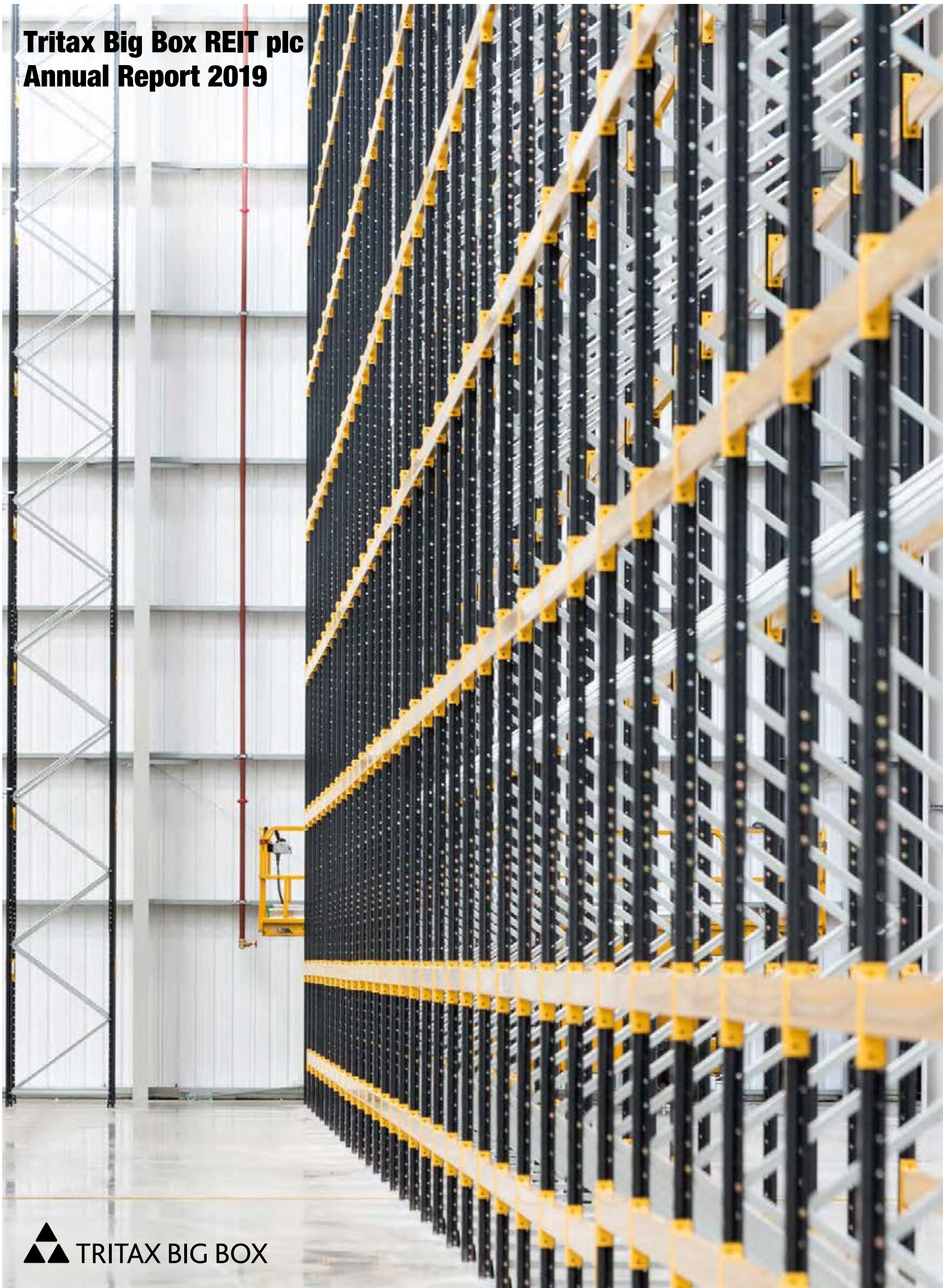


**Tritax Big Box REIT plc**  
**Annual Report 2019**



# 2019 Financial Highlights

## Dividend per share

# 6.85p



Dividends declared in relation to 2019 of 6.85 pence per share, meeting our full-year target and reflecting an increase of 2.2%.

## Adjusted earnings per share

# 6.64p



Adjusted earnings per share of 6.64 pence (2018: 6.88 pence).

## Contracted annual rent roll

# £166.6m



Contracted annual rent roll increasing to £166.6 million as at 31 December 2019.

## EPRA NAV per share

# 151.06p



EPRA net asset value (NAV) per share of 151.06 pence (31 December 2018: 152.83 pence), following the one-off costs incurred in relation to the db Symmetry acquisition. Excluding these costs, underlying EPRA NAV growth was 1.3% for the year.

## Portfolio value

# £3.9bn



Portfolio value of £3.9 billion as at 31 December 2019, including all Forward Funded Development commitments.

## Loan to value

# 30.4%



Loan to value as at 31 December 2019.

## Operating profit before changes in fair value\*

# +7.7%



Growth in \*operating profit before change in fair value of investment properties and contingent consideration, gain on bargain purchase and share-based payments is £122.5 million for 2019.

## Total return

# 3.3%



Total return for the year (dividends paid plus the change in EPRA NAV) was 3.3%. Excluding one-off transaction costs, the total return is 5.8%.

## EPRA Cost Ratio

# 15.1%



EPRA Cost Ratio increasing to 15.1%, reflecting the expected short-term impact of the acquisition of db Symmetry.

# 2019 Operational Highlights

## Investment portfolio size

**30.9m sq ft**



Size of our high-quality Investment portfolio (2018: 29.8m sq ft).

## Weighted average unexpired lease term

**14.1 years**



Weighted average unexpired lease term (WAULT) of 14.1 years at the year end (2018: 14.4 years).

## Rent reviews

**+£0.7m**



Settled seven rent reviews in the year, increasing passing rent by £0.7 million, equating to an annual uplift of 2.0% on the rent reviewed (2018: £0.9 million).

## Total potential building area of Development Land and Strategic Land

**39.0m sq ft**



Total potential building area, subject to planning consent, of land owned or optioned by the Company.

## Target development yield on cost

**6-8%**

Target development yield on cost of Littlebrook, Dartford and the Tritax Symmetry portfolio.

## Practical completions

**4.7m sq ft**



Achieved practical completion of five pre-let Forward Funded Developments and three speculative developments, adding 4.7 million sq ft to the Investment portfolio.

## Planning consent achieved

**2.6m sq ft**



2.6m sq ft of planning consent received in 2019. 2018 activity excludes consents received within Tritax Symmetry.

## Creating our

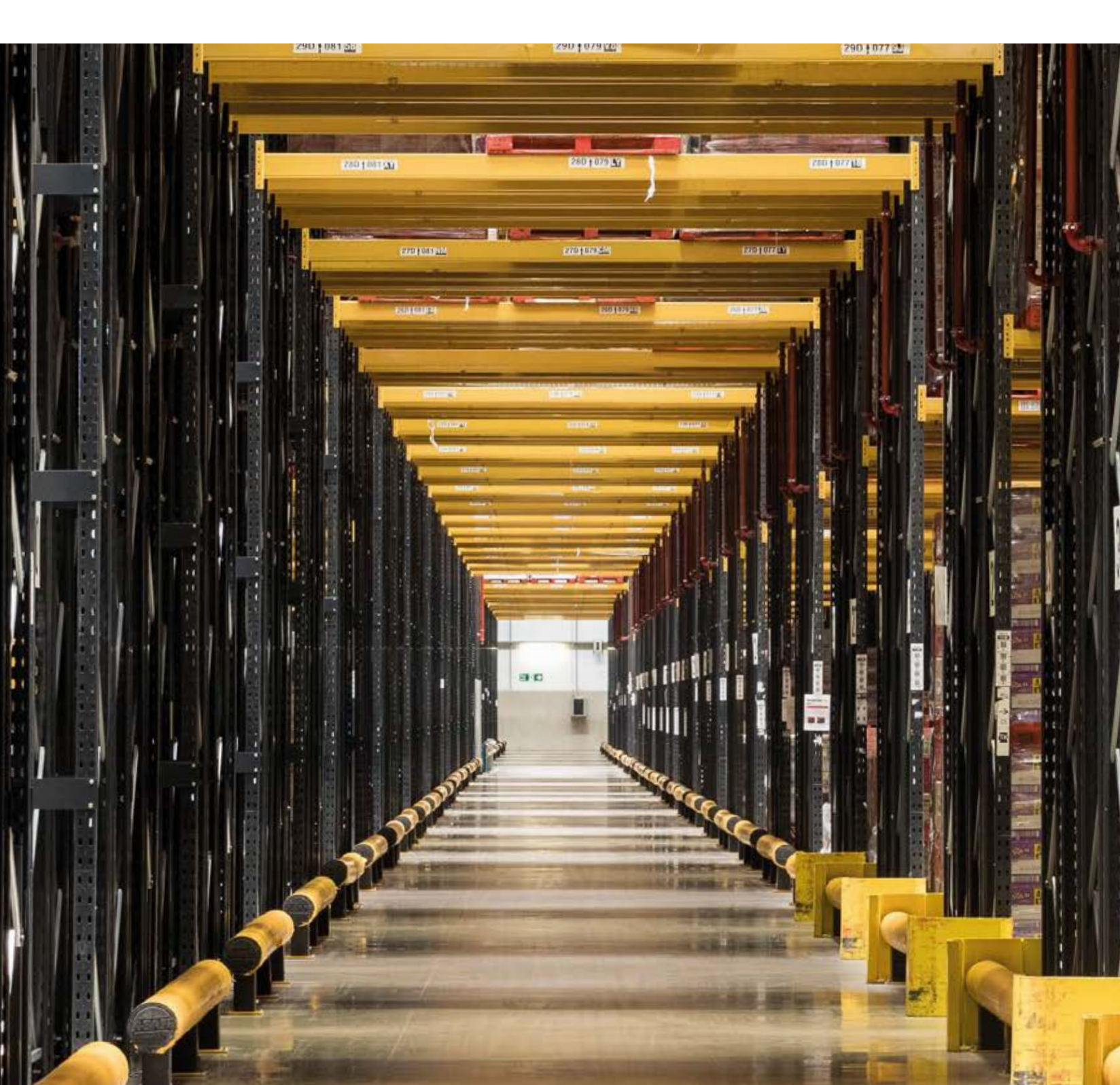
**2030**

sustainability strategy.

## Post balance sheet highlights

**7.00p**

Dividend target for 2020.



### Who we are

Tritax Big Box is a Real Estate Investment Trust (REIT). Our shares are listed on the London Stock Exchange and included in the FTSE 250 Index.

We are the UK's leading investment company focused on larger scale logistics real estate, known as Big Boxes. We invest in and actively manage income producing assets and Pre-let Forward Funded Developments. We also acquire land suitable for logistics use, which has the potential to provide an attractive pipeline of internally developed Big Boxes and other logistics assets.

### Overview

Highlights

### Strategic Report

Our Lease Lengths	12
Investment Case	16
Chairman's Statement	18
Achievements in 2019	21
Fund Manager's Q&A	22
Our Market	26
The Logistics Property Market	30
Our Objectives and Strategy	32
Key Performance Indicators	34
EPRA Performance Indicators	35
Our Business Model	36
Our Stakeholders	41
Manager's Report	42
Financial Review	68
The Manager	74
Principal Risks and Uncertainties	75
s172 Statement	80
Going Concern and Viability Statement	81

### Corporate Governance

Chairman's Governance Overview	84
Key Board Statements	86
Board Leadership and Company Purpose	89
Stakeholder Engagement	91
Division of Responsibilities	93
Our Governance Structure	95
Composition, Succession and Evaluation	96
Nomination Committee Report	98
Audit, Risk and Internal Control	100
Audit & Risk Committee Report	102
Management Engagement	
Committee Report	105
Directors'	
Remuneration Report	108
Directors' Report	111
Responsibilities Statement	113

### Financial Statements

Independent Auditor's Report	114
Group Statement of Comprehensive Income	120
Group Statement of Financial Position	121
Group Statement of Changes in Equity	122
Group Cash Flow Statement	123
Notes to the Consolidated Accounts	124
Company Statement of Financial Position	143
Company Statement of Changes in Equity	144
Notes to the Company Accounts	145
Notes to the EPRA and Other Key Performance Indicators	150
Five Year Summary	152

### Other Information

Glossary of Terms	154
Company Information	IBC

**WE HAVE  
ASSEMBLED  
AN UNRIVALLED  
PORTFOLIO OF  
INVESTMENT  
ASSETS BUILT  
ON SIX KEY  
CHARACTERISTICS:**

**WELL LOC**



# CATED

Our Investment assets are situated in strategically important logistics locations which benefit from strong transport infrastructure, appropriate power provision and labour supply.



# WMO





# FEBRN

92% of our Investment portfolio  
has been built since 2000,  
ensuring state-of-the-art buildings  
most likely to meet the requirements  
of market-leading occupiers.





# BIG

The majority of our Investment assets are truly Big Box (over 500,000 sq ft), offering occupiers flexibility, economies of scale and low cost of use.



# HIGH



# TECH

Our Investment properties are highly automated, which is essential when handling large volumes of complex omni-channel real-time orders and returns.

# SUSTAIN



# UNABLE

We own modern,  
efficient logistics assets.  
87% of our Investment portfolio  
has an EPC grade of A-C.

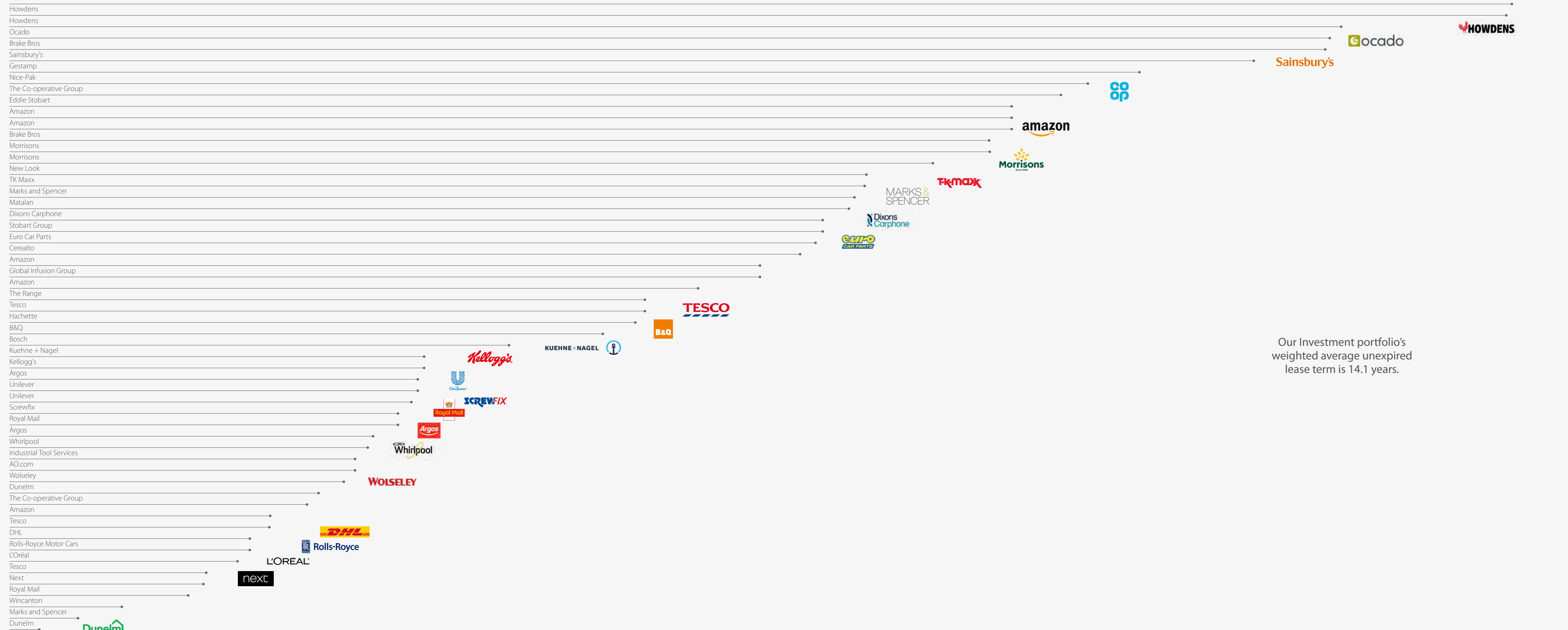
**Our Lease Lengths**  
as at 31 December 2019

- Howdens
- Howdens
- Howdens
- Ocado
- Brake Bros
- Sainsbury's
- Gestamp
- Nice-Pak
- The Co-operative Group
- Eddie Stobart
- Amazon
- Amazon
- Brake Bros
- Morrisons
- Morrisons
- New Look
- TK Maxx
- Marks and Spencer
- Matalan
- Dixons Carphone
- Stobart Group
- Euro Car Parts
- Cerealto
- Amazon
- Global Infusion Group
- Amazon
- The Range
- Tesco
- Hachette
- B&Q
- Bosch
- Kuehne + Nagel
- Kellogg's
- Argos
- Unilever
- Unilever
- Screwfix
- Royal Mail
- Argos
- Whirlpool
- Industrial Tool Services
- AO.com
- Wolseley
- Dunelm
- The Co-operative Group
- Amazon
- Tesco
- DHL
- Rolls-Royce Motor Cars
- L'Oréal
- Tesco
- Next
- Royal Mail
- Wincanton
- Marks and Spencer
- Dunelm

**10** years

**20** years

**30** years



Our Investment portfolio's weighted average unexpired lease term is 14.1 years.





