strategy.

EPRA NAV per Share

116.11 pence

Performance: EPRA NAV of 116.11 pence per share at 31 March 2017. An increase of 16% since IPO.

Objective: 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 long-term asset value growth whilst managing liabilities.

Loan to Value (LTV)

42.4%

Performance: LTV of 42.4% at 31 March 2017.

Objective: LTV measures the proportion of our property assets that are funded by borrowings. Our medium-term target is 45% of the Group's gross asset value.

Adjusted Earnings per Share (EPS)

7.87 pence

Performance: Adjusted EPS of 7.87 pence per share for the date of IPO, 13 April 2016, through to 31 March 2017.

Objective: Our Adjusted EPS reflects our ability to deliver sustainable growth from our portfolio. It reflects earnings from our operating business (rental income less operating, administative and finance costs).

See note 10.

Weighted Average Unexpired Lease Term (WAULT)

4.4 years

Performance: WAULT of 4.4 years at 31 March 2017.

Objective: WAULT is the average unexpired lease term across the investment 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.

Total Expense Ratio (TER)

2.1%

Performance: TER of 2.1% for the period ended 31 March 2017. Our medium-term target is 1-2% per annum.

Objective: The ratio of our total administrative costs expressed as a percentage of net asset value throughout the period. This is an indicator of how cost-effectively we manage both our property assets and our administrative costs to improve operational profit.

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. As the Group grows the risk profile is likely to change and new risks identified.

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

A summarised list of the principal risks is set out below.

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 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 UK REIT regulations, this may lead to the Group losing its UK 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.

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
9 June 2017

Corporate Governance

The Board is committed to the highest standards of corporate governance, which meet the statutory and regulatory requirements for companies listed in the United Kingdom.

Leadership and Governance

Although not currently required to adhere to the UK Corporate Governance Code, the Company is subject to the AIM regime and, wherever possible, committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") in 2016.

Summary of current approach

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

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

The Board consists of five Directors, three Directors are independent of the Manager. Richard Moffitt and Mark Johnson, who are not independent of the Manager, exclude themselves from participating in voting on matters that involve the Manager, or where there is a perceived potential conflict of interest.

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. Biographical information on each Director is set out on page 18.

The Manager

Under the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Group to the Manager. To ensure open and regular communication between the Manager and the Board, Richard Moffitt reports to the Board. Other members of the Manager are invited to Board meetings where appropriate, to report on other matters such as the Group's portfolio management, financial reporting, and wider corporate and operational activities.

The Board will formally review the Manager's performance each year, to allow the Board to state, if appropriate, that the Manager's continued appointment is in shareholders' interests.

In June 2017, the board has agreed with the Manager that the annual total running costs of the Group, excluding finance charges, performance fees and LTIP charge, will be capped at £650,000 per annum until there is a fundraising or other such capital event.

Fees

Under the Management Agreement the Manager receives a performance fee payable half yearly in arrears. The performance fee is aligned with shareholders as no fee is paid until shareholders receive an annual dividend yield (by reference to the IPO issue price of 100.00p) of at least 6.0 per cent, following which the Manager shall receive a percentage of the excess annual yield as follows: for the period to 31 March 2017, the Manager has agreed to waive any entitlement to a performance fee based on the dividend yield.

Annual dividend yield*	Manager's % share of excess yield
From 6.0 per cent to 7.0 per cent	20
From 7.0 per cent to 8.0 per cent	25
Greater than 8.0 per cent	30

*by reference to the IPO issue price.

The Board believes that the success of the Group 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 Group.

Accordingly, at the time of the IPO, the Group adopted the Long-Term Incentive Plan (LTIP) for the benefit of the Manager and the Management Team.

Issue of the incentive shares

Pursuant to the LTIP, at the time of the IPO, Pacific Industrial LLP (an affiliate of Pacific Capital Partners Limited) in which the Management Team also have a 30 per cent interest was issued with two classes of incentive shares in Pacific Industrial & Logistics Limited (the intermediate holding company of the Group). These incentive shares entitle Pacific Industrial LLP (and indirectly Pacific and the Management Team) to share in the future growth in value of the Group.

Third anniversary of the IPO ("A Shares")

On the third anniversary of the IPO, the Company will acquire the first class of incentive shares from Pacific Industrial LLP. The price that the Company will acquire these incentive shares will be an amount equal to 20 per cent of the increase in the price of an Ordinary Share since the IPO (adjusted to take dividends and other distributions into account) above an 8 per cent compounding hurdle multiplied by the number of Ordinary Shares then in issue. If this class of incentive shares are underwater, they will be acquired by the Company for a nominal sum.

Fifth anniversary of the IPO ("B Shares")

On the fifth anniversary of the IPO, the Company will acquire the second class of incentive shares from Pacific Industrial LLP. The price that the Company will acquire these incentive shares will be an amount equal to 20 per cent of the increase in the price of an Ordinary Share since the higher of: (i) the IPO above an 8 per cent compounding hurdle from Admission; and (ii) the third anniversary of Admission (again adjusted to take dividends and other distributions into account), above an 8 per cent compounding hurdle from the third anniversary, multiplied by the number of Ordinary Shares then in issue. If this class of incentive shares are underwater, they will be acquired by the Company for a nominal sum.

Other

The consideration for the incentive shares will be Ordinary Shares (issued at the prevailing market price) or, at the election of the Company, cash. The number of Ordinary Shares to be issued for the acquisition of the incentive shares shall not exceed 10 per cent of the number of Ordinary Shares then in issue (with the balance being acquired for cash).

If the Manager's appointment under the Management Agreement is terminated for cause, Pacific Industrial LLP's awards under the LTIP shall automatically lapse.

At 31 March 2017 the value of these A and B shares has been ascribed as £119,000. The fair value was 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. Under the terms of the Company's Long-term incentive plan (LTIP), the LTIP is accounted for as an equity settled share based payment.