# SECURELY LET

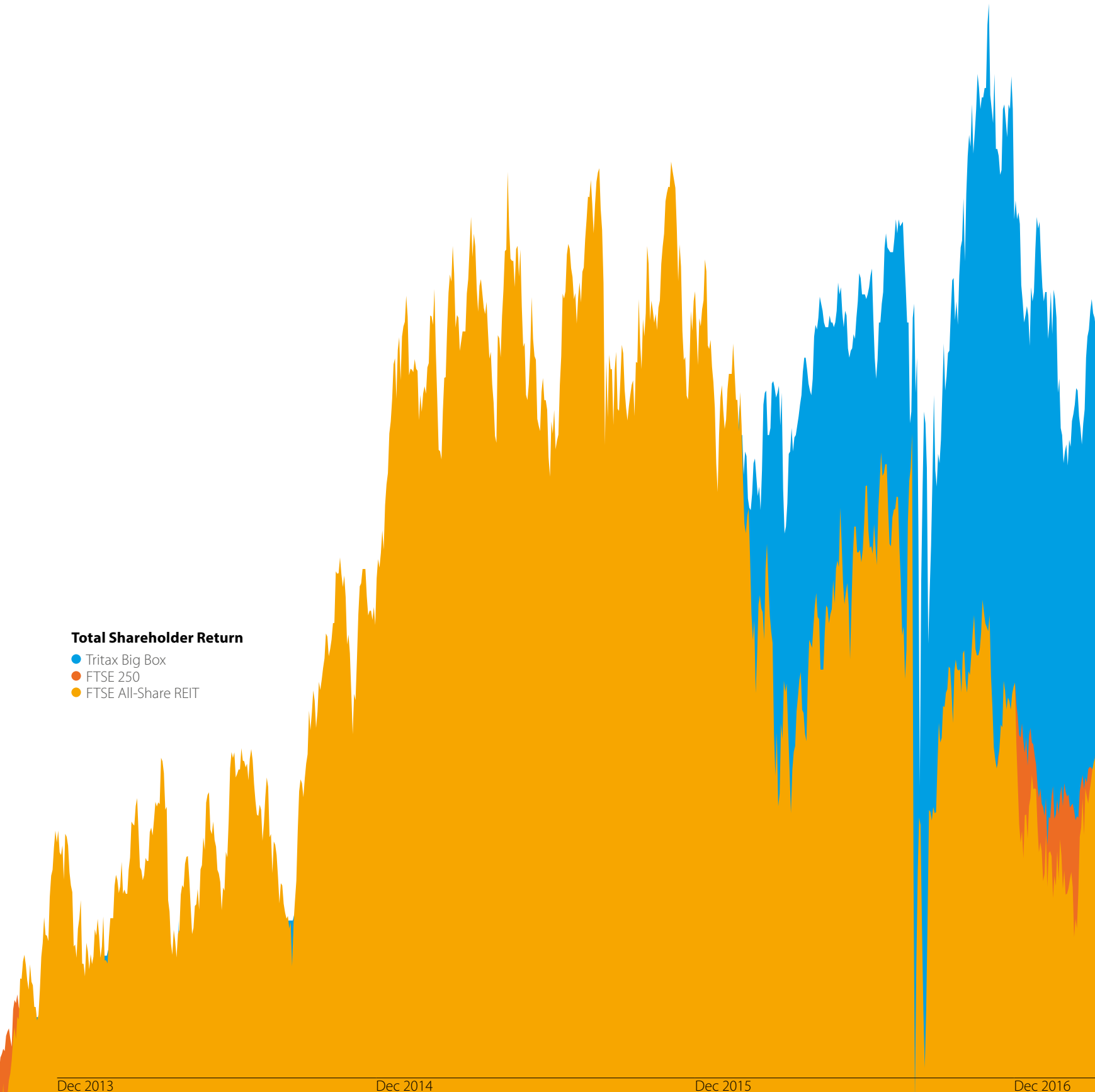
Our Investment assets are let on long leases to some of the world's leading brands. Many of our customers are constituents of major indices.





**Total Shareholder Return**

- Tritax Big Box
- FTSE 250
- FTSE All-Share REIT



Dec 2013

Dec 2014

Dec 2015

Dec 2016



# DELIVERING RETURNS

Since our IPO in December 2013,  
we have delivered a  
Total Shareholder Return of 98.5%  
up to 31 December 2019.

Dec 2017

Dec 2018

Dec 2019

# Investment Case



# WE ARE WELL POSITIONED FOR SUCCESS:

## **Profound structural change underpins our market**

The modern logistics market is still in its relative infancy. Powerful long-term structural change underpins demand for our assets, which are central to delivering cost savings and operational efficiencies and are key to fulfilling the relentless growth in e-commerce sales.

## **We have secured our future development pipeline**

We control one of the UK's largest and most geographically diverse portfolios of land and options over land, for developing logistics assets. This active Strategic Land platform is a strong source of future growth, delivering new sustainable buildings on a largely pre-let basis, that meet the requirements of occupiers.

## **Our leading, sector specific expertise delivers value**

Our Investment Manager, Tritax Management LLP, is a sector specialist. We benefit significantly from the Manager's culture, strategic thinking, expertise and extensive network of industry contacts, which enable us to capitalise on the opportunity that our sector offers.

## **We are well positioned to deliver attractive, secure and growing income returns**

Our long leases and high-quality Customers provide income resilience with in-built predictable rental growth. Coupled with active asset management, development from our Strategic Land platform is designed to deliver value growth that underpins earnings growth, thereby delivering attractive risk-adjusted returns to shareholders.

## **We own an unrivalled investment portfolio**

We have built a unique and modern portfolio let on long leases to some of the world's biggest names in logistics, manufacturing, retail and e-commerce. Our portfolio's strong underlying fundamentals and active asset management position us for long-term sustainable performance.

## Chairman's Statement

**THE UNDERLYING  
QUALITY OF  
OUR BUSINESS  
PROVIDES A  
FIRM PLATFORM  
FOR FUTURE  
GROWTH.**

Sir Richard Jewson KCVO, JP  
Chairman



### **A high-quality and resilient business with upside potential**

One of the Board's key priorities is to oversee the successful implementation of our strategy and ensure the business is positioned for long-term success. Since IPO, the Company has assembled a high-quality portfolio of logistics assets, let to an impressive Customer base. The occupational market remains favourable. These qualities underpin a resilient and growing income stream, enabling us to pay an attractive and progressive dividend to Shareholders which, for 2019, totalled 6.85 pence per share, which was in line with our target.

Significantly, we also secured much of the Group's potential future pipeline through the acquisition of db Symmetry in February 2019. Investor interest in logistics real estate means that prime investment yields have tightened considerably, and the acquisition of this Strategic Land platform allows us to develop our own logistics real estate assets at an attractive yield on cost. We expect this to support both our earnings growth and progressive dividend policy, with the objective of delivering enhanced returns to Shareholders. We will minimise development risk by primarily undertaking this on a pre-let basis. Subsequent to our acquisition, db Symmetry was rebranded to Tritax Symmetry. More information on the acquisition can be found on pages 54 and 55.

At the end of the year, our high-quality Investment portfolio consisted of 58 assets. These assets represent 89% of our total portfolio value and they continue to deliver the robust rental income that is our core focus. Our portfolio also continues to offer opportunities to create value through asset management. The Manager's ongoing engagement with Customers enables us to understand their business needs and is central to our proactive asset management strategy.

### **Sustainability is a strategic priority**

We recognise the rapidly growing importance of delivering on sustainability matters for a wide range of stakeholders. These include the impact of climate change and creating social value in the communities around our assets. The Group's clear purpose and sustainability approach, as set out on pages 58 to 67, enable us to enhance our assets and support our ability to deliver value beyond the financials.

### **A favourable market**

Our business is well placed, as occupier demand for Big Boxes continues to be fuelled by the growth in e-commerce sales and Customers seeking greater efficiencies from their supply chains. Despite the political backdrop, the level of take-up in 2019 was one of the highest on record. This take-up excludes more than 10 million sq ft of space that was reported to be under offer as we entered 2020. This is encouraging for the year ahead.

### **Benefiting from the Manager's expertise**

The Group's success since listing is in no small part due to the dedication and expertise of the Manager. We benefit significantly from the team's energy and sector specific knowledge, as well as their exceptional network of contacts. The Board has a strong and collaborative relationship with the Manager, while maintaining careful oversight of its activities. The Board is also cognisant of its responsibility for the Group's culture. While the Group has no employees, we pay close attention to the Manager's culture and believe that its forward thinking and entrepreneurial approach, combined with its rigour and discipline, is the right fit for delivering our strategy and purpose.

### **Good progress with developments**

Five of our Forward Funded Pre-let Developments completed during the year, comprising 4.3 million sq ft of state-of-the-art logistics facilities. Three further pre-let Forward Funded Developments covering 3.0 million sq ft remained under construction at the year end and will practically complete by early 2021. Seven of these have been income producing since the commencement of construction. The development pre-let to Co-Op at Biggleswade commenced works in December 2019 and will become income producing following its targeted completion in early 2021. In total, the Group has now been involved in 17 pre-let developments, making us the market leader by value over recent years.

As noted in the Manager's Report, the acquisition of Tritax Symmetry has already delivered benefits through securing planning consents and lettings, and we are set to capture further value in the months and years ahead.

The Group also made progress at Littlebrook in Dartford (branded The Power House), with all demolition completed by the year end and the related site clearance and preparation due to finish prior to the summer of 2020. Significantly, over 98% of materials from the demolition have been reused or recycled. The recent completion of site preparation works for Phases 2 and 3 will extend the flexibility of our building size offer. There has been healthy occupational interest in the scheme, including advanced discussions with a potential occupier on Phase 2 on a subject to planning basis.

### **Portfolio and valuation**

We added four assets to our Investment portfolio during the year, all of which came through the Tritax Symmetry portfolio. At the year end, the portfolio therefore comprised 58 Investment assets plus the development assets at Littlebrook and within the Tritax Symmetry portfolio. The total portfolio value was £3.94 billion (31 December 2018: £3.42 billion) as at the year end.

### **Financing**

Consideration for the Group's 87% economic interest in Tritax Symmetry was £321.5 million. To part fund this, as well as certain developments and potential investments, we raised gross proceeds of £250.0 million through a significantly oversubscribed share issue. We expect to finance our near-term activity primarily from the sale of selected Investment assets, alongside debt. Funding a proportion of our developments by disposing of Investment assets at yields of 4-6%, while reinvesting the proceeds at a target yield on cost of 6-8%, would allow us to benefit from an attractive yield arbitrage and grow our earnings.

One of the Group's key achievements has been creating its well-diversified and flexible debt platform. Our strong lender relationships enabled us to enter into a new £200 million unsecured, five-year, revolving credit facility during the year. Given the quality of our rental income and assets, we remain conservatively leveraged, with a loan-to-value ratio of 30% at the year end (31 December 2018: 27%). The Group's credit rating with Moody's remains at Baa1.

## Chairman's Statement continued

### Financial results

The Group delivered a strong underlying financial performance in 2019. Excluding one-off transaction costs in relation to the Tritax Symmetry acquisition, operating profit before changes in the fair value of investment properties, and contingent consideration and share-based payment charges increased by 7.7% to £122.5 million (2018: £113.7 million). Our low and transparent cost base is reflected in an EPRA Cost Ratio of 15.1% (2018: 13.7%). Adjusted earnings per share were 6.64 pence (2018: 6.88 pence), which covered our dividend payments totalling 6.85 pence per share by 97%. Dividends declared in respect of 2019 represented an increase of 2.2% compared to 2018.

The EPRA NAV at the year end was 151.06 pence per share (31 December 2018: 152.83 pence), up from 150.08 pence at the half year. As previously noted, the share issue and associated costs of the Tritax Symmetry transaction resulted in dilution to the EPRA NAV of 3.8 pence per share. Absent of these specific transaction-related costs, our total return performance for the year was 5.8%.

### Board and governance

On 1 February 2019, Mark Shaw retired from the Board. He made a significant and valuable contribution since his appointment in December 2013 and we are grateful for his guidance. Mark remains Chairman and a Partner of our Manager, and his retirement means we now have a fully independent Board. On 27 March 2019, Jim Prower resigned from the Board after more than five years of service. On behalf of the Board, I thank him for his counsel and expertise. Aubrey Adams replaced Jim as our Senior Independent Director, with effect from the same date.

We appointed two new Non-Executive Directors during 2019. Alastair Hughes joined us on 1 February and Karen Whitworth on 21 October 2019. Both add to the breadth and depth of skills on the Board. Alastair is a chartered surveyor with more than 25 years' experience in the UK and international real estate markets, while Karen has a strong financial and governance background and experience in retail supply chains.

The Board focuses on ensuring high standards of corporate governance. During the year, we continued to evolve our practices to ensure compliance with the 2019 AIC Corporate Governance Code, including affirming the Group's purpose.

### Outlook

We anticipate further development activity in 2020, as we look to recycle capital and capture profit from the Tritax Symmetry portfolio and Littlebrook, Dartford. Investment asset sales are expected to largely finance the Tritax Symmetry capital requirements in the near-term.

Investors continue to reweight their portfolios away from retail, into industrial logistics and alternatives. We believe this trend will continue in 2020. There are already signs that investment interest has increased, particularly from overseas buyers, having been held back by economic and political uncertainty in 2019. Stable yields and increasing land prices may encourage developers to seek higher rents, in order to maintain their returns.

The occupational market remained healthy last year. Speculative supply of larger scale logistics buildings markedly decreased and demand outstripped supply for Grade A logistics stock. With a large overhang of probable lettings "under offer", initial prospects for 2020 look good.

Early positivity in the occupational and investment markets may well be tempered by Coronavirus (COVID-19), which is already impacting global growth. It is impossible to know the extent to which the virus will develop, but our Investment portfolio is occupied by a diversified, high-quality Customer base, let on long leases. We continue to monitor the situation.

**Sir Richard Jewson KCVO, JP**  
Chairman

## Our achievements in 2019

### Operations

#### 1 February

Practical completion of a 0.8 million sq ft Forward Funded Development Pre-let to Eddie Stobart at Corby.

#### 20 February

Completed the acquisition of an 87% economic interest in db Symmetry, with a total enterprise value of £370 million, for a consideration of £320 million.

#### 21 February

Solar panels installed at our asset in Newark, let to Dixons Carphone.

#### 25 March

Practical completion of a 0.2 million sq ft speculative development at Bicester.

#### 29 March

Practical completion of a 0.2 million sq ft speculative development at Doncaster.

#### 16 May

Obtained full planning permission for a 0.7 million sq ft regional distribution centre pre-let to The Co-operative Group on a 20-year lease term at Biggleswade.

#### 28 May

Obtained outline planning consent for up to 2.3 million sq ft of logistics space at Kettering.

#### 20 June

Agreed a new 15-year lease with Global Infusion Group of 0.1 million sq ft asset at Aston Clinton. The asset reached practical completion on 25 November.

#### 28 June

Sale of the options over the fully consented 220 acre site in Lutterworth, in accordance with the business plan for the asset.

#### 30 June

Our first submission to the Global Real Estate Sustainability Benchmark (GRESB).

#### 26 July

Practical completion of a 0.4 million sq ft Forward Funded Development Pre-let to Amazon at Haydock.

#### 31 July

Agreed 18-year extension to lease of asset let to Sainsbury's in Leeds, rebased rent to open market and changed rent review basis to CPI-linked.

#### 30 August

Practical completion of a 1.5 million sq ft Forward Funded Development Pre-let to Amazon at Darlington.

#### 10 September

Announced rebrand of db Symmetry as Tritax Symmetry.

#### 27 September

Practical completion of a 0.9 million sq ft Forward Funded Development Pre-let to Bosch at Corby.

#### 25 November

Practical completion of a 0.7 million sq ft Forward Funded Development Pre-let to Howdens at Raunds.

### Board

#### 1 February

Appointed Alastair Hughes as a Non-Executive Director. Mark Shaw retired from the Board.

#### 27 March

Jim Prower retired from the Board. Aubrey Adams appointed Senior Independent Director.

#### 21 October

Appointed Karen Whitworth as a Non-Executive Director.

### Dividends

#### 6 March

Declared an interim dividend of 1.675 pence per share, in respect of the three months to 31 December 2018.

#### 16 May

Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 31 March 2019.

#### 17 July

Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 30 June 2019.

#### 9 October

Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 30 September 2019.

### Financing

#### 11 February

Raised gross proceeds of £250 million through the substantially oversubscribed issue of 192,291,313 Ordinary Shares at 130 pence per share, to fund the acquisition of db Symmetry and future investments.

#### 17 June

Entered into a new £200 million unsecured RCF, with an initial maturity of five years and the option to extend to seven years, to help support the next phase of our growth.

### Post year-end activities

#### 27 February

Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 31 December 2019.

34

35

36

37

38

**THE SUPPLY/DEMAND DYNAMICS ARE CURRENTLY MORE FAVOURABLE FOR LARGER LOGISTICS BUILDINGS WHERE THERE ARE MUCH LOWER LEVELS OF SPECULATIVE DEVELOPMENT.**

**Colin Godfrey**  
CEO – Fund Management



**Q:**

**Different terminology is being used to define logistics buildings across the industry. How do you classify these buildings?**

**A:**

There are a lot of terms interchangeably used in the market regarding different sized logistics buildings. This creates confusion when references are made to specific market characteristics, particularly for Big Boxes.

We view the logistics market that we operate in as being split into a number of categories including Small Box, Mid Box and Big Box (See chart below).

Each of these logistics building sizes serve a different function. The growth in the last mile, which is facilitated by Urban and Last Journey logistics buildings, is part of an evolving complex supply chain network. This complements the logistics model of increasingly automated Big and Mega Boxes that hold full product inventory, which serves as the nucleus for distribution and is benefiting from the structural tailwinds produced by e-commerce. The last mile cannot operate without the first mile.

We focus our investments and development programme on the Big and Mega Box sub-sectors of logistics because of the unique income attributes they possess. Through Tritax Symmetry and Littlebrook Dartford, we are now capable of also providing logistics buildings across the full size spectrum, for our Customers and other occupiers.

**Q:**

**Are Big Boxes still an attractive investment class?**

**A:**

Absolutely! Structural tailwinds in the form of profound changes in consumer behaviour continue to drive supply chain development and we expect this to continue over the long-term.

We believe there are few cities in Europe that need logistics buildings in the urban area as most can be serviced from outside their orbital. With logistics buildings growing in footprint, height and becoming increasingly automated, occupiers are benefiting from cost savings, efficiencies and future-proofed flexibility through volume by installing mezzanine floors. Additionally, the overall rent for modern Big and Mega Boxes is lower than smaller scale equivalents. This supports occupiers' competitiveness and profitability and provides room for further rental growth.

In our experience, capital investment by occupiers and the strategic importance of location, from which supply chain networks radiate, are key to explaining why leases for Big and Mega Boxes are typically much longer (up to 30 years) when compared to Last Journey logistics buildings (typically 5-10 years).

Yields for prime, well-located Urban logistics are lower than for out-of-town logistics, underpinned by alternative use values (mainly residential) and strong rental growth during the last few years. We consider the rate of rental growth for Big Boxes to be more sustainable over the long-term underpinned by the attributes of efficiency and cost savings which are not inherent in urban logistics buildings.

Our market is growing. This is important because there remains strong investor appetite, particularly from institutions which are seeking to reweight portfolios away from retail and into logistics and alternatives.

Big and Mega Box yields remain attractive when compared to other property sector yields and current Gilt rates, with a c. 400 bps positive yield gap. This yield is underpinned by rental growth supported by inelastic supply/ barriers to entry.

**Q:**

**An increase in the speculative supply of Big Boxes has been reported. Should shareholders be concerned?**

**A:**

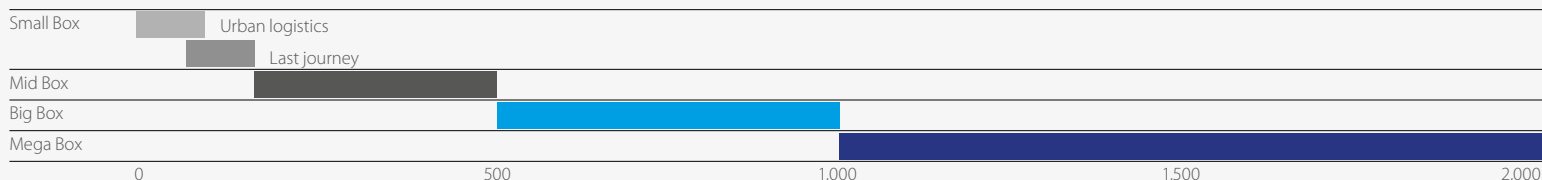
This has been a key question at the forefront of investors' minds, which we have been asked frequently too late. We believe that the data has been misinterpreted – see above for an outline of our definitions of the different building sizes within the logistics sector.

Agencies report "Big Boxes" as being buildings over 100,000 sq ft. This can create confusion because the description of different building sizes has not kept up with the change in their size. We own buildings that range in size from around 150,000 sq ft to c. 2 million sq ft, although 69% of our buildings are over 500,000 sq ft.

The supply/demand are currently more favourable for larger logistics buildings where there are much lower levels of speculative development. 2019 take up of Last Journey logistics buildings (100,000 sq ft to 250,000 sq ft) was 9.2 million sq ft compared to new speculative supply of 8.1 million sq ft (13.6% down on the previous year). Conversely, take up of Big and Mega Boxes (500,000 sq ft plus) was 8.8 million sq ft compared to just 1 million sq ft of speculative supply. Notably, Big Box speculative supply had more than halved compared to 2018. This is consistent with what we see in the market, where developers are less likely to speculatively develop a Big Box due to concentration risk.

### The logistics property market

Sq ft is based on maximum leaseable area (includes structural mezzanine levels).



Demand trends demonstrate how Big Boxes are growing in importance as they represent an increasing percentage of overall take up and buildings under offer, consistently growing from 34% in 2016 to 49% in 2019. At the year end there was just over 600,000 sq ft of Last Journey logistics buildings under offer compared with 8.8 million sq ft of Big and Mega Boxes.

---

**Q:**

**How concerned are you about technological change affecting the relevance of your buildings?**

---

**A:**

Technology is increasingly being employed for larger scale logistics buildings, both for green energy generation and automation. We would argue that modern high bay logistics buildings suffer very low levels of obsolescence as these buildings are not complicated. Big Boxes also require relatively low levels of capital expenditure to maintain them to modern standards and offer greater opportunity for environmental enhancement than other types of commercial property, for instance via renewable power (e.g. roof mounted solar). In these respects, Big Box logistics buildings are more attractive.

Our buildings are some of the largest in the UK. They offer protection from the weather and can be adapted to a multitude of uses. Humans will always need food and physical products, which must be delivered to us somehow. The way in which that happens will undoubtedly change over time, but these large flexible spaces are the perfect envelope where technological change can take place.

In addition to battery powered and autonomous vehicles, one should consider the potential impact of drone delivery. More powerful drones with greater travel distance capability might be able to deliver from the Big Box directly to the consumer. Alternatively, we may see large scale vehicles, essentially travelling logistics stores which are stocked by Big Boxes, serving local communities with integrated drone capability – could this threaten the need for urban logistics?

---

**Q:**

**How is Tritax Symmetry progressing?**

---

**A:**

In terms of our Strategic Land platform, we have provided guidance targeting the development of approximately 2-3 million sq ft per annum, of which the majority would be pre-let driven. Whilst there will be capital expenditure on land and infrastructure, most of the cost should be offset by capital value creation from pre-lets.

Key achievements since the purchase of Tritax Symmetry in late February 2019 include the outline planning consent received for 2.3 million sq ft at Kettering in April 2019 and 0.3 million sq ft at Bicester in July 2019. We also received a resolution to grant planning consent for 1.4 million sq ft at Wigan and planning consent for 0.6 million sq ft at Darlington subsequent to the year end. As a result, we are ahead of our business plan target with regard to achieving planning consents.

Near-term funding requirements are likely to be met through the sale of selected Investment assets where we can secure a healthy return on realisation and reinvest this accretively. Further forward fundings and investments may feature, but the primary focus will be the reinvestment of sales proceeds into largely pre-let development opportunities emerging from our Tritax Symmetry and Littlebrook, Dartford, Strategic Land holdings at enhanced yields. The timing of Investment sales will be important to ensure that we achieve our ambitions for a fully covered and growing dividend. In addition, we can draw from a keenly priced loan platform with our supportive lender group whilst operating within our medium-term target LTV range.

---

**Q:**

**Are you concerned about the environmental impact of your properties?**

---

**A:**

HGVs, lorries and vans always did deliver stock to shops and often returned to the logistics building virtually empty. Consumers then drove to town centres to shop and returned home. These many journeys were typically concentrated in urban areas which were already suffering from lower levels of air quality due to increasing traffic congestion. Online retail generates lower pollutants because it creates fewer traffic movements. Also, the larger sale logistics buildings are typically situated in less densely populated areas and so traffic movements are not contributing additional pollution to urban areas which are already suffering air quality challenges.

We have a modern high-quality portfolio which has strong environmental credentials, where 92% of our buildings have been constructed in the new millennium. Through active management we look to improve upon the energy efficiency of our standing assets where possible and reduce the carbon impact from new developments. We have appointed a new Sustainability Lead who is formulating a strategy to become net carbon zero across the Group's activities.

In time we expect cars and HGVs to be electrically powered, eliminating carbon emissions from journeys. We also see the potential for significant benefits should autonomous vehicles become an everyday reality, since there is potential for this to help manage traffic flows and ease congestion.



**TECHNOLOGY IS INCREASINGLY BEING EMPLOYED FOR LARGER SCALE LOGISTICS BUILDINGS, BOTH FOR GREEN ENERGY GENERATION AND AUTOMATION.**

# **MARKET DRIVER: SUPPLY CHAIN OPTIMISATION**

**Demand for Big Boxes comes from three main sources: conventional and online retailers, third-party logistics companies (“3PLs”), and other companies such as manufacturers.**

Big Boxes are highly efficient distribution centres and logistics hubs which act as both the break down point for goods imported in bulk and which hold the finished goods for distribution to other parts of the supply chain or directly to consumers.

Occupiers are increasingly consolidating operations from several smaller format buildings into one Mega Box. This new generation of logistics assets can be technologically sophisticated, offer previously unavailable volume and flexibility, economies of scale and low cost of use. They are often the nucleus for distribution at a national level and increasingly at a regional level and can be the most important component of an occupier’s supply chain.







# MARKET DRIVER: E-COMMERCE

With the UK's shoppers embracing online platforms as part of their everyday lives in ever greater numbers, the resultant demand for modern technologically advanced Big Boxes should continue to grow.

Online spend as a percentage of total retail spend\*

**2016:**  
14.7%

**2017:**  
16.3%

**2018:**  
18.03%

**2019:**  
19.2%

**2.65m**

Younger consumers (16-34) average 2.65 online purchases per month. Millennials have the highest online penetration rate at 22%

**c.60%**

c. 60% of younger consumers (16-34) said they shop at least once every fortnight

**1 in 10**

One in ten consumers say they will shop less frequently over the next 12 months, outweighing those who said they plan to shop more frequently

# TODAY

Today, online accounts for nearly quarter of shopping occasions.

\* Office for National Statistics

**Anticipated online spend as a percentage of total retail spend\***

**2030**

**+50%**

155 million sq. ft. of cumulative demand for new logistics space

**+40%**

110 million sq. ft. of cumulative demand for new logistics space

**+30%**

65 million sq. ft. of cumulative demand for new logistics space

# TOMORROW

**By 2030 50% of the adult population will be made up by younger consumers, representing the bulk of retail spending.**

# THE LOGISTICS PROPERTY MARKET

## Occupier demand remains robust

# 49%

of 2019 take-up (including under offer) was for Big Boxes over 500,000 sq ft

During 2019, demand continued to be driven by companies seeking cost savings, economies of scale and the efficiencies derived from consolidating older networks of smaller logistics buildings into fewer, larger modern facilities. The inexorable rise in online sales has also fuelled demand for modern, larger logistics facilities which can be automated and process returns.

In 2018, logistics property take-up for buildings over 100,000 sq ft was the highest on record at 31.5 million sq ft. Despite Brexit and the UK general election, the equivalent figure in 2019 was 25.4 million sq ft, remaining above the 10-year average of 22.6 million sq ft. Importantly, the level of market demand can be represented by combining “take-up” and “under offer” statistics; for 500,000+ sq ft buildings (as a percentage of total market activity), this has increased in each of the last four years, whereas the equivalent figure for smaller scale logistics buildings has reduced over the same period.

Pre-let “design and build” comprised 93% of lettings in the 500,000+ sq ft size category compared to the 100,000–250,000 sq ft band where only 22% were design and build in 2019, suggesting a lower readily available supply for larger buildings.