The Financial Conduct Authority ("FCA") authorised the Manager as an Alternative Investment Fund Manager ("AIFM") on 29 March 2016. At the same time an Investment Management Agreement, which permits the Manager to carry out certain additional activities necessary for the Company's management, was entered into and effective from 21 March 2016.

The Manager acts as the Group's manager for the purposes of the AIFMD and certain other ancillary services. The Manager has delegated the day-to-day administration of the Group to Pacific Industrial LLP.

Board meetings

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

During the period ended 31 March 2017, there were 14 Board meetings. The Company is currently in its growth phase, so the Board convened a substantial number of additional meetings during the period, to consider and implement equity fundraisings and to consider 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.

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 approved by the Board.

The Board reviews the terms of reference at each Committee meeting.

The Board has not yet established a Remuneration Committee as it has no executive Directors and the Company has no employees.

Audit Committee

The Audit Committee comprises the three independent Directors, and Mark Johnson, with Bruce Anderson as its Chairman.

The Audit Committee meets at least twice a year. It helps the Board to meet its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Company's published financial statements are a true and fair reflection of this position. It also helps the Board to ensure that the Group has appropriate accounting policies, internal financial controls and compliance procedures. The Committee receives regular financial information from the Manager and valuation reports from the Group's property valuer – CBRE, along with reports from the external auditor as part of the half year review and full year audit.

The Audit Committee's report is included on page 20.

Management Engagement Committee

The Management Engagement Committee comprises the independent Directors and is chaired by Nigel Rich. Annually it will review the appropriateness of the Investment Manager's continuing appointment together with the terms and 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.

Nomination Committee

The Nomination Committee comprises the three independent Directors, and Mark Johnson, with Nigel Rich as its Chairman. It intends to meet at least once a year. The Committee's main function is to regularly review the Board's structure, size and composition and to consider succession planning for Directors. The Committee has not yet met so no report is included.

The Board will undertake regular performance appraisals. The Board as a whole will consider its performance and the performance of its subcommittees. The Chairman will review the performance of the Individual Directors and the Directors, led by the senior independent Director, Jonathan Gray, will review the Chairman's performance. As part of the annual performance appraisal process, the training needs for Board members will be considered and, where necessary, acted upon.

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 will be given at least 21 days' notice of the AGM, where all Directors and committee members will be available to answer questions.

At the AGM all votes will be dealt with on a show of hands and the number of proxy votes cast is indicated. Votes on separate issues will be proposed as separate resolutions. The Investment Manager and corporate broker regularly update the Board with the views of shareholders and analysts.

On 16 May 2017, Canaccord Genuity Limited were appointed as the Company's brokers, replacing finnCap Limited.

Conflicts of interest

The Articles 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.

The independent Directors are very mindful of potential conflicts of interest arising in the Company's dealings with the Manager and the Investment Manager. During the period, two properties were acquired through the M1 Agency in which Richard Moffitt is a partner. The Directors were satisfied that the fees payable on the transaction were in accordance with normal industry practice.

Internal control

The Investment 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. The Audit Committee will review annually the Managers approach to internal control to ensure it is working effectively.

All Directors are expected to attend all Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. During the period all Directors attended all Board meetings.

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.

Anti-bribery and corruption

The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. In considering The Bribery Act 2010, at the date of this report, the Board had assessed the perceived risks to the Group arising from bribery and corruption and to identify aspects of business which may be improved to mitigate such risks.

Management Engagement Committee Report

The Management Engagement Committee met for the first time on 4 May 2017 to review the reporting period to 31 March 2017. This meeting was primarily to review the Group's relationships with its main service providers and the terms thereof. In particular, it considered the Group's relationships with the Manager and Pacific Industrial LLP (the "Investment Adviser"), in its collective capacity as the Group's investment manager, from IPO in April 2016 until 31 March 2017. The Committee noted the appointment of a new corporate broker, and that the principal service providers were performing well and no material weaknesses or issues have been identified.

The Management Engagement Committee will meet again in early 2018, before the end of the Company's second full year of operation, to review the continuing appointment of all the Company's service providers and ensure they are in the best interests of shareholders as a whole.

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

Nigel Rich
Management Engagement Committee chairman

Nomination Committee Report

A Nomination Committee was established in April 2017 and comprises the independent Directors and Mark Johnson, and is chaired by Nigel Rich. The Committee identifies and approves candidates to fill Board vacancies, using external search consultants where appropriate.

The Board under the chairmanship of Jonathan Gray approved the appointments of Mark Johnson and Nigel Rich as Directors during the year.

Nigel Rich
Nomination Committee chairman

The Board of Directors

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.

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.

Founding partner and shareholder/director of Pacific's investment portfolio and private equity companies including Liontrust, Thames River Capital, River & Mercantile, Argentex and Pacific Asset Management.

Audit Committee Report

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 an assessment of the estimates and judgements;
- The appropriateness of the interim and period end individual property valuations and the independence of the external valuers;
- To review the Group's system of internal control and risk management, and any changes in accounting policies that may impact the financial statements; and
- 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.

The Committee will consider annually 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 of the external auditor will involve consideration of the qualifications, expertise and resources of the audit partner and team as well as the quality and timeliness of the audit deliverables.

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.

Period to 31 March 2017	£000's
Audit fees including related assurance services	42
Non-audit fees	7
Sub total	49
IPO fees	68
Total	**117**

Smith & Williamson received £67,785 in respect of providing reporting accountant and tax services in connection with the initial listing of the Company. The work undertaken was not used in the audit of these financial statements and was a one-off engagement. The Committee are satisfied that this did not compromise the independence of the auditor.

The Committee has recommended the reappointment of Smith & Williamson, to be proposed to shareholders at the next Annual General Meeting.