## True Big Box supply remains constrained

# 50% reduction

in speculative supply of buildings over 500,000 sq ft in 2019

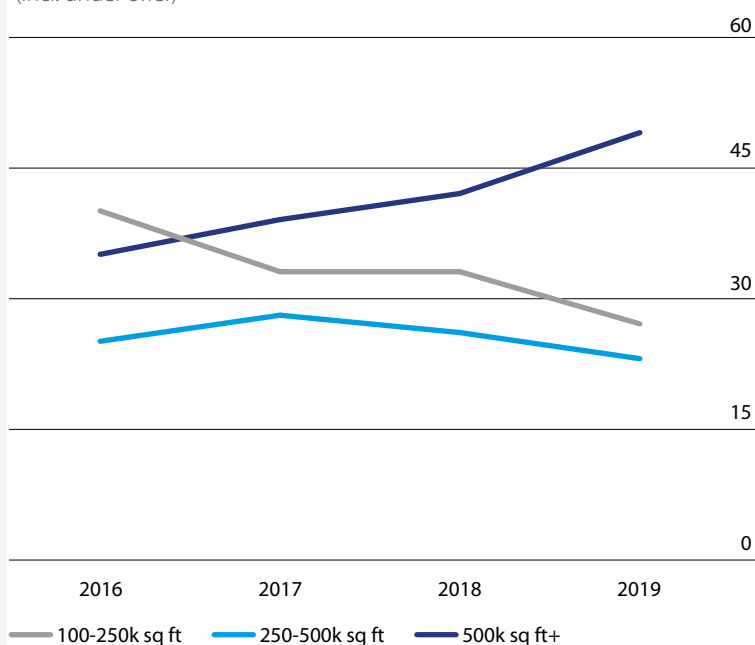
Available to let logistics buildings over 100,000 sq ft totalled 27.1 million sq ft in 2019, slightly higher than take-up at 25.4 million sq ft. Speculative supply decreased from 16.2 million sq ft in 2018 to 14.1 million sq ft in 2019.

In 2019, the speculative supply of buildings in the 100,000–250,000 sq ft size range represented 10.6 months of take-up compared to the over 500,000 sq ft category where there was a 50% reduction in speculative supply to just over 1 million sq ft, which is the equivalent to just 1.4 months of 2019 take-up\*.

Larger buildings are more scarce and occupier investment in automation is greater than for smaller scale logistics facilities, thereby influencing tenant commitment. 2019 data demonstrates that larger buildings secure longer leases: in the 100,000–250,000 sq ft size category the average lease length was 11.8 years, whilst for buildings over 500,000 sq ft the average lease length was 18.3 years.

Annual take-up by size band  
(incl. under offer)

%



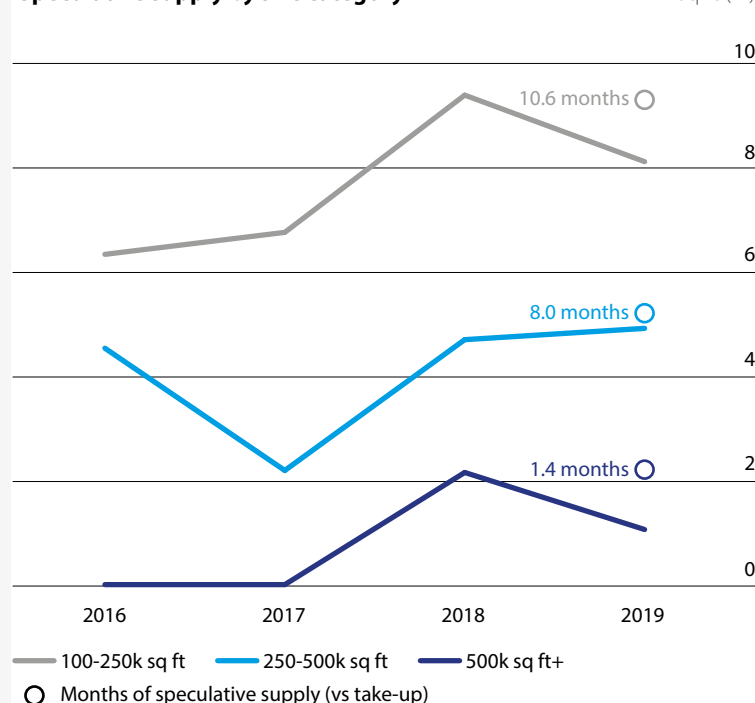
Source: CBRE

### What this means for us

Structural change is maintaining a healthy level of occupier demand and as long as this continues to outstrip the supply of modern, large scale logistics assets, the sector is likely to expand, maintain positive rental growth and attract investment interest with good liquidity. It also provides confidence in re-lettings, should any of our assets become vacant, thereby supporting the resilience of our rental income stream.

Speculative supply by size category

sq ft (m)



Source: CBRE

### What this means for us

A limited supply of modern buildings means many occupiers can only meet their requirements for Big Boxes through “built-to-order” development. Despite strong occupier demand there are significant barriers to entry which continue to restrict supply, and this imbalance is expected to benefit our business for some time to come.

\* Includes second-hand space.

## Rental growth slows

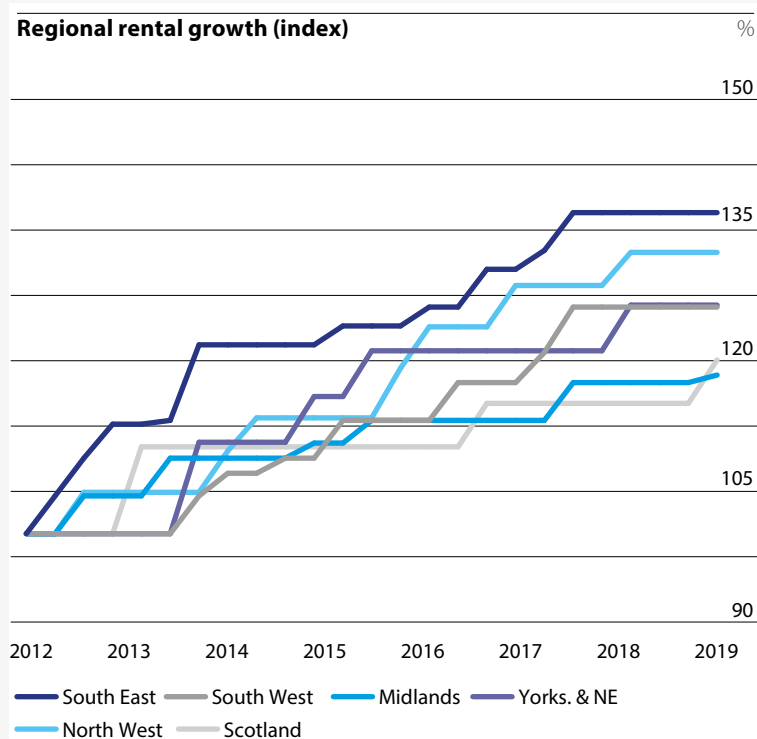
# Brexit

and the General Election affected activity

Buoyed by demand for urban buildings, 2018 witnessed regional average rental growth of 5.6% pa for logistics buildings units over 100,000 sq ft. This reduced in 2019 to 1.2%, against which CPI was 1.3%, RPI 2.2%.

Other than in Scotland, market rental growth was stronger in Q1 2019 ahead of the original Brexit date in March, after which the prolonged uncertainty over Brexit and then the general election affected confidence. This was despite overall take-up remaining at healthy levels.

Build costs and land values increased in 2019, simultaneous with a period of static yields. This is likely to apply pressure on developers to increase target rental levels on new leases, in order to achieve the same levels of returns as when yields were compressing.



Source: CBRE Big Box Logistics Rents

### What this means for us

Our portfolio rental growth outperformed the market in 2019 and we see potential for improved market rental growth in 2020. We are well placed to benefit, but also take comfort that 53% of our income is subject to fixed or minimum level increases at the point of rent review.

## Investment

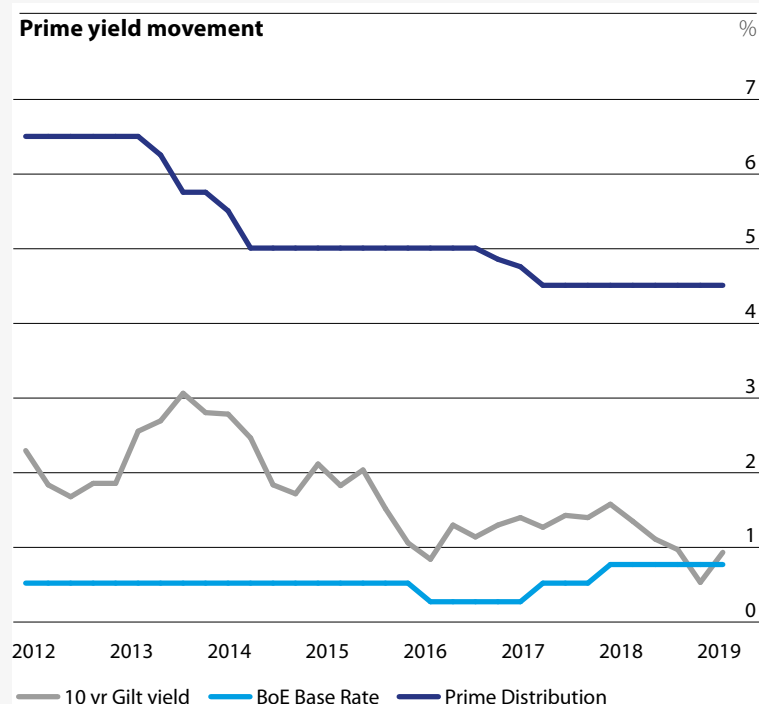
# c.400bps premium

between the all-property yield and 10-year Gilts

The all-property yield gap versus 10-year Gilts closed the year at nearly 400bps, a wide margin in modern historical context. With inflation and interest rates on a downward trajectory, Gilts are not expected to rise significantly in the near-term, and this could signal the potential for further commercial property yield compression.

Industrials topped the 2019 total return chart at 7.6% compared with offices at 6.9% and retail at -6.2%. The all-property return was 2.2% (MSCI).

During 2019, prime UK logistics property investment yields remained stable at their keenest rates on record at 4.5%, according to CBRE. Investment volumes were subdued last year due to political and economic uncertainty. Having legally exited the EU, uncertainty remains over the shape of the UK's trade relationships. Nonetheless, a strong majority Government has increased confidence in early 2020. Institutions continue to reweight portfolios away from retail and into logistics and alternatives with some way to go in this re-weighting exercise. We anticipate increased demand from overseas capital seeking to invest in one of the world's strongest logistics markets. We therefore expect increased investment volumes and stable, if not hardening, prime yields in the coming months of 2020.



Source: CBRE Prime Yield and Bank of England (base rate and 10-year Gilt yield)

### What this means for us

The UK logistics market and our investments are sought after and there is potential for further yield-induced value gains. Our capital efficient development platform offers the opportunity for enhanced returns whilst minimising risk through a largely pre-let driven strategy.

# Our Objectives and Strategy

## **OUR PURPOSE IS TO DELIVER SUSTAINABLE LOGISTICS SOLUTIONS THAT CREATE COMPELLING OPPORTUNITIES FOR OUR STAKEHOLDERS AND PROVIDE OUR CUSTOMERS WITH THE SPACE TO SUCCEED.**

### **Our objectives**

We aim to generate social value for our wider stakeholders, as well as deliver attractive and resilient financial returns for our Shareholders, by investing in high-quality, sustainable buildings in prime locations.

### **Dividends**

We are targeting a dividend for 2020 of 7.00 pence per share and intend to maintain a progressive dividend policy thereafter.

### **Total returns**

Our investment objective is to deliver a total return of at least 9% per annum over the medium-term. Total return is based on dividends paid plus growth in EPRA net asset value.

### **Our strategy**

Our strategy is simple. We seek to own and actively manage a market-leading portfolio of high-quality UK logistics assets which deliver low-risk and progressive income returns that are resilient through market cycles, together with a modest level of largely pre-let development to enhance capital returns.

### **Investment strategy**

Our investment strategy is informed by our Investment Policy. This Policy requires us to invest primarily in Big Box assets, which typically:

- are let or pre-let to institutional-grade tenants, ideally businesses with good growth potential;
- are in the right locations in the UK, with good transport connections and workforce availability;
- are of the right size and age, and possibly with expansion potential, to meet the requirements of major occupiers;
- have leases to institutional standards, with regular upward-only rent reviews and an unexpired lease length on purchase typically of at least 12 years, to provide long-term and secure income flows;
- are strategically important to the tenant, as evidenced by extensive investment in fitting out the unit or proximity to the tenant's market and/or other key features; and
- are sustainable or can be made sustainable through asset management.

We target assets which offer value to our Shareholders and usually have a geared yield range of approximately 5-7%. We may make exceptions to our Policy, where we see an opportunity to deliver value for our Shareholders without significantly increasing the portfolio's aggregate risk. While Big Box assets remain our primary investment focus, we may develop or acquire other ancillary assets including, but not limited to, smaller distribution warehouses or urban distribution or "last mile" hubs.

The Investment Policy also allows us to invest in land, either on our own or in a joint venture with a developer or a prospective Customer, to assemble suitable sites for developments. Our exposure to land and options over land is limited to 15% of GAV, of which up to 5% may be invested in speculative development activity.

### **Asset management strategy**

Our asset management strategy aims to create value throughout the asset lifecycle. In particular, we look to protect and grow our income and capital values by:

- maximising and successfully concluding rent reviews;
- restructuring leases, for example to extend lease terms, amend rental levels or indexation clauses, or remove tenant break clauses;
- delivering more favourable lease terms, for example by funding key tenant fit out or an extension to the building to meet the Customer's business growth plans.

We create business plans for each asset and regularly monitor and assess delivery against these plans. Where we acquire Value Add assets, we look to turn them into Foundation assets through asset management.

## Sustainability strategy

Our sustainability strategy is focussed on creating value for our business, our Customers and our wider stakeholders through five key areas:

- Investing in and acquiring sustainable assets;
- Managing our assets to drive sustainable performance;
- Facilitating and working with our Customers to achieve sustainable operations;
- Developing and constructing sustainable assets; and
- Adding value by supporting local communities

## Financing strategy

We aim to fund our development pipeline and any acquisitions of standing assets or Pre-let Forward Funded Developments, through an appropriate combination of capital recycling from asset sales, debt and new equity.

Our debt strategy is to diversify our sources of debt financing, by building on our flexible, unsecured debt financing platform. We look to de-risk our debt platform by extending our debt maturity profile and by using fixed-rate debt and hedging to manage interest rate risk.

We target a loan-to-value (LTV) ratio of 35% in the medium-term, with a maximum of 40%.

## Operational strategy

Strategic area	Progress in 2019	Priorities for 2020	Link to risk
<b>Manager and its relationships</b> Contract with a Manager which has a knowledgeable and talented team and excellent relationships with owners, developers and agents, which all contribute to delivering value to Shareholders.	The Manager continued to strengthen its team during the year, including recruiting its first Sustainability Lead and Head of Financial Reporting.	Continued coordination with Tritax Symmetry and embedding a sustainable culture.  Continue to expand market relationships, for the benefit of stakeholders.	We rely on the continuance of the Manager
<b>Operational excellence</b> Rigorously control costs and deliver operational efficiencies, without compromising growth or reputation.	We maintain our robust cost control and benefit from economies of scale, with a total expense ratio of 15.1% at 31 December 2019.	Continue to focus on growth in rental income, robust operational cost controls and minimise our exposure to floating rate debt, to support our ability to grow our earnings.	Exposure to floating rate debt
<b>Customers</b> Develop and maintain a deep understanding of the businesses that operate in our market in order to create long-term partnerships.	We successfully implemented a range of asset management initiatives, as described on page 50.	Maintain strong relationships with our existing Customers and progress any existing and potential Customer requirements, ensuring value accretion to Shareholders.	Default of one or more Customers
<b>Capital risk management</b> Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	We raised £250 million of new equity, to part finance the acquisition of db Symmetry, and entered into a new £200 million unsecured revolving credit facility. We had a conservative LTV of 30% at the year end.	To operate within our leverage policy of up to 40% and to continue to support future growth in the business through recycling asset disposal proceeds and new capital.	Our use of floating rate debt will expose the business to underlying interest rate movements  A lack of debt funding at appropriate rates may restrict our ability to grow  We must be able to operate within our debt covenants
<b>Sustainability</b> Embed and drive ESG across all parts of the business, delivering value for all of our stakeholders.	In 2019, we participated in GRESB for the first time, created a CSR Committee, set out ESG strategy and adopted short- and medium-term targets, and developed a community partnership with Schoolreaders.	Engage occupiers on sustainability, improve our GRESB score and create a roadmap to net zero carbon emissions for new assets.	Compliance with new and existing legislation  Tenant consumption impacts  Risk of obsolescence  Reputational risks

# Key Performance Indicators

Our objective is to deliver attractive, low-risk returns to Shareholders, by executing the strategy described on pages 32 and 33. Set out below are the key performance indicators we use to track our progress. For a more detailed explanation of performance, please refer to the Manager's Report on pages 42 to 74.