Internal audit

The Company relies on the Manager to maintain all the financials of the Company, and therefore relies on the Manager's internal control systems. The approach to internal control will be reviewed annually with the Manager and in conjunction with the Company's auditor's.

Valuation of property portfolio

The Group has property assets of £43.4 million as at 31 March 3017. 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 2017, in accordance with the RICS valuation – Professional Standards January 2014 (the "Red Book"). The Committee met with the team from CBRE in May 2017 and discussed the assumptions underlying the individual property valuations, and has concluded that the valuation is fair, balanced and judged appropriate.

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

At the request of the Board, the Audit Committee considered whether the 2017 Annual Report and financial statements were 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 robust procedures established and adopted by management 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.

Conclusion

The Audit Committee recommends to the shareholders, based on the valuation report from CBRE and audit opinion, that the adoption of the going concern basis is appropriate in preparing the Annual Report and financial statements.

Bruce Anderson
Chairman of the Audit Committee
9 June 2017

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 70 funds across 56 clients, encompassing $14 billion of assets. Funds range in size up to $2bn and 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 the 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 Group. 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 Group.

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 Group 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 Group 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 Audit Committee.

During the period, IFL has reviewed two capital raises (including an issue and redemption of preference shares), one new financing arrangement, the acquisition of the initial property portfolio and two further property purchases. Based upon the results of the work performed to date, IFL can confirm that no issues came to our attention to indicate that the Group was not being operated as intended.

Bill Prew, CEO
For and on behalf of
INDOS Financial Limited
27 Clements Lane
London
EC4N 7AE
9 June 2017

Directors' Report

Report and financial statements

The Directors present their report together with the audited financial statements for the period ended 31 March 2017.

Pacific Industrial & 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 Group's principal activity, including financial performance during the period 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.

Share capital

As part of the Company's IPO on 13 April 2016, the Company issued 10,317,910 Ordinary shares at a price of 100.0 pence per share. The shares were admitted to trading on the AIM Market of The London Stock Exchange. This was followed by the placing of 11,124,300 Ordinary shares at a price of 100.0 pence per share on 28 November 2016.

As at 31 March 2017, 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 period. Further details on issued share capital is set out in note 23 to the financial statements.

Preference shares were issued as part of the Company's IPO on 13 April 2016. These were fully repaid on 30 November 2016.

Financial results and dividends

The Group reported a profit for the period after taxation of £4.9 million. Further details are set out in the Consolidated Statement of Comprehensive Income. During the year, the following interim dividend was declared:

- on 9 November 2016 an interim dividend was declared in respect of the period from 8 December 2015 to 30 September 2016 of 3.0 pence per Ordinary Share and paid on or around 23 December 2016 to Shareholders on the register on 25 November 2016.

A second interim dividend in respect of the six months ended 31 March 2017 of 3.0 pence per share was declared on 22 May 2017, to be paid on or around 28 July 2017 to shareholders on the register at close of business on 2 June 2017. Dividends paid and proposed in the period amount to 6.0 pence.

Directors' interests and remuneration

The present membership of the Board and biographical details of Directors are set out on page 18.

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' share dealings

The Directors have adopted a code of Directors' dealings in ordinary shares. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with this code.

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

Director	Number of Ordinary shares held	Percentage of issued share capital at 31 March 2017
Nigel Rich, Chairman (appointed 1 January 2017)	75,000	0.35%
Bruce Anderson (appointed 14 January 2016)	20,000	0.09%
Jonathan Gray (appointed 14 January 2016)	20,000	0.09%
Mark Johnson* (re-appointed 1 January 2017)	150,000	0.70%
Richard Moffitt (appointed 14 January 2016)	300,000	1.40%

*Mark Johnson was appointed as Director on 14 January 2016 and resigned on 16 March 2016.

Directors' remuneration

The fees paid to the current Directors in the period to 31 March 2017, which have been audited, are set out below.

Director	Annual Fee	Total to 31 March 2017
Nigel Rich - Chairman	£75,000	£18,750
Bruce Anderson	£10,000	£9,667
Jonathan Gray	£10,000	£9,667
Mark Johnson *	–	–
Richard Moffitt *	–	–
Total	**£95,000**	**£38,084**

*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 Group's business is set out in the Strategic Report.

Employees

The Group has no employees, apart from Directors.

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 13.

Political donations

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

Substantial shareholdings

The Directors have been notified that the following shareholders have a disclosable interest of 5% or more in the ordinary shares of the Company at the date of this report:

	Number of shares held	Percentage of issued share capital
HSBC Global Custody Nominee (UK) Limited	1,927,500	8.99%
Northtrust Nominees Limited	1,300,000	6.06%
Sir John Beckwith and M C Trustees Limited	1,250,000	5.83%
Rock (Nominees) Limited	1,231,475	5.74%
JFAD Limited	1,200,000	5.59%
MPKJ Limited	1,200,000	5.59%
Puma Asset Management Limited	1,200,000	5.59%
GDAD Limited	1,100,000	5.13%

Sir John Beckwith and associated interests amount to 36.13% of the issued share capital as at 31 March 2017.

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

There were no post balance sheet events that required disclosure in the financial statements.

Independent auditor

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

Annual general meeting

The Company's Annual General Meeting ("AGM") is due to be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU at 9.00 am on 6 July 2017.

Disclosure of information to the auditor

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

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

This report was approved by the Board on 9 June 2017.

Nigel Rich
Chairman

Directors' Reponsibility 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 period.

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
9 June 2017

Independent Auditor's Report to the Members of Pacific Industrial & Logistics REIT plc

We have audited the financial statements of Pacific Industrial & Logistics REIT plc for the period from 8 December 2015 to 31 March 2017 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Cash Flow Statement, Company Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and or the parent company's affairs as at 31 March 2017 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 property 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.

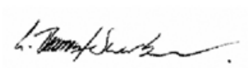
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.



Guy Swarbreck
for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
9 June 2017

25 Moorgate
London
EC2R 6AY

Consolidated Statement of Comprehensive Income

	Note	31 March 2017 £'000
Revenue	5	2,277
Cost of sales		(25)
Gross income		**2,252**
Administrative and other expenses		(499)
Long-term incentive plan charge	11	(34)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**1,719**
Changes in fair value of investment property	13	3,881
Operating profit	6	**5,600**
Finance income		2
Finance expense	8	(600)
Changes in fair value of interest rate derivatives		(115)
Profit before taxation		**4,887**
Tax credit/(charge) for the period	**9**	**–**
Profit and total comprehensive income (attributable to the shareholders)		**4,887**
Earnings per share – basic	**10**	**46.80p**
Earnings per share – diluted	**10**	**46.40p**

Consolidated Statement of Financial Position

	Note	31 March 2017 £'000
Non-current assets		
Investment property	13	43,420
Total non-current assets		**43,420**
Current assets		
Trade and other receivables	16	535
Cash and cash equivalents	17	1,680
Total current assets		**2,215**
Total assets		**45,635**
Current liabilities		
Trade and other payables	18	(632)
Deferred rental income		(676)
Total current liabilities		**(1,308)**
Non-current liabilities		
Long term rental deposits		(645)
Interest rate derivatives	20	(115)
Bank borrowings	19	(18,196)
Total non-current liabilities		**(18,956)**
Total liabilities		**(20,264)**
Total net assets		**25,371**
Equity		
Share capital	23	215
Share premium	24	20,454
Share warrant reserve	25	91
Other reserves	11	34
Retained earnings	27	4,577
Total equity		**25,371**
Net Asset Value per share basic	29	**118.26p**
Net Asset Value per share diluted	29	**115.64p**

The financial statements of Pacific Industrial & Logistics REIT plc (registered number 09907096) on pages 27 to 47 were approved by the Board of Directors and authorised for issue on 9 June 2017 and signed on its behalf by:

Nigel Rich
Chairman

Company Statement of Financial Position

	Note	31 March 2017 £'000
Non-current assets		
Investment in subsidiaries	14	11,800
Total non-current assets		**11,800**
Current assets		
Trade and other receivables	16	11,314
Cash and cash equivalents	17	66
Total current assets		**11,380**
Total assets		**23,180**
Current liabilities		
Trade and other payables	18	(232)
Total current liabilities		**(232)**
Total liabilities		**(232)**
Total net assets		**22,948**
Equity		
Share capital	23	215
Share premium	24	20,454
Share warrant reserve	25	91
Other reserves	11	34
Retained earnings	27	2,154
Total equity		**22,948**

The profit and total comprehensive income for the Company for the period from 8 December 2015 to 31 March 2017 was £2,464,000.

The financial statements of Pacific Industrial & Logistics REIT plc (registered number 09907096) on pages 27 to 47 were approved by the Board of Directors and authorised for issue on 9 June 2017 and signed on its behalf by:

Nigel Rich
Chairman

Consolidated Cash Flow Statement

	Note	31 March 2017 £'000
Cash flows from operating activities		
Profit for the period (attributable to equity shareholders)		4,887
Less: changes in fair value of investment property		(3,881)
Add: changes in fair value of interest rate derivatives		115
Less: finance income		(2)
Add: finance expense		600
Long-term incentive plan		34
Increase in trade and other receivables		(513)
Increase in trade and other payables		551
Cash generated from operations		**1,791**
Net cash flow generated from operating activities		**1,791**
Investing activities		
Purchase of investment properties	13	(12,022)
Acquisition of a subsidiary, net of cash acquired	15	(26,135)
Net cash flow used in investing activities		**(38,157)**
Financing activities		
Cost of share issue		(693)
Proceeds from issue of ordinary share capital		21,453
Proceeds from issue of preference shares		2,000
Redemption of preference shares and interest payment		(2,076)
Bank borrowings drawn		20,475
Bank borrowings repaid		(2,070)
Loan arrangement fees paid		(287)
Interest paid		(446)
Dividends paid to equity holders	12	(310)
Net cash flow generated from financing activities		**38,046**
Net increase in cash and cash equivalents for the period		**1,680**
Cash and cash equivalents at start of period		**–**
Cash and cash equivalents at end of period		**1,680**

Company Cash Flow Statement

	Note	31 March 2017 £'000
Cash flows from operating activities		
Profit for the period (attributable to equity holders)		2,464
Add: finance expense		76
Long-term incentive plan		34
Increase in amounts due from group undertakings		(11,308)
Increase in trade and other receivables		(4)
Increase in trade and other payables		230
Cash used in operations		**(8,508)**
Net cash flow used in operating activities		**(8,508)**
Investing activities		
Acquisition of subsidiary	14	(11,800)
Net cash flow used in investing activities		**(11,800)**
Financing activities		
Proceeds from issue of ordinary share capital		21,453
Proceeds from issue of preference shares		2,000
Redemption of preference shares and interest payment		(2,076)
Cost of share issue		(693)
Dividends paid to equity holders	12	(310)
Net cash flow generated from financing activities		**20,374**
Net increase in cash and cash equivalents for the period		**66**
Cash and cash equivalents at start of period		**–**
Cash and cash equivalents at end of period		**66**

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
8 December 2015	–	–	–	–	–	–
Profit for the period	–	–	–	–	4,887	4,887
Total comprehensive income	**–**	**–**	**–**	**–**	**4887**	**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
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
Pacific Industrial & Logistics REIT plc (the "Company") and its subsidiaries (the "Group") carry on the business of property investment 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 £2.46 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 and revised IFRSs that have been issued but are not yet effective:

IFRS 9: Financial instruments (effective 1 January 2018)

IFRS 15: Revenue from contracts with customers (effective 1 January 2018)

IFRS 16: Leases (effective 1 January 2019 not yet endorsed by EU)

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.