KPI and definition	Relevance to strategy	Performance	Result
<b>1. Total return (TR)</b>	TR measures the ultimate outcome of our strategy, which is to deliver value to our Shareholders through our portfolio and to deliver a secure and growing income stream.	<b>3.3%</b> for the year to 31 December 2019 (2018: 12.1%).	The underlying Total return performance was 5.8% when excluding one-off transactional costs incurred in the year.
<b>2. Dividend<sup>1</sup></b>	The dividend reflects our ability to deliver a low-risk but growing income stream from our portfolio and is a key element of our TR.	<b>6.85p</b> per share for the year to 31 December 2019 (2018: 6.70 pence per share).	Achieved our 2019 target of 6.85 pence. Our target dividend for 2020 has been increased to 7.00 pence.
<b>3. EPRA NAV per share<sup>2</sup></b>	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the lifecycle of our assets.	<b>151.06p</b> at 31 December 2019 (31 December 2018: 152.83 pence).	Decrease in EPRA NAV per share over the year of 1.77 pence (1.2%). Excluding the one-off transactional costs incurred, the EPRA NAV per share increased by 2.06 pence or 1.3%.
<b>4. Loan to value ratio (LTV)</b>	The LTV measures the prudence of our financing strategy, balancing the potential amplification of returns and portfolio diversification that come with using debt against the need to successfully manage risk.	<b>30.4%</b> at 31 December 2019 (31 December 2018: 27.3%).	Within our medium-term LTV target of up to 40%.
<b>5. Adjusted earnings per share</b>	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	<b>6.64p</b> per share for the year to 31 December 2019 (2018: 6.88 pence). See note 13, page 130.	Adjusted EPS supports the total dividend for the year.
<b>6. Total expense ratio (TER)</b>	This is a key measure of our operational performance. Keeping costs low supports our ability to pay dividends.	<b>0.87%</b> for the year to 31 December 2019 (2018: 0.87%).	Our TER is expected to reduce as the Company grows and we successfully deliver the development pipeline.
<b>7. Weighted average unexpired lease term (WAULT)</b>	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	<b>14.1</b> years at 31 December 2019 (31 December 2018: 14.4 years).	Remaining above our 12-year target.
<b>8. GRESB score<sup>3</sup></b>	GRESB reflects the sustainability of our assets and how well we are managing ESG risks and opportunities. Sustainable assets protect us against climate change and help our Customers operate efficiently.	<b>55/100</b> One star rating (2018: No rating).	We have firm plans to improve our score and achieve two stars in 2020 and up to five stars over the long-term.

1 This is a target only and not a profit forecast. There can be no assurances that the target will be met and it should not be taken as an indicator of the Company's expected or actual future results.

2 EPRA NAV is calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We use these alternative metrics as they provide a transparent and consistent basis to enable comparison between European property companies.

3 Global Real Estate Sustainability Benchmark (GRESB).



# EPRA Performance Indicators

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We provide these measures to aid comparison with other European real estate businesses.

For a full reconciliation of all EPRA performance indicators, please see Notes to the EPRA and other key performance indicators.

Measure and definition	Purpose	Performance
<b>1. EPRA Earnings (Diluted)</b> See note 13, page 131	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	<b>£89.4m/ 5.29p</b> per share for the year to 31 December 2019 (2018: £91.8 million/6.37 pence per share).
<b>2. EPRA NAV (Diluted)</b> See note 28, page 141	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company, with a long-term investment strategy.	<b>£2,578.6m/ 151.06p</b> per share as at 31 December 2019 (31 December 2018: £2,253.1 million/152.83 pence per share).
<b>3. EPRA Triple Net Asset Value (NNNAV)</b>	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	<b>£2,508.2m/ 146.94p</b> per share as at 31 December 2019 (31 December 2018: £2,257.7 million/153.14p per share).
<b>4.1 EPRA Net Initial Yield (NIY)</b>	This measure should make it easier for investors to judge for themselves how the valuations of portfolios compare.	<b>4.34%</b> at 31 December 2019 (31 December 2018: 4.37%).
<b>4.2 EPRA 'Topped-Up' (NIY)</b>	This measure should make it easier for investors to judge for themselves how the valuations of portfolios compare.	<b>4.60%</b> at 31 December 2019 (31 December 2018: 4.68%).
<b>5. EPRA Vacancy</b>	A "pure" (%) measure of investment property space that is vacant, based on ERV.	<b>1.2%</b> as at 31 December 2019 (31 December 2018: 0.0%).
<b>6. EPRA Cost Ratio</b>	A key measure to enable meaningful measurement of the changes in a company's operating costs.	<b>15.1%</b> for the year to 31 December 2019 (2018: 13.7%). Both the 2019 and 2018 ratios include and exclude vacancy costs.

# Our Business Model

**We invest in, develop and actively manage Big Box logistics assets across the UK.**

## **The Manager operates our business and executes our strategy**

The Manager conducts portfolio and risk management services on the Group's behalf and is responsible for final decisions about these services. The Board determines our Investment Policy and Investment Objectives (see page 32), ensures ongoing compliance with them and has overall responsibility for our activities, including reviewing investment activity, performance, business conduct and strategy. The Board and the Manager work together to ensure the highest standards of governance.

The Manager is our primary source of competitive advantage. Its expertise and deep understanding of our sector enables us to rapidly assess opportunities, make decisions, perform thorough due diligence and complete transactions. In a sector where personnel changes are common, the consistency and calibre of the Manager's team helps us to maintain our relationships and work on longer-term deals. We have never withdrawn from a proposed contract after agreeing terms and believe that our reputation is unrivalled in our market.

## **We aim to ensure our assets are sustainable**

We consider sustainability at every step. Environmental, social and governance (ESG) issues are integral to our Investment Policy, we undertake ESG risk assessments on acquisitions and aim for new developments to be at least carbon neutral. We also look to improve our assets' sustainability through asset management, for example by installing renewable energy generation (see pages 60 to 63).

## **Our resources**

We use the following resources to create value for Shareholders and other stakeholders:

### **Appropriate capital structure**

To optimise risk-adjusted returns to Shareholders, we fund our portfolio with an appropriate capital structure. This includes a diversified mix of Shareholders' equity, third-party debt and recycled funds.

### **A portfolio of high-quality assets and a unique development platform**

We have an outstanding portfolio of Big Box logistics assets and control the UK's largest portfolio of Strategic Land for the development of Big Boxes and other logistics assets.

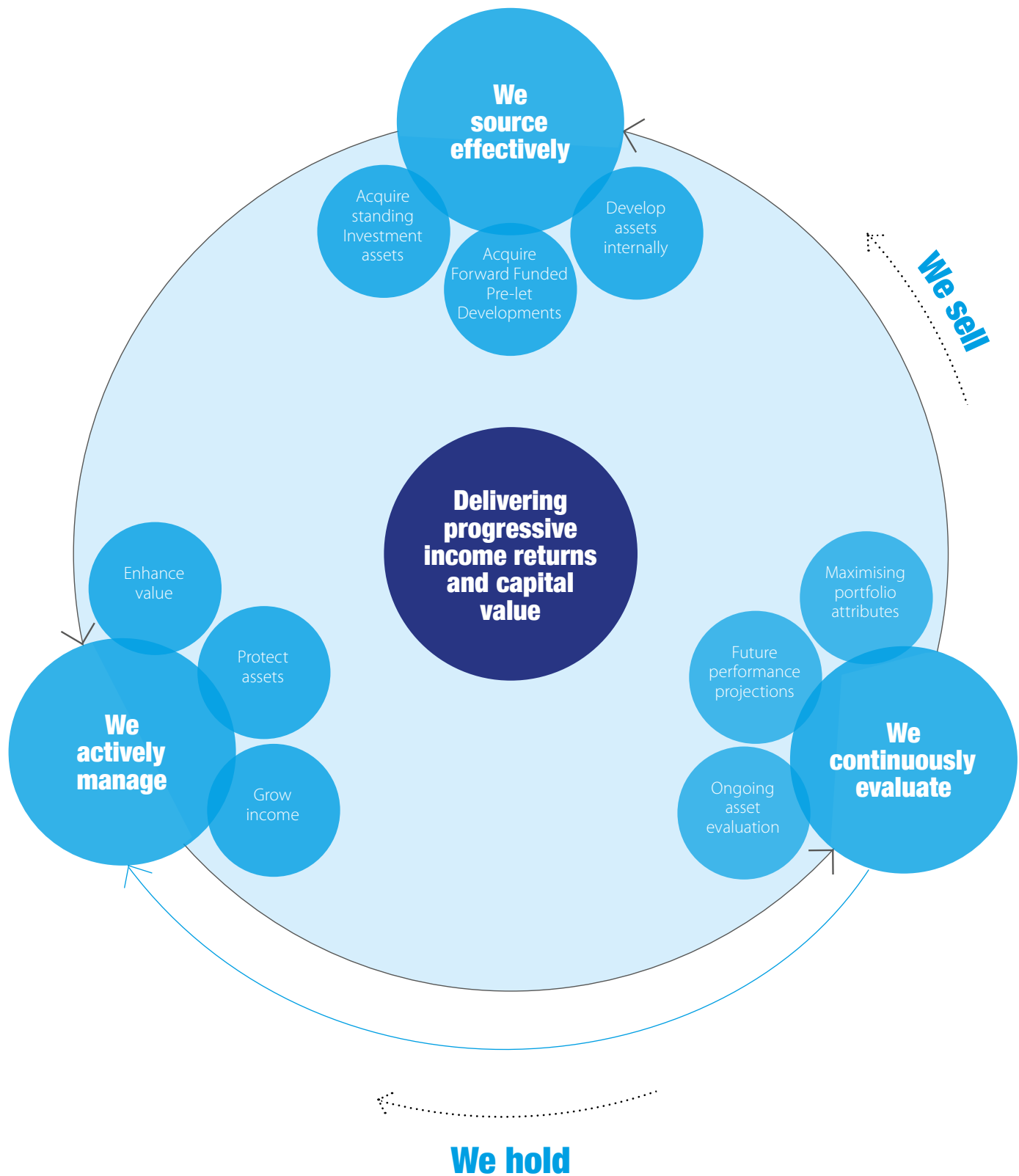
### **Specialist knowledge and expertise**

Our purity of focus makes us experts in the logistics subsector. We have an experienced Board and a Manager with a high-calibre and consistent team.

### **Valuable relationships**

We build mutually beneficial relationships with our Customers and draw on the Manager's extensive contacts with key influencers across the subsector. Our excellent reputation and track record make us a partner of choice for vendors, developers and Customers.

## Business Model





## Source

### How we source assets for our portfolio

We source assets for our portfolio in three ways:

- Acquiring standing assets
- Forward funding pre-let developments
- Developing assets internally

In doing so, we ensure our portfolio is weighted towards Foundation assets (see page 44), which provide our core income.

To identify suitable standing assets and pre-let developments, we draw on the Manager's sector knowledge and expertise and its extensive agency, developer, vendor and occupier contacts, built up over many years. This enables us to source most investments off market, allowing us to buy at attractive prices. When acquiring standing assets or Forward Funded Pre-let Developments, we seek high-quality and discount numerous opportunities that do not offer value for money or meet our stringent investment criteria.

In recent years, growing demand for logistics property investments has applied downward pressure on yields. High-quality, standing investments have become harder to acquire at attractive prices, as owners are either not willing to sell or want a premium price. The Group therefore anticipates securing most of its future pipeline by developing assets internally, predominantly on a pre-let basis.

All of our investment activity is conducted within the parameters of our Investment Policy (see page 32). Among other things, the Investment Policy defines the types of real estate assets we can own and limits our exposure to land assets and speculative development. While we primarily look to acquire or develop Big Boxes, we may consider smaller properties that help us to diversify by geography, building and lot size.

### Acquiring standing investment assets

Standing assets are completed buildings that typically have a tenant in place on acquisition. Typically, we do not undertake any development work on the asset at acquisition and the tenant remains committed to the existing lease terms; the investment is thereby income producing from the point of purchase. We typically target investments with long leases, but we may acquire assets with shorter leases, if we can create value by re-gearing or re-letting.

### Acquiring Forward Funded Pre-let Developments

Pre-let developments are those where an occupier has signed a pre-lease and will take occupation of the newly developed asset on completion of construction. We provide funding to the developer in stages as the development progresses, in return for a licence fee paid to us by the developer (typically on a monthly or quarterly basis). The developer retains the risk of cost or schedule overruns.

On completion, we own the asset and the tenant becomes our Customer. Forward Funded Pre-let Developments can give us a more attractive entry price than acquiring a standing asset. As brand new buildings, these assets are suitable and sustainable for an occupier's latest needs.

### Develop assets internally

Developing assets internally allows us to secure an asset at a discount to market value and to grow our earnings per share more quickly, while carefully managing development risk.

We control one of the UK's largest and most geographically diverse portfolios of land and options over land, for the development of Big Box assets and related logistics facilities. This gives us a long-term pipeline to enhance our existing strong asset base at attractive yields on cost.

We identify the assets that would be suitable for a particular site and add value to the site by obtaining planning consent for the scheme.

An option conveys the right, but not the obligation, to acquire the land, usually following the achievement of conditions such as planning consent; sites can often be drawn down in phases. The option usually provides for a pre-determined discount to market value. Before we start construction, we typically minimise risk by securing a pre-let with a Customer, but we may also speculatively develop a small number of assets, within the Investment Policy's limits.

Throughout the development process we control the timing of key events, such as when we seek planning, exercise options or start construction. This allows us to create assets at a time that suits us, taking into account, for example, of the stage of the economic cycle and the balance of supply and demand for logistics space. This contrasts favourably with acquiring standing assets or Forward Funded Pre-let Developments, where the timing is determined by the vendor.



## Manage

### **We actively manage our portfolio**

We work with our Customers to maximise the operational effectiveness of our assets, for example by extending buildings or adding mezzanine floors. This encourages Customers to sign longer leases, to secure their investment in the building, which in turn potentially increases our revenue security and capital values. The process also deepens our relationships with our Customers.

Our assets are strategically important to our Customers. Coupled with our strong relationships, this can help us to retain Customers at renewal and to minimise void rates.

Our asset management activities help to protect our assets from obsolescence and can also help to improve their sustainability, as discussed on page 49.

A small number of our assets fall within our Value Add investment pillar (see page 44). Where we buy properties with the potential to add value, we look to turn them into Foundation assets through asset management.



## Evaluate

### **We continuously evaluate**

We continuously evaluate the performance of individual assets and our look to maximise the positive attributes of the portfolio as a whole. We also review external factors that could influence our future performance.

We monitor the progress of individual assets against their business plans. We look to hold assets for the long term, but we may sell if we have delivered the asset's business plan or can reinvest the sales proceeds in a more attractive opportunity. We are mindful, however, of the frictional costs that can be incurred buying and selling commercial property and the impact that this can have on returns.