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 January 2014 (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.

Carrying value of investments in subsidiaries

The carrying value of investments in subsidiaries are initially recorded at cost and subsequently measured at cost less provision for impairment. The directors have reviewed all forecast and budgetary information available to them and have deemed there to be no objective evidence that the Company will not recover the full amount stated in these financial statements.

Provision for impairment of amounts owed by group undertakings

Amounts owed by group undertakings are initially recognised at cost and subsequently measured at cost less provision for impairment. The directors have reviewed all forecast and budgetary information available to them and have deemed there to be no objective evidence that the Company will not recover the carrying value in these accounts.

4. Principal accounting policies

The principal accounting policies applied in the preparation of these interim 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 periods presented.

Basis of consolidation

The financial statements consolidate the accounts of the Company and all subsidiary undertakings drawn up to the same period 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. 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 income and retained earnings. 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.

4. Principal accounting policies (continued)

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. Under operating leases, properties leased to tenants are accounted for as investment properties.

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 A Ordinary shares and B Ordinary shares issued in Pacific Industrial & Logistics Limited. Under the terms of the LTIP, the Company is obliged to acquire the A Ordinary share and B Ordinary shares in Pacific Industrial & Logistics Limited, in return for services provided by Pacific Industrial LLP, subject to certain conditions. The LTIP has been accounted for as an equity settled share based payment.

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.

Preference shares

Preference shares issued by the Company are classified in accordance with the contractual arrangements entered into. Issued preference shares that pay a fixed dividend or have a mandatory redemption features at a future date are recognised within liabilities.

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 investment.

6. Operating profit

Operating profit is stated after charging:

	31 March 2017 £'000
Directors' remuneration (note 7)	41
Long-term incentive plan charge (note 11)	34
Auditor's fees	
– Fees payable for the audit of the Company's annual accounts	11
– Fees payable for the audit of the Company's subsidiaries	19
– Fees payable for audit related services	12
– Fees payable for non-audit related services	7
Total Auditor's fees	49

The Auditor also received £67,785 in respect of providing reporting accountant and tax services in connection with the initial listing of the Company. These fees have been treated as share issue expenses and offset against share premium.

7. Directors' remuneration

	31 March 2017 £'000
Directors' fees	38
Employer's National Insurance	3
	41

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 March 2017 £'000
Interest on bank borrowings	446
Amortisation of loan arrangement fees	78
Interest on preference shares	76
	600
Changes in fair value of interest rate derivative	115
	115

9. Taxation

As a UK 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 period ending 31 March 2017, 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 by the weighted average number of ordinary shares outstanding during the period, in accordance with IAS 33.

	31 March 2017
Profit attributable to Ordinary Shareholders	
Total comprehensive income (£'000)	4,887
Weighted average number of Ordinary Shares in issue	10,441,474
Basic earnings per share (pence)	**46.80p**
Number of diluted shares under option/warrant	90,510
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	10,531,984
Diluted earnings per share (pence)	**46.40p**

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

At 31 March 2017, the Company had 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. The dilutive nature of the share is 3.0 pence per share.

During the period from 8 December 2015 to 12 April 2016, the Company had 1 Ordinary share in issue and was dormant. The Company has calculated earnings per share in accordance with IAS 33, however, in the opinion of the Directors this does not accurately reflect the true earnings per share over the period.

The Directors believe that a more appropriate starting point for calculating the weighted average number of shares in issue would be 13 April 2016, the date the Company was admitted to AIM Market of the London Stock Exchange and when the Company began trading.

	31 March 2017
Profit attributable to Ordinary Shareholders	
Total comprehensive income (£'000)	4,887
Weighted average number of Ordinary Shares in issue from 13 April 2016	14,238,374
Period adjusted basic earnings per share (pence)	**34.32p**
Number of diluted shares under option/warrant	90,510
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share from 13 April 2016	14,328,884
Period adjusted diluted earnings per share (pence)	**34.10p**

The Adjusted Earnings Per Share ("Adjusted EPS"), is a performance measure used by the Board to assess the Group's operational performance. The adjustment removes non-cash items credited or charged to the Consolidated Statement of Comprehensive Income and uses a weighted average number of shares from the date of IPO, 13 April 2016, through to 31 March 2017

	31 March 2017
Profit attributable to Ordinary Shareholders	
Total comprehensive income (£'000)	4,887
Adjustments to include:	
Changes in fair value of investment property	(3,881)
Changes in fair value of interest rate derivatives	115
Adjusted total comprehensive income (£'000)	**1,121**
Weighted average number of Ordinary Shares in issue from 13 April 2016	14,238,374
Adjusted basic earnings per share (pence)	**7.87p**
Number of diluted shares under option/warrant	90,510
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share from 13 April 2016	14,328,884
Adjusted diluted earnings per share (pence)	**7.82p**

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 2017 Pacific Industrial LLP, an affiliate of Pacific Investment Limited, has subscribed for 1,000 A Ordinary Shares of £0.01 each 1,000 B 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	Number	Fair Value at Grant £'000	Charge for the Period £'000
April 2016	A Ordinary	1,000	76	25
April 2016	B Ordinary	1,000	43	9
			119	**34**

1. The Company is obliged to acquire the A Ordinary Shares and B Ordinary Shares on the third and fifth anniversary of Admission respectively (or on a change of control of the Company) in return for Ordinary Shares (at the prevailing market value) or, at the election of the Company for cash.
2. On the third anniversary of Admission the holders of the A Ordinary Shares shall receive, in aggregate the greater of: (i) £10 multiplied by the number of A Ordinary Shares in issue; and (II) 20 per cent of the increase in market value of an Ordinary Share (adjusted to take dividends and other distributions into account) above the Issue Price increased by an 8 per cent compounding hurdle from Admission multiplied by the number of Ordinary Shares in issue.
3. On the fifth anniversary of the IPO, the Company will acquire the B Ordinary Shares from Pacific Industrial LLP. The price that the Company will acquire these B Ordinary Shares will be an amount equal to 20 per cent of the increase in the price of an Ordinary Share since the higher of: (i) the IPO above an 8 per cent compounding hurdle from Admission; and (ii) the third anniversary of Admission (again adjusted to take dividends and other distributions into account), above an 8 per cent compounding hurdle from the third anniversary multiplied by the number of Ordinary shares then in issue.

12. Dividends

	31 March 2017 £'000
Equity dividends on ordinary shares	
– Interim dividend for the period ended 31 September 2016: 3.00p	310
	310

The Directors propose that the Company pays a second interim dividend relating to the period ended 31 March 2017 of 3.0 pence per ordinary share. This dividend has not been included in these financial statements. The second interim dividend was approved on 22 May 2017 and is due to be paid on or around 28 July 2017 to shareholders on the register at the close of business on 2 June 2017.

13. Investment properties

In accordance with IAS 40 "Investment Property", investment property is held at fair value as determined by an external valuer. This valuation has been conducted by CBRE and has been prepared as at 31 March 2017, in accordance with the RICS valuation – Professional Standards January 2014 (the "Red Book").

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

	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000
As at 1 April 2016	–	–	–
Property additions through business combinations	25,312	2,205	27,517
Property additions through acquisitions	12,022	–	12,022
Change in fair value during the period	3,706	175	3,881
As at 31 March 2017	**41,040**	**2,380**	**43,420**

Total rental income for the period recognised in the Statement of Comprehensive income amounted to £2,277,101.

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

14. Investments

Investments are analysed as follows:

	Group 2017 £'000	Company 2017 £'000
At 8 December 2015		
Investments in investments via share purchases	–	11,800
At 31 March 2017	**–**	**11,800**

Details of the Group's subsidiary undertakings as at 31 March 2017, all of which are included in the consolidated financial statements, are given below.

Company Name	Country of Incorporation	Principal Activity	Ordinary shares held
Pacific Industrial & Logistics Limited	England and Wales	Holding Company	99.98%
Pacific Industrial & Logistics Acquisitions (1) Limited	England and Wales	Holding Company	99.98%
Alanchoice Limited	England and Wales	Property Investment	99.98%

The registered office address of all the entities listed above is 124 Sloane Street, London, SW1X 9BW.

15. Business combinations

On 14 April 2016, the Group obtained sole control of Alanchoice Limited, a property investment company incorporated in England and Wales, through the acquisition of the entire issued share capital in the company. The acquisition increased the Group's owned property portfolio by £27.5m (including purchaser costs of £0.5m), comprising 11 assets.

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

	Book Value £'000	Fair Value Adjustments £'000	Total £'000
Investment properties	27,000	517	27,517
Cash	1,382	–	1,382
Other receivables	247	(225)	22
Other liabilities	(1,660)	256	(1,404)
Total	**26,969**	**548**	**27,517**

Net cash outflow arising on acquisition:	
Total consideration	27,517
Cash and cash equivalents acquired	(1,382)
Cash consideration net of cash acquired	**26,135**

For the period from 14 April 2016 to 31 March 2017, Alanchoice Limited contributed £2,277,101 of turnover and £5,924,353 profit for the period to the Group.

16. Trade and other receivables

	Group 31 March 2017 £'000	Company 31 March 2017 £'000
Trade receivables	492	–
Other receivables	6	–
Amounts due from group undertakings	–	11,308
Prepayments and accrued income	37	6
	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 period end date. Due to their short maturities, the fair value of trade and other receivables approximates their fair value.

17. Cash and cash equivalents

	Group 31 March 2017 £'000	Company 31 March 2017 £'000
Cash and cash equivalents	1,680	66
	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 2017 £'000	Company 31 March 2017 £'000
Falling due in less than one year		
Trade and other payables	284	95
Social security and other taxes	87	22
Accruals	235	10
Other creditors	–	105
Rent deposits	26	–
	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

Any associates fees in arranging the bank borrowings that are unamortised as at the period end are offset against amounts drawn on the facilities as shown in the following table:

	31 March 2017 £'000
Falling due in more than one year	
Bank borrowings drawn: due in more than one year	18,405
Less: unamortised costs	(209)
Total bank borrowings per the Consolidated Group Statement of Financial Position	**18,196**

On 13 April 2016, 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 £50 million for a term of three 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 60% on those properties specifically charged to it and the interest cover will be at least 235%. 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 2017, £18.4 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.

	31 March 2017 £'000
Non-current liabilities: derivative interest rate swaps	(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 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 2017 £'000	Fair Value 31 March 2017 £'000
Financial assets		
Trade and other receivables	496	496
Cash and short-term deposits	1,680	1,680
Financial liabilities		
Trade and other payables	(1,130)	(1,130)
Bank borrowing	(18,196)	(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 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 £1.06 million of bank interest payable up to the point of maturity across the facility.

21. Financial risk management (continued)

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 2017 £'000	Fair Value 31 March 2017 £'000
Financial assets		
Investments in subsidiaries	11,800	11,800
Trade and other receivables	11,314	11,314
Cash and short-term deposits	66	66
Financial liabilities		
Trade and other payables	(232)	(232)

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.

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; reversionary yields, tenure, letting, taxation, town planning and the condition and repair of the properties and sites. The reversionary rental yields across the property portfolio ranged from 4.6% to 9.0%.