When reviewing portfolio performance, we do so by reference to our key performance indicators and in the context of our Investment Strategy, including time horizons. Through a process of strategy reviews, the Board can adapt the strategy as necessary to optimise returns to Shareholders. Many areas of our business are subject to evaluation. These include financial controls, compliance, governance, property performance and the service provided by third parties.

As our portfolio grows, we benefit from economies of scale; increased diversification by geography, Customer, building size, and rent review type and frequency; a larger list of contacts; and a deeper pool of available capital.

A larger portfolio also gives us greater insight into market developments, more control over the evidence for rent reviews and lease renewals, and greater potential to create multi-asset initiatives with the same Customer.

External evaluation includes macroeconomic, financial and political factors that could affect our market and other markets connected to it. This also extends to ongoing appraisal of the financial health of our Customers, the trading of other occupiers operating in the logistics sector and the fortunes of sectors of the economy more generally. Third-party research and other data help us to understand market rental and investment yield trends which could affect our future performance projections.

## How we generate revenue

Almost all of our revenue is rental income, which our tenants pay to us under lease contracts. The portfolio's minimum weighted average unexpired lease term was 14.1 years at 31 December 2019, giving us excellent predictability of income.

The contracted rents are reviewed on an upward-only basis, typically every five years (see page 49) and we also benefit from some annual rent reviews. Rent reviews are well spread, giving us some rental growth each year. Lease renewals, new lettings and significant asset management initiatives also allow us to capture market rental growth. Rental payments are usually received quarterly or monthly in advance, converting our revenue quickly into cash. The financial strength of our Customers reduces the risk of lease default.

Our cost base enables us to convert a significant proportion of our rental income into profit. A number of our costs are partially or largely fixed and we benefit from economies of scale such as a diminishing Management Fee as the portfolio NAV grows. We also generate capital growth as the value of our portfolio increases. This may come from yield compression across the market, rising income from our assets or the benefits of our asset management activities.

Development activity can deliver profit at two main stages: achieving planning consent and securing a letting. These key points of value enhancement are crucial to producing higher returns.

Our REIT status protects the value we create for Shareholders, as we are not subject to corporation tax on profits and gains in respect of our qualifying property rental business.

**Our purpose is to provide sustainable logistics solutions, giving our Customers the space to succeed, whilst benefiting all our stakeholders. We work hard to ensure we identify our stakeholders, and what they need and expect from Tritax Big Box. This insight helps us to create long-term sustainable value for all.**

## Our stakeholders

### **The Manager and its employees**

As an Alternative Investment Fund our key supplier is the Manager and its employees. The Manager has particular expertise in the Big Box sector and gives us a competitive advantage through its knowledge, specialist focus and extensive network of industry and occupier contacts. The Manager employs a dynamic and diverse range of professionals who play a central crucial role in the performance and long-term success of the Company. We benefit from the Manager's entrepreneurial approach, and believe it plays an essential role to help us deliver our strategy and purpose.

### **Our communities**

Our communities are those who live in the areas in which we develop and own our Big Boxes. We recognise the importance of supporting local communities where our assets are located. We endeavour to invest in opportunities which will be fit for future purpose and which align with our ESG targets. We help to benefit our local communities by creating social value through employment, promoting bio-diversity and seeking to increase efficiency for our customer and the consumer.

### **Our Shareholders**

It is crucial that Shareholders have confidence in the Company and how it is managed. We seek to engage with investors to ensure transparency on our strategic plans. We aim to provide long-term, consistent returns for investors through investment in a diversified and balanced portfolio. We provide regular market updates on our strategy and performance and engage in face to face meetings with investors to aid their understanding and decision making. Our carefully selected assets add value to our portfolio, which in turn allows investors to benefit from attractive and progressive long-term returns. We are also mindful of our duty to maintain high levels of governance, with a greater focus on sustainability when reporting to our investors.

### **Our Customers**

Our Customers are the occupiers of our assets. We want to be our Customers' landlord of choice for Big Box logistics property in the UK. Our Customers range from multinational technology companies to multinational retailers. We aim to foster strong relationships with them, by understanding their occupational requirements and commercial objectives. This helps us identify suitable asset management opportunities for the Company, whilst ensuring long-term satisfaction for our Customers.

### **Government, regulators and local authorities**

Government, regulators and local authorities provide vital oversight of how we run our business. By understanding their priorities and concerns, we seek to improve our relationships and further understand the impact of our business. Maintaining a co-operative relationship is important to our development and pipeline initiatives, such as obtaining planning permissions or redeveloping our existing properties.

### **Our Lenders**

Our lenders are those that provide the means of being able to finance the implementation of our strategy and secure future pipeline initiatives. We have a well diversified and flexible debt platform. Our strong relationship with our lenders enables us to deliver effectively on our development plans. We report to and meet our lenders on a regular basis, updating them on our portfolio and strategy.

### **Our suppliers**

Our suppliers are those we collaborate with on a day to day basis, to help ensure we meet our investment and strategic objectives. These include our legal advisers, auditor, brokers and valuers. We aim to maintain an integrated and open relationship with our suppliers, to ensure that we receive expert advice and can rely upon them to help deliver our strategy. One of the key ways we engage with our suppliers is by having clear lines of communication and dedicated contacts within the Group.

# Manager's Report

**Colin Godfrey**  
CEO – Fund Management





**Delivering the strategy: 2019 was an important year in the evolution of the Company – we acquired a prime logistics land platform to complement our high-quality Investment portfolio and provide opportunity for enhanced future value growth.**

**89%**

**The core of our business has remained unchanged, with 89% of our portfolio comprising high-quality Investment assets**

#### Contents

Delivering the Strategy	43
A well balanced, high-quality, Income focused portfolio	44
Our Investment portfolio	48
Delivering Pre-let Forward Funded Developments	52
Our Active Development Pipeline	54
Our Sustainable Approach	58
Financial Review	68

## **A WELL BALANCED, HIGH-QUALITY, INCOME FOCUSED PORTFOLIO**

**The composition of our portfolio is driven by our objective to own high-quality Big Box logistics assets capable of generating attractive, stable, long-term returns for our Shareholders.**

**£3.94bn**

Portfolio value  
(2018: £3.42bn)

**89%**

Investment portfolio  
(2018: 98%)

**11%**

Strategic Land and Development portfolio  
(2018: 2%)

### **Our Investment portfolio (89%)**

The Group's Investment portfolio of 58 assets comprises standing investments, Pre-let Forward Funded Developments and vacant assets, which together total 89% of portfolio value. This part of the portfolio has been carefully constructed to provide a good balance of Foundation, Value Add and Growth Covenant assets.

As at the year end, the Group's Foundation assets which provide core, long let and low-risk income comprised 71% of the total portfolio. Value Add and Growth Covenant assets, which offer opportunities to add value through asset management and improving Customer financials, represented 13% and 5% of the total portfolio value respectively. Together these high-quality investment assets provide secure, long-term and growing income that underpins the Company's target dividend payments to Shareholders.

#### **Investment pillars**

The assets within our Investment portfolio typically fall under one or more of the Group's investment pillars:

#### **Foundation:**

**71%**

Foundation assets provide the core, low-risk income that underpins the business. They are usually let on long leases to Customers with excellent covenant strength. The buildings are commonly new or modern and in prime locations, and the leases have regular upward-only rent reviews, often either fixed or linked to inflation indices.

#### **Value Add:**

**13%**

These assets are typically let to Customers with good covenants and offer capital value or rental growth through lease engineering or improvements to the property. We do this using our asset management capabilities and understanding of Customer requirements. These assets are usually highly re-lettable.

#### **Growth Covenant:**

**5%**

These are fundamentally sound assets in good locations, let to Customers we perceive to be undervalued at the point of purchase and who have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects. These assets offer value enhancement through yield compression.

### Our Strategic Land and Development portfolio (11%)

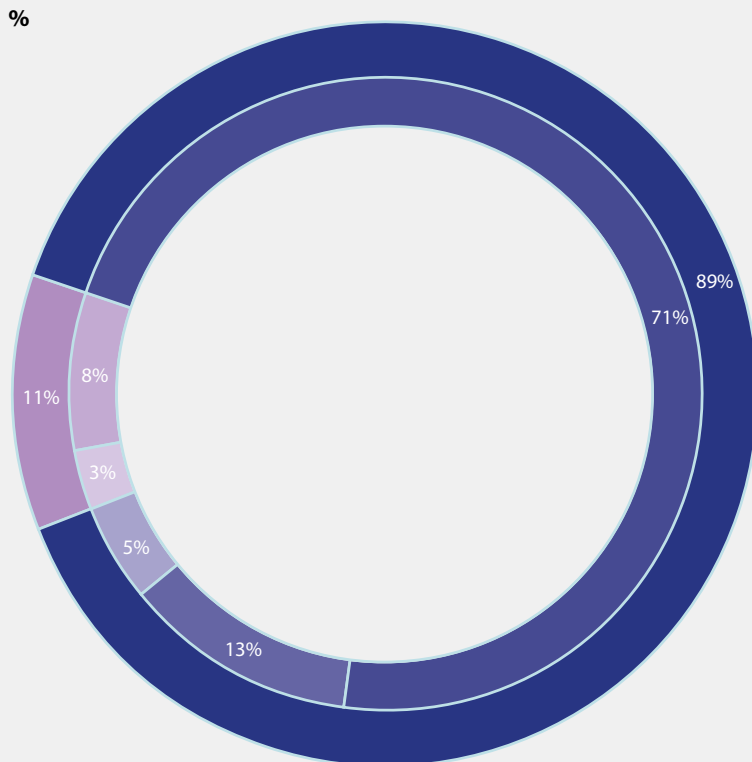
The balance of the Group's portfolio is invested into our Strategic Land platform which includes Land and Development assets. This includes our site at Littlebrook, Dartford (representing 3% of the portfolio), as well as assets within the Tritax Symmetry portfolio which consists of owned land, land controlled under option, speculatively developed buildings which are currently under construction and Development Management Agreements (together representing 8%).

This key component of the portfolio provides the scope to benefit from enhanced capital returns via the capture of development profit, whilst carefully controlling risk, by developing largely on a pre-let basis. This portfolio of land and options over land has the potential to deliver over c. 39 million sq ft of built logistics property.

The Group continues to focus on de-risking its development pipeline by ensuring that:

1. development is typically undertaken only once a tenant pre-let is secured; and
2. speculative development (without a tenant pre-let) is minimised, noting that this is restricted under the Group's Investment Policy to a maximum of 5% of GAV.

### Portfolio value



- Investment portfolio:
  - Foundation assets
  - Value Add assets
  - Growth Covenant assets
- Strategic Land and Development portfolio:
  - Tritax Symmetry portfolio
  - Littlebrook, Dartford

## A well-located portfolio

Location is a key determinant of occupier demand. Our buildings are located close to either major motorway infrastructure, commercial ports, rail terminals or a combination of multi-modal transport options. More recently, as logistics buildings have become bigger to improve operational efficiency, they have started to house more employees that cover a wide range of functions from engineering to sales and marketing. In addition, larger format buildings are those which utilise automation and mechanical handling equipment to increase storage capabilities and throughput. Consequently, occupiers are favouring locations that offer a suitable amount of power and an appropriately skilled and available labour supply.

Our portfolio has been selected on an asset by asset basis to provide geographical diversification and exposure to the key national logistics locations which are well connected, with appropriate power provision and labour availability.

### Portfolio locations



- Investment portfolio
- Strategic Land and Development portfolio
- Ports

## Delivering a robust, diversified, long-term income stream

Since the Group's IPO, we have sought to distinguish ourselves through the quality and longevity of our income stream. Our income stream is underpinned by three key characteristics.

### 1. A high-quality and diversified Customer base

The Group owns 58 Investment assets, which deliver a robust and long-term income stream, underpinned by a diversified base of 40 different Customers. The quality of the Group's Customer base is demonstrated by 80% of our income being derived from members of major stock market indices in the UK, USA or Europe. Our Customers operate in a wide range of sectors. As shown in the table below, we have purposely sought to increase exposure to online retail and control exposure to "High Street" retail.

#### Online Retail

**20.5%**



#### Wholesale

**5.3%**



#### Food Retail

**17.7%**



#### Electricals Manufacturing

**4.3%**



#### Homewares and DIY Retail

**9.8%**



#### Consumer Goods Manufacturing

**4.2%**



#### Other Retail

**8.0%**



#### Automotive Manufacturing

**3.5%**



#### 3PL/Distribution

**7.4%**



#### Post and Parcels

**2.9%**



#### Fashion Retail

**7.3%**



#### Food Production

**2.3%**



#### Other Manufacturing

**6.8%**



## 2. A long, reliable income stream

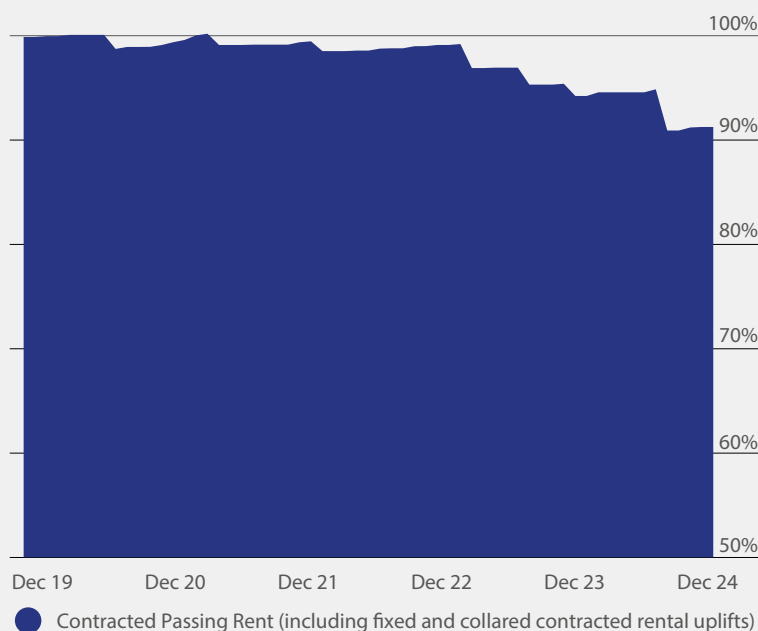
The long-term security of the Group's income is also shown by the Investment assets weighted average unexpired lease term ("WAULT"), which was 14.1 years at 31 December 2019 (2018: 14.4 years). Foundation assets, which provide the Group's core income, had a WAULT of 16.1 years at 31 December 2019. Reflecting the long WAULT, just 12.8% of total rents were from leases expiring within five years of the year end, with 50.2% generated by leases with 15 or more years to run.

As a consequence of the portfolio's long WAULT and the inherent importance of these buildings to Customers, the Group has historically reported a 100% occupancy level at each year end since IPO, save for the year ended December 2019 where the occupancy level stood at 99%.

This is a result of the completion of the development of two buildings which remained vacant in 2019.

The chart below illustrates the income expiry profile of the portfolio assuming no active asset management to renew.