A 5% increase in Estimated Rental Value ("ERV") would increase the property portfolio valuation by £2.19m and a 5% decrease would decrease the property portfolio valuation by £2.16m. Similarly, a decrease in Net Initial Yield ("NIY") by 0.25% would increase the property portfolio valuation by £1.72m and an increase of 0.25% would decrease the property portfolio valuation by £1.60m.

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 to maintain the level of aggregate borrowings within the Group's medium-term target of 45% of the Group's gross assets.

23. Share capital

	31 March 2017 Number	31 March 2017 £'000
Issued and fully paid up at 1p each	**21,452,210**	**215**
At beginning of period	–	–
Issued and fully paid – 8 December 2015	1	–
Redeemed at par value – 13 April 2016 (IPO)	(1)	–
Issued and fully paid – 13 April 2016 (IPO)	10,317,910	103
Issued and fully paid – 28 November 2016	11,124,300	111
Issued and fully paid – 1 February 2017	10,000	1
At 31 March 2017	**21,452,210**	**215**

On 13 April 2016, Pacific Industrial & Logistics REIT plc raised £10.3 million through its IPO and the Ordinary Shares issued had been admitted to the AIM Market of The London Stock Exchange at an issue price of 100.0 pence per share.

On 28 November, Pacific Industrial & Logistics raised a further £11.1 million through the issue of 11,124,300 Ordinary shares at an issue price of 100.0 pence per share.

On 1 February 2017, 10,000 warrant shares were redeemed for an issue price of 97.0 pence per share.

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 March 2017 £'000
Balance at the beginning of the period	–
Share premium on the issue of ordinary shares	21,147
Share issue costs	(693)
	20,454

25. Share warrant reserve

	31 March 2017 Number	31 March 2017 £'000
At beginning of period	–	–
Issued – 13 April 2016 (IPO)	3,027,000	92
Redeemed – 1 February 2017	(10,000)	(1)
At 31 March 2017	**3,017,000**	**91**

At 31 March 2017, there were 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 2017	**2,632**	**3,654**	**2,440**	**8,726**

27. Retained earnings

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

	Group 31 March 2017 £000	Company 31 March 2017 £'000
Balance at the beginning of the period	–	–
Retained profit for the period	4,887	2,464
First interim dividend for the period ended 30 September 2016	(310)	(310)
Balance at end of period	**4,577**	**2,154**

28. Related party transactions

The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. During the period, the amount paid for services provided by Pacific Capital Partners Limited (the "Manager") totalled £0.13 million. The total amount outstanding at the period end relating to the Investment Management Agreement was £0.08 million.

Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 31 March 2017 Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited has subscribed for shares in Pacific Industrial & Logistics Limited. Further details have been provided in note 11.

Acquisition of investment properties

During the period, the Group incurred fees totalling £106,640 from M1 Agency LLP, a partnership in which Richard Moffitt is a partner, in relation to the acquisition of two investment properties. The fees were charged in line with standard commercial property terms, and have been approved by the independent Directors.

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

Transactions with subsidiaries

Under IFRS we are required to disclose all inter-company transactions that took place during the period 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 period fees of £380,160 were charged to Pacific Industrial & Logistics Acquisitions (1) Limited, a subsidiary undertaking incorporated in England and Wales, from Pacific Industrial & Logistics REIT plc. At 31 March 2017, £nil was due from Pacific Industrial & Logistics Acquisitions (1) Limited.

During the period, Pacific Industrial & 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 £11,307,591. At 31 March 2017, Pacific Industrial & Logistics REIT plc was due £11,307,591 from Pacific Industrial & Logistics Limited.

During the period, Pacific Industrial & Logistics Limited carried out transactions with Pacific Industrial & Logistics Acquisitions (1) Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan increase of £11,280,685. At 31 March 2017, Pacific Industrial & Logistics Limited was due £11,280,685 from Pacific Industrial & Logistics Acquisitions (1) Limited.

During the period, fees of £403,999 were charged to Alanchoice Limited, a subsidiary undertaking incorporated in England and Wales, from Pacific Industrial & Logistics Acquisitions (1) Limited. At 31 March 2017, £nil was due from Alanchoice Limited.

During the period, Pacific Industrial & Logistics Acquisitions (1) Limited carried out transactions with Alanchoice Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan increase of £30,230,412. At 31 March 2017, Pacific Industrial & Logistics Acquisitions (1) Limited was due £30,230,412 from Alanchoice Limited.

During the period, Pacific Industrial & Logistics REIT plc received a dividend of £2,650,00 from Pacific Industrial & Logistics Limited.

During the period, Pacific Industrial & Logistics Limited received a dividend of £2,700,000 from Pacific Industrial & Logistics Acquisitions (1) Limited.

During the period, Pacific Industrial & Logistics Acquisitions (1) Limited received a dividend of £3,000,000 from Alanchoice 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 March 2017
Net assets per Consolidated Statement of Financial Position (£'000)	25,371
Ordinary shares: Number of Ordinary Shares in issue at 31 March 2017	21,452,210
Basic Net Asset Value per share (pence)	**118.26p**

At 31 March 2017, there were 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.

	31 March 2017
Net assets per Consolidated Statement of Financial Position (£'000)	25,371
Add: cash received from issued share warrants (£'000)	2,926
Diluted Net Asset Value (£'000)	**28,297**
Ordinary shares: Number of Ordinary Shares for the purpose of dilutive Net Asset Value per share at 31 March 2017	24,469,210
Diluted Net Asset Value per share (pence)	**115.64p**

The EPRA NAV is seen by the Directors as a fairer reflection of the Group's financial position. This is calculated by adding back the derivative interest rate swap to the net assets as at 31 March 2017 per the Consolidated Statement of Financial Position, in accordance with EPRA guidelines.