### Contracted income expiry

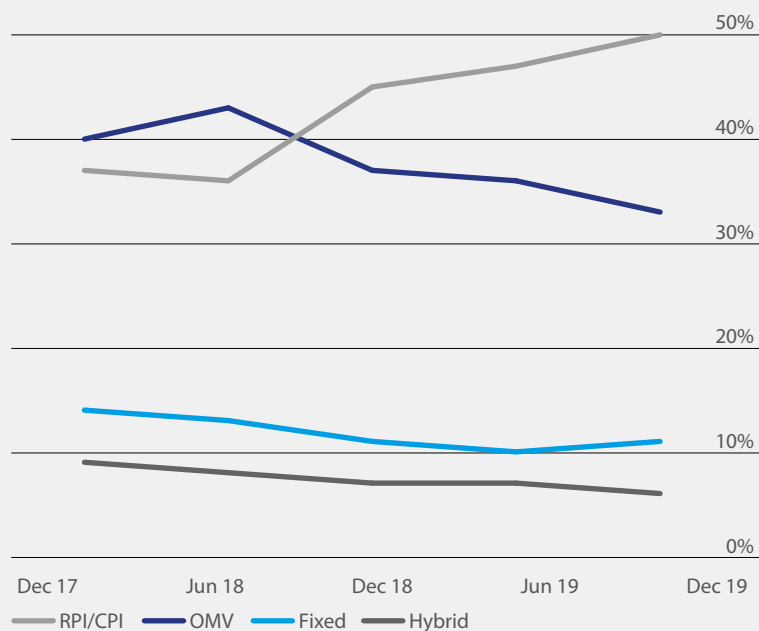


## 3. Embedded income growth

The Investment portfolio has been deliberately assembled to have a balanced timing of rent reviews, supporting the Group's ability to deliver annual income growth. The Group's leases provide for upward-only rent reviews, of which 50% are RPI/CPI linked, 33% are open market, 11% are fixed and 6% are hybrid. In recent years tenants have preferred new occupational leases with index-linked rent reviews, usually including cap and collar arrangements. Such leases provide both Customers and the Group highly transparent and more predictable cash flows. By way of example, the last seven pre-let developments funded by the Company have all benefitted from leases with index-linked rent review provisions subject to cap and collar arrangements.

This has led to a slight rebalancing in portfolio rent review type, away from open market reviews and towards index-linked reviews, which we see as a positive move. As a consequence, 53% of the Group's contracted rental income, as at 31 December 2019, provides for a minimum level of increase at the point of rent review. The blended minimum level of increase is 1.8% per annum achieved through fixed or collared reviews. This gives the Group more visibility and certainty of income growth, supporting our confidence in delivering progressively growing dividends to Shareholders.

### Evolution of the portfolio rent review profile (% of contracted income)



## OUR INVESTMENT PORTFOLIO

We believe that our logistics portfolio is one of the best and biggest in the UK. These attributes provide us with in-depth market insight, strong performance potential and resilience.

£166.6m

Contracted annual rental income  
(2018: £161.1m)

£179.1m

Investment portfolio ERV  
(2018: £169.8m)

1.8%

Like-for-like portfolio valuation increase  
(2018: 4.7%)

### Our Investment portfolio

Investment assets comprise 89% of our portfolio value. Apart from two small speculatively developed buildings completed in the period, our Investment assets remained fully let throughout 2019.

The extensive geographic network of properties provides in-depth market knowledge and combined with our market intelligence have enabled us to acquire high-quality income producing assets at an attractive weighted average purchase yield of 5.5% since inception, compared to a valuation yield of 4.5% as at 31 December 2019.

The Group now owns 58 geographically diverse logistics Investment Assets, individually selected based on quality and performance criteria, which collectively comprise a unique portfolio well placed to benefit from changes in consumer habits, technology and operations upsizing. The properties are located where occupiers want to be and provide flexible accommodation with access to appropriate labour pools. The modernity of the Group's real estate is second to none, with 92%<sup>1</sup> having been constructed since the millennium.

A WAULT of 14.1 years<sup>2</sup> underpins the long-term resilience of our income. Over half of our rental income (53%) provides for a contracted fixed or minimum level of increases at the point of rent review, blended at a minimum annualised rate of 1.8%. Long income is more valuable if it is also high-quality, dependable income. We believe that the Group's tenant line-up is unrivalled among UK REITs. The Investment portfolio contracted annual rental income was £166.6 million as at 31 December 2019, underpinned by 40 institutional quality tenants, the largest of which was Amazon, representing 13.1% of the Company's total contracted rental income.

The independently assessed estimated rental value (ERV) for the Investment portfolio was £179.1 million, representing a 7.5% reversion (the level at which market rents are deemed to exceed the passing rent of the Group's properties). The portfolio ERV grew by 1.1% on a like-for-like basis during the year.

The gain recognised on revaluation of the Group's Investment properties was £54.5 million (2018: £163.0 million). The like-for-like valuation increase for the 54 assets and the land at Littlebrook which were held throughout the year was 1.8% (excluding any additional capital costs incurred on those assets in the year).

We will continue to opportunistically identify Investment assets and Pre-let Forward Funded investments in supply constrained locations at prices that create value at the point of purchase.

Plans are underway for selective disposals of Investment assets with a view to recycling capital efficiently into the Company's Strategic Land platform.

1 By contracted rental income.

2 To the earlier of lease expiry or break option.

## Enhancing value

Our portfolio of investment assets offers opportunities to enhance capital values and grow rents through proactive Customer engagement.

### Relationships and knowledge provide opportunity

A regular engagement programme has forged strong relationships with the Group's diverse and global Customer base, providing invaluable insights through the supply chain. This partnership leverages a deep understanding across various contact points within Customers' businesses, embedding us into Customers' corporate logistics decisions. We pride ourselves on care and attention, which extends beyond the physical properties that we lease. The resulting trust means that our Customers share information which allows us to make recommendations to help them overcome the structural challenges of a fast-changing world and capture the opportunities that this presents.

Where appropriate, we look to implement physical enhancements to better meet Customer requirements, for example, extending the property. This could link with contractual amendments such as adjusting rental levels or extending the unexpired lease term which, in turn, can provide growing rents and longer-term financial security for the Group. Across the Investment portfolio we are actively discussing such initiatives.

At Amazon, Chesterfield, the Group undertook refurbishment works and modernisation of the asset, which completed in 2019. This improved the building's EPC rating from grade "D" to "C".

At Tesco, Middleton, the Customer completed a major refurbishment programme, including replacement of mechanical and electrical equipment.

At New Look, Newcastle-under-Lyme, the Customer completed a fit out of the extension, refurbished the on-site cafeteria and re-located call centre staff to the property, to create a dedicated e-commerce service centre.

We cannot directly influence the business operations of our Customers, but we do work with them to maximise the efficiency, resilience and flexibility of their occupational real estate. Although the Group's Investment portfolio is generally modern and rates well for energy efficiency, a significant area of opportunity lies in creating sustainable solutions, both in terms of social welfare (from improvements in working environments) to the implementation of renewable energy (which can be of benefit to Customers, the Group and society more generally). We are working hard in this area and are optimistic as to the opportunities identified (see page 61).

Sustainability is also at the heart of the development ambitions of Tritax Symmetry which has developed strong relationships with local authorities and communities as a result of its inclusive and consultative approach to job creation. The Customer relationships forged within the Group's Investment portfolio are proving of mutual benefit to Tritax Symmetry; we are now able to offer the in-house development of new logistics facilities – a service not previously possible. This means that we can provide solutions of all size categories ranging from small scale "last journey" logistics buildings to the largest Mega Box hubs.

## Our balanced Investment portfolio by rent review type

### Open market rent reviews:

# 33%

These track the rents achieved on new lettings and rent reviews of comparable properties in the market.

### RPI/CPI-linked:

# 50%

These provide some inflation protection. All are subject to caps, the highest at 5% pa. Over £61 million of the Group's inflation-linked income is also collared, which means it benefits from minimum uplifts.

Of the 24 inflation-linked leases, 20 are reviewed five-yearly, while four provide annual rental increases.

### Fixed uplift rent reviews:

# 11%

Fixed rent reviews provide certainty of income growth, at either 3.0% pa (four leases) or 2% pa (one lease). By income, 65% of these leases have five-yearly reviews and 35% are reviewed annually.

### Hybrid:

# 6%

Hybrid rent reviews can be an amalgamation of the above, for instance to the higher of open market rents or RPI (subject to a cap and collar). Such arrangements provide the Group with the potential of enhanced income growth.

### **Lengthening income**

Despite the occupational market being impacted by Brexit and the General Election in 2019, we concluded two significant asset management initiatives:

At the Sainsbury's asset in Leeds, we extended the seven-year unexpired lease term by a further 18 years, creating 25 years unbroken rental income, thereby endorsing the "Foundation asset" credentials. We also negotiated a change in the rent review basis from five-yearly open market to CPI-linked (2% collar and 4% cap) compounded annually, in order to provide increased income growth certainty for the Group. The significant commitment by Sainsbury's demonstrates the strategic importance of this asset in its supply chain network for the north of England.

At the Whirlpool asset in Raunds, we concluded a five-year extension to the lease, creating a six-year unexpired term. Additionally, we negotiated a strengthening of the tenant financial covenant through the addition of a guarantee from Whirlpool Corporation. As part of the transaction, we agreed to fund certain improvements to the property including energy efficient LED lighting and upgraded employee welfare facilities.

### **Growing income**

Logistics property rent reviews take place typically every five years. The timing of each is such that we conduct a number of rent reviews each year. The Investment portfolio also benefits from several leases with annual rent increases, either on a fixed uplift basis or linked to RPI or CPI.

We settled seven rent reviews during 2019, adding £0.7 million (2018: £0.9 million) to the Group's annual passing rent, representing an average annual increase of 2.0%.

#### **Annual inflation indexed rent reviews:**

##### **-Morrisons, Tamworth**

Linked to CPI, resulting in an uplift to the annual passing rent of £0.1 million or 1.8%.

##### **-Morrisons, Sittingbourne**

Linked to RPI with a cap of 2% per annum, resulting in a 2% increase in passing rent, equating to £0.12 million per annum.

##### **-Royal Mail, Daventry**

Linked to RPI with a cap of 3% per annum, resulting in a 2.88% increase in passing rent, equating to £0.08 million per annum.

##### **-Industrial Tool Services, Harlow**

Linked to RPI with a cap of 2% per annum, resulting in a 2% increase in passing rent, equating to £0.02 million per annum.

#### **Annual fixed rent reviews:**

##### **-Argos, Burton-on-Trent**

Fixed at 3% per annum, resulting in an uplift in annual passing rent of £0.13 million per annum.

#### **Five-yearly inflation indexed rent reviews:**

##### **-Brakes, Harlow**

Linked to RPI with a cap of 5%, resulting in a 13.01% increase in passing rent, equating to £0.24 million per annum

#### **Open market rent reviews per annum:**

##### **-Next, Doncaster**

This open market review, dated March 2018, was settled at a nil increase.

At the year end, the Group had six open market rent reviews that were outstanding. These reviews are either under direct negotiation or form part of wider negotiations relating to potential extensions of lease length.

By December 2022, 87% of our portfolio rents are due for rent review. In 2020 ten of our properties are subject to rent review with a further 21 and 17 rent reviews in 2021 and 2022 respectively. We have purposefully weighted away from open market rent reviews in favour of more reliable fixed and collared reviews, providing us with a higher degree of embedded rental

growth; in December 2015 fixed and index-linked reviews comprised 42% of rent, compared to 31 December 2019 when fixed and collared rent reviews comprised 53% of our income.

### **Protecting our assets and Customers**

We assess the need for repair and opportunities for improving properties both prior to purchase and on an ongoing basis during ownership. Property condition and risks are key components of pre-purchase independent building and specialist surveys. An assessment of fire risk includes Customer use, building materials, cladding details, fire suppression systems and automation, all of which are appraised by us and property insurers with a view to protecting the Group's assets and the Customers that occupy them. Our properties are generally modern and therefore rate highly in these areas.

### **Monitoring of our Customers**

The Group's Customers are well diversified by business type. We are mindful of the pressures on Customers and regularly monitor the financial performance of both individual Customers and the sectors within which they operate. This process includes subscription to sector specific research, reviews of trading statements, annual accounts and analysts' reports, combined with our own meetings with key decision makers within the Customer base and our own observations from inspections.

In particular, New Look, which occupies the Newcastle-under-Lyme building, continues to operate under a Company Voluntary Arrangement. This asset currently produces c.1% of the Group's annual contracted income. We continue to meet frequently with representatives of New Look and regularly inspect the asset. We will remain in regular contact with the senior management team at New Look and monitor its trading performance as it seeks to improve financial stability.

We are also closely monitoring Eddie Stobart following a delay to their financial results in 2019, which led to a suspension of their shares. During this period there was a change of ownership and an injection of working capital. The Company shares have since resumed trading in February 2020.

### **Post period-end activity**

Following the period end, two key asset management initiatives completed:

#### **Removal of lease break**

##### **-Marks & Spencer, Stoke**

The Board of Marks & Spencer accepted our proposal to remove the May 2021 break option, thereby extending the unexpired term certain to May 2026. The terms also agreed the forward settlement of the May 2021 rent review, increasing the rent from £5.25 per sq ft to £5.50 per sq ft (equating to an increase of £0.1 million per annum). This completed in February 2020.

#### **Open market rent review**

##### **-L'Oréal, Trafford**

Last year we extended this lease by five years to 8 August 2024. The lease provided for a rebasing of the rent at the end of the original lease term at August 2019, with the unusual provision that the rent could increase or decrease. Following negotiation, settlement was achieved at £6.18 per sq ft (reduced from the previous level of £8.47 per sq ft). The annual 3% per annum fixed review basis continues for the remainder of the term. This completed in February 2020.



**Sainsbury's**  
Leeds

During the year at our Sainsbury's asset in Leeds we extended the seven-year unexpired lease term by a further 18 years, creating 25-years unbroken rental income, thereby endorsing the 'Foundation' asset credentials. We also negotiated a change in the rent review basis from five-yearly open market to CPI-linked, (2% collar and 4% cap) compounded annually, in order to provide increased income growth certainty for the Group. The significant commitment by Sainsbury's demonstrates the strategic importance of this asset in its supply chain network for the north of England.

**18 years**

Lease extension

**25 years**

Total unexpired lease term



## **DELIVERING PRE-LET FORWARD FUNDED DEVELOPMENTS**

**These state-of-the-art buildings are accretive to our WAULT and portfolio modernity.**

The Group has now facilitated the completion of 14 Pre-let Forward Funded Developments, totalling over 8.9 million sq ft. We believe that this makes the Group the leading forward funder of pre-let developments in the UK market over the last five years, by square foot.

During 2019, we enhanced our Investment portfolio with the practical completion of the following five Pre-let Forward Funded Developments (see below). In aggregate these pre-let developments delivered 4.3 million sq ft of high-quality, sustainable logistics space with an average WAULT of 18 years.

- Eddie Stobart, Corby, in February 2019
- Amazon, Haydock, in July 2019
- Amazon, Darlington, in August 2019
- Bosch, Corby, in September 2019
- Howdens II, Raunds, in November 2019

Using our knowledge and expertise to forward fund pre-let developments provides the opportunity to acquire new, high-specification, sustainable, institutional calibre facilities. It also allows us to acquire prime assets at a discount to the price of a completed and income producing logistics investment.

# 4.3m sq ft

Completed Forward Funded Developments

# 18.3 years

Average WAULT across five completed pre-let developments

# 5.0%

Average purchase NIY of five pre-let developments

# 4.4%

Average purchase NIY of five pre-let developments

**Bosch**  
Corby

The Company Forward Funded this Pre-let Big Box logistics facility and customer service centre, located on Midlands Logistics Park near Corby, Northamptonshire. Upon completion this c. 945,375 sq ft purpose-built, high specification asset became Bosch's largest UK distribution centre. Once fully operational the facility will employ around 400 people across a variety of roles.

**£89.3m**

Investment reflecting a NIY of 5.2% (net of acquisition costs)

**945,000**

**sq ft**  
Pre-let Forward Funded  
Development



## **OUR ACTIVE DEVELOPMENT PIPELINE**

**With a low-risk  
approach to development,  
we aim to convert  
development profit  
into earnings growth.**

Through the acquisition of Tritax Symmetry, we have gained the expertise of an experienced land acquisition, planning and development team which, alongside our existing development knowledge, provides a talented group with the capability of maximising value from the Group's strategic development land. We also continue to work with third-party developers with strong reputations of performance in their field.