Net asset values have been calculated as follows:

	31 March 2017
Net assets per Consolidated Statement of Financial Position (£'000)	25,371
Add back: derivative interest rate swaps (£'000)	115
EPRA Net Asset Value (£'000)	**25,486**
Ordinary shares: Number of Ordinary Shares in issue at 31 March 2017	21,452,210
EPRA basic Net Asset Value per share (pence)	**118.80p**

	31 March 2017
Adjusted Net assets per Consolidated Statement of Financial Position (£'000)	25,486
Add: cash received from issued share warrants (£'000)	2,926
EPRA diluted Net Asset Value (£'000)	**28,412**
Ordinary shares: Number of Ordinary Shares for the purpose of dilutive Net Asset Value per share at 31 March 2017	24,469,210
EPRA diluted Net Asset Value per share (pence)	**116.11p**

30. Ultimate controlling party

The Company has no ultimate controlling party.

Company Information

Directors
Nigel Rich CBE (appointed 1 January 2017)
Jonathan Gray (appointed 14 January 2016)
Richard Moffitt (appointed 14 January 2016)
Bruce Anderson (appointed 14 January 2016)
Mark Johnson* (re-appointed 1 January 2017)
Kristian Rogers (appointed 8 December 2015, resigned 14 January 2016)
Christopher Turner (appointed 14 January 2016, resigned 16 March 2016)
Elliot William (appointed 8 December 2015, resigned 14 January 2016)

*Mark Johnson was appointed on 14 January 2016 and resigned on 16 March 2016.

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
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

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

Depositary
INDOS Financial Limited
25 North Row
London W1K 6DJ

Auditor, reporting accountant and tax adviser
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

July 2017	Payment of a second interim dividend in respect of the period ended 31 March 2017
6 July 2017	Annual General Meeting
30 September 2017	Half Year End
November 2017	Announcement of Half Year Results
31 March 2018	Full Year End

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting ("**AGM**") of Pacific Industrial & 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 2017 at 9.00 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 8 as ordinary resolutions and resolutions 9 and 10 as special resolutions):

Ordinary business

ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts of the Company for the financial year ended 31 March 2017 together with the Directors' Report and Auditors' Report thereon.
2. That Nigel Rich, who retires as a Director in accordance with Article 95.2 of the Articles of Association (the "**Articles**") and being eligible to do so offers himself for re-election as a Director, be re-elected as a Director of the Company.
3. That Richard Moffitt, who retires as a Director in accordance with Article 95.2 of the Articles and being eligible to do so offers himself for re-election as a Director, be re-elected as a Director of the Company.
4. That Mark Johnson, who retires as a Director in accordance with Article 95.2 of the Articles and being eligible to do so offers himself for re-election as a Director, be re-elected as a Director of the Company.
5. That Jonathan Gray, who retires as a Director in accordance with Article 95.2 of the Articles and being eligible to do so offers himself for re-election as a Director, be re-elected as a Director of the Company.
6. That Bruce Anderson, who retires as a Director in accordance with Article 95.2 of the Articles and being eligible to do so offers himself for re-election as a Director, be re-elected as a Director of the Company.
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 and to authorise the Directors to determine the amount of the auditors' remuneration.

Special business

ORDINARY RESOLUTION

8. 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 £21,457.21 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 2018 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

9. That, subject to the passing of resolution no. 8, 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. 8 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 £21,457.21 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 2018 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.
10. 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 3,216,435;
    (b) the minimum price which may be paid for an Ordinary Share is 1 pence; and
    (c) the maximum price which may be paid for an Ordinary Share is the higher of: (i) five per cent. above the average of the mid-market value of the Ordinary Shares 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 2018 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 Pacific Industrial & Logistics REIT plc
9 June 2017

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% 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 6.00pm on 4 July 2017 (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 6.00pm on 4 July 2017 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 9 June 2017, being the latest practicable date before the publication of this notice of AGM, the Company's issued share capital consisted of 21,457,210 Ordinary Shares each carrying one vote. Therefore, the total voting rights in the Company as at 9June 2017 is 21,457,210.

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 9 June 2017 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.

Explanation of certain resolutions

1. **Resolution 1** – The Directors are required to present the accounts, Directors' report and auditor's report to the meeting. These are contained in the Company's Annual Report and Financial Statements 2017.
2. **Resolutions 2 to 6 – retirement by rotation** – At each AGM, any Director who has been appointed by the Board since the previous AGM, in addition to those Directors who are required to retire by rotation pursuant to the Articles, shall retire and submit themselves for re-election by Shareholders. Pursuant to Article 95.2 of the Articles, all of the Directors are required to retire and submit themselves for re-election as this is the first annual general meeting of the Company following their appointment.
3. **Resolution 7 – auditor re-appointment and remuneration** – At each meeting at which the Company's accounts are presented to its shareholders, the Company is required to appoint an auditor to serve until the next such meeting and seek Shareholder consent for the Directors to set the remuneration of the auditors.
4. **Resolution 8 – 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 2018 and 30 September 2018 (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 of nominal amount of £21,457.21 (representing 10.00 per cent. of the issued Ordinary Share capital of the Company as at 9 June 2017 (the latest practicable date prior to the publication of this document)).
5. **Resolution 9 – 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 £21,457.21 (representing 10.00 per cent. of the issued Ordinary Share capital of the Company as at 9 June 2017 (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 2018 and 30 September 2018 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.
6. **Resolution 10 – market purchases** – the Directors are requesting authority for the Company to make market purchases of up to 3,216,435 Ordinary Shares (representing 14.99 per cent. of the issued Ordinary Share capital of the Company as at 9 June 2017 (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. The Directors will not exercise their power to make market purchases if to do so would result in the concert party comprising Pacific Investment Management Limited, Sir John Beckwith and their affiliates, or any of their affiliated entities, having to make a mandatory takeover offer under the Takeover Code.