The Group now owns, or controls via option agreements, development land in the UK with a target gross floor area of c. 39 million sq ft. This land platform provides the opportunity of creating our own sustainable investments. In doing so, we can control the real estate quality, calibre of tenant, lease terms and timing of delivery. Such an arrangement will enable us to capture development profit, which embedded within the resultant investments, enhances the Group's yield on cost. We are targeting an average yield on cost of 6-8% across the Group's Strategic Land assets, well above the current portfolio valuation yield of 4.5% at the year end, and this profit arbitrage will be reinvested to accelerate the growth in earnings, underpinning our progressive dividend policy.

We take a risk-averse approach to development by delivering assets on a predominantly pre-let basis. The Group's Investment policy restricts speculative development exposure to 5% of GAV, but we have practically worked to a lower level which was 0.5% as at 31 December 2019.

At the year end, after only 10 months, we had made good progress with the Group's enhanced Strategic Land platform. The Current development pipeline is progressing well, and upon completion these assets will increase the passing rent by £15.2 million pa. Our integrated team, which includes the full Tritax Symmetry team, is proactively engaging with the Group's 40 existing Customers and promoting our Near-Term pipeline to other occupiers in the market that currently have active logistics real estate requirements.

# 12-18 months

Typical target until practical completion

# 3.2m sq ft

Developments under construction

# 92%

Of the current development pipeline is pre-let

# 2%

Average valuation yield of five pre-let developments

### Current development pipeline

The current development pipeline comprises both pre-let and speculative developments which are likely to reach practical completion within 12-18 months. Such assets are either in the course of construction or are the subject of a construction commitment.

At the year end, the Group had three pre-let developments under construction including: Howdens III (Unit 6B) at Raunds; Amazon at Durham; and Co-Op in Biggleswade. There has been a short delay to practical completion of Howdens III at Raunds; however, there is no financial impact on the Group and it continues to receive the full developer's licence fee until the rent commencement.

As part of the Tritax Symmetry acquisition, the Group acquired a pre-let to the Co-Op in Biggleswade, which became unconditional in May 2019 following the receipt of detailed planning consent. Construction on the project commenced towards the end of 2019.

These three developments, totalling 2.9 million sq ft, are anticipated to reach practical completion by early 2021.

In addition, the Group inherited five small scale buildings totalling 560,000 sq ft as part of the Tritax Symmetry acquisition, where construction had commenced without a tenant in place. There were two buildings, Units 2 and 3 at Aston Clinton totalling 165,000 sq ft, that remained under construction as at the year end.

As illustrated below, the estimated cost of completion across the five development assets that remain under construction is approximately £129.9 million. Upon completion these assets will increase the rent passing rent by £15.2 million pa.

The remaining expected costs to complete, across these assets, is as follows:

	Estimated costs to complete – total £m	Estimated costs to complete – period				Total sq ft million	Contractual rent /ERV £m
		H1 2020 £m	H2 2020 £m	H1 2021 £m	H2 2021 £m		
<b>Pre-let</b>							
Amazon, Durham*	69.8	52.5	17.3	–	–	2.0	7.6
Howdens III (Unit 6B)*	17.0	17.0	–	–	–	0.3	1.7
Biggleswade	42.1	4.6	22.8	14.7	–	0.7	4.7
	<b>128.9</b>	<b>74.1</b>	<b>40.1</b>	<b>14.7</b>	<b>–</b>	<b>3.0</b>	<b>14.0</b>
<b>Speculative</b>							
Aston Clinton, Unit 2	0.3	0.3	–	–	–	0.1	0.4
Aston Clinton, Unit 3	0.7	0.7	–	–	–	0.1	0.8
	<b>1.0</b>	<b>1.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.2</b>	<b>1.2</b>
<b>Total</b>	<b>129.9</b>	<b>75.1</b>	<b>40.1</b>	<b>14.7</b>	<b>–</b>	<b>3.2</b>	<b>15.2</b>

\* Licence fee currently being received during the construction period.

### Post period-end development activity

Following the period-end, Tritax Symmetry practically completed two speculative developments at Aston Clinton of 0.1 million sq ft and 0.06 million sq ft respectively. They are currently vacant but have attracted good occupational interest.

**Near-Term development pipeline**

Strong progress has been made with the Group's Near-Term development pipeline. This comprises land on which, as at 31 December 2019, we have either received planning consent or where planning applications have been submitted. Notably, this excludes assets which fall within the Current development pipeline. In terms of time frame, sites within the Near-Term pipeline are those likely to commence development within a period of 1-3 years.

The Near-Term development pipeline consists of 11.5 million sq ft, across nine separate development sites. Of this, 5.3 million sq ft relates to land that has the benefit of planning consent and 6.2 million sq ft relates to sites where a planning application has been submitted but a decision has yet to be made by the local authority. Included within the Near-Term development pipeline are Phases 1 and 2 at Littlebrook, Dartford.

Of the land which has received planning consent, 1.1 million sq ft is owned by the Group and 4.2 million sq ft is controlled by way of option agreements. This consented land comprises seven separate development sites, all at various stages of site preparation, from land that is owned and ready for construction (with utility services installed), to land held under option where infrastructure works have yet to commence.

Key achievements in the year include the outline planning consent received in April 2019 for 2.3 million sq ft at Kettering and in July 2019 a further 0.3 million sq ft at Bicester.

Prior to the year end, planning applications had been submitted in respect of four sites and in each case the initial dialogue with the local planning authority has been positive.

	Total sq ft million	Current book value £m	Estimated cost to completion £m	ERV £m	Estimated gross yield on cost %
Land with consent	5.3	126.2	296.6	29.6	7.0%
Land with planning submitted	6.2	75.1	435.6	35.7	7.0%
	<b>11.5</b>	<b>201.3</b>	<b>732.2</b>	<b>65.3</b>	<b>7.0%</b>

**Target gross yield on cost**

**7.0%**

**Near-Term development pipeline**

**11.5m sq ft**

**Near-Term pipeline with planning consent**

**5.3m sq ft**

**Future development pipeline**

The remainder of the Group's land bank for future development is predominantly controlled under option agreements which are a capital efficient and low-risk way of creating value from the planning and development process. The total land held under option is targeting the delivery of approximately 27.5 million sq ft, the development of which we expect to be largely pre-let triggered.

	Total sq ft million	Target gross yield on cost
Strategic Land options	27.5	6-8%

**Target gross yield on cost**

**6-8%**

**Future development pipeline**

**27.5m sq ft**

**Post period-end option activity**

Following the year end the Group signed an option over a parcel of land, covering approximately 2.0 million sq ft or 118 acres at Gloucester.

**Post period-end planning activity**

Following the year end, we achieved a resolution to grant planning consent at Wigan for a 1.4 million sq ft scheme and received consent for Darlington Phase 2 (subject to completion of a s.106 agreement), for a further 0.6 million sq ft. In addition to the Near-Term development pipeline of 6.2 million sq ft, we have also submitted a detailed application on 0.06 million sq ft at Bicester Phase 2.

**Development Management Agreements**

Tritax Symmetry has a number of Development Management Agreements ("DMAs") with third-party funders. These are contracts where Tritax Symmetry will manage the delivery of an asset for a third party, in return for a fee and/or profit share. The asset will not be owned by the Company during or post construction and therefore is not included within the Group's portfolio of assets.

DMAs are active on three separate schemes with the potential to deliver approximately 1.2 million sq ft. During 2019, one pre-let became unconditional under a DMA contract.

Goole: A pre-let of 237,150 sq ft to Croda on behalf of LondonMetric Property has started on site and completion of the building is scheduled for H2 2020. Croda plan to occupy the building by the end of 2020.

In addition, there are two schemes where the Company has a continuing economic interest and fees are potentially receivable in the future, but without a capital outlay by the Company. The two schemes at Lutterworth have the potential to deliver approximately 6.4 million sq ft, although these schemes are not included within the Group's portfolio of assets.



## Good progress at Littlebrook Dartford

The Group made further progress with the 114 gross acres of development land at Littlebrook, adjacent to the QE2 Bridge and River Thames. Branded “The Power House” the project has the potential to become one of London’s largest Big Box logistics parks in a core “last journey” location on the edge of London and inside the M25. This is a rare asset so close to the heart of London.

Site preparation work has advanced significantly, with all major structures and chimneys now demolished. Remains from the final blowdown in late 2019 are being processed and recycled. The demolition, remediation and site preparation works are proceeding on budget and in accordance with the original timeline which envisages the majority of the site being ready for development in Q2 2020. With demolition and site preparation nearly completed and with infrastructure works due to commence, potential new Customers have clear visibility on what can be delivered.

Infrastructure works will commence in the near term to install the site spine road which will provide access to the land comprising Phases 1, 2 and 3. The Phase 1 plot already benefits from detailed planning consent for a cross-docked logistics building of up to 450,000 sq ft ground floor area and 21 metres in height. The marketing programme has generated some positive occupational interest, but as we conclude the demolition programme and commence site access and infrastructure works, occupiers can now appreciate the potential for an extremely swift build period of 26 weeks from signing an Agreement for Lease.



## **OUR SUSTAINABLE APPROACH**

**We seek to future proof our assets, deliver value beyond the financial returns and protect our ability to operate in the long-term by embedding sustainability into the core of our business.**

**87%**

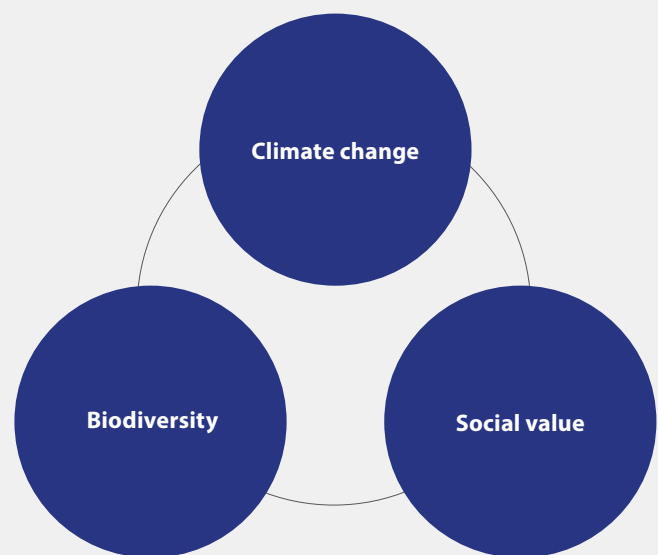
EPC grades A-C (by Investment portfolio floor area)

**100%**

Renewable energy for direct operations

In 2019, we began to develop a long-term sustainability strategy for the Group. In conjunction with our wide range of stakeholders, we carried out a materiality assessment, which is a defined and recognised process for determining material sustainability issues for the Group to focus on.

This identified three core issues for the Group to build its sustainability strategy around.



We will continue to develop our strategy for our three core issues. In the meantime, we are reporting good progress for our established approach which is embedding sustainability across the five key areas we focus on to create value for our business, our Customers and our wider stakeholders.

Our first submission to the Global Real Estate Sustainability Benchmark (GRESB) in 2019, and our first disclosures against the EPRA sustainability best practice indicators, have provided valuable insight into developing this new strategic focus. See pages 64 and 65 for more detail on our GRESB results and EPRA sustainability disclosures.



## Managing down our carbon footprint

We recognise that in order to tackle the effects of climate change, we must take swift responsibility for reducing our carbon impact. As we develop our sustainability strategy, we have set out an ambition to be net zero carbon, and we are currently developing our roadmap and targets to achieve this.

The Company is already net zero carbon for its direct operational impact, procuring 100% renewable energy since 2018, and we are currently mapping our indirect emissions to understand how we can also bring these down to net zero carbon.

During 2019, we joined the UK Green Building Council (UK GBC) and Tritax Symmetry has used the UK GBC's industry methodology to analyse its development activities, with an ambition to achieve net zero carbon construction. The UK GBC's definition of net zero carbon in construction is:

"When the amount of carbon emissions associated with a building's product and construction stages up to practical completion is zero or negative, through the use of offsets or the net export of on-site renewable energy."

A carbon evaluation study, undertaken by a specialist consultancy on behalf of Tritax Symmetry, has assessed that the development of a typical 660,000 sq ft logistics asset generates c. 28,000 tonnes of carbon. This study also highlighted the top ten activities that make up 96% of this impact. Tritax Symmetry are now exploring the options for using alternative construction methods, materials and products to bring this carbon impact down to net zero carbon.

## Driving sustainable performance throughout the business

Our approach to sustainability is focused on five key areas in which we can enhance the Group's sustainability performance:

### Investing

#### Acquiring assets that are sustainable or offer opportunities to improve sustainability

By acquiring assets that are sustainable or offer opportunities to improve sustainability, we can ensure the Group's portfolio is resilient, flexible and meets Customers' needs. This protects and future proofs the assets against the risks of climate change, changing operating models and regulation, and also delivers value to local communities.

### Managing

#### Sustainable performance from our assets

We must ensure that our assets perform sustainably and create value for wider society. Our portfolio is predominantly made up of modern, well-designed and efficient buildings, with 87% of the assets by floor area having an Energy Performance Certificate (EPC) rating of "C" or above.

### Facilitating

#### Working with Customers to drive sustainable operations

Building and maintaining strong relationships with Customers is core to the Group's business model. There are many benefits to operating sustainably in terms of energy efficiency and social impact. We seek to capitalise on these opportunities to support and collaborate with our Customers.

### Developing

#### Sustainable construction and building to net zero carbon

Designing sustainability into our base build specification and construction procurement practices significantly reduce the asset's lifetime environmental impact and maximises its operational efficiency. Sustainable construction creates opportunities to add tangible value to assets, future proofs against obsolescence, improves occupancy appeal and operational building performance.

### Adding value

#### Supporting local communities

Our responsibilities go beyond delivering financial returns to our Shareholders. We also deliver value to society in the communities where we invest. The Group's assets facilitate job creation, through each property stage, from the development of the assets to the people employed by Customers.

**Investing in sustainable assets**

We target well-designed, efficient buildings. The Group aims to acquire assets with strong sustainability credentials, including a BREEAM 'Very Good' rating or an EPC rating of "B". Where this benchmark is not met we identify opportunities to upgrade the assets to these standards.

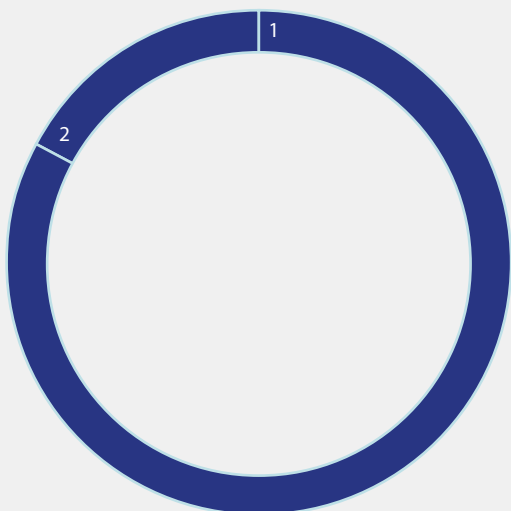
Our Sustainability Risk Assessment (SRA) reviews green certification, building surveys, flood risk assessments, regulatory compliance, environmental hazards or incidents, social risks and social welfare, as well as opportunities for adding value to the asset.

Identifying potential sustainability risks and opportunities helps us to understand the actions that may be required to bring the assets in line with the Group's sustainability standards. For example, this may include higher acquisition costs or the ability to lease or sell an asset based on Minimum Energy Efficiency Standards (MEES) compliance.

During 2019, we expanded the remit of the SRAs to cover wider sustainability issues. We have assessed the climate risks on all assets and included this information in the SRAs.

This includes social aspects such as modern slavery, Health and Safety and local socio-economic issues – such as employment and supply of labour.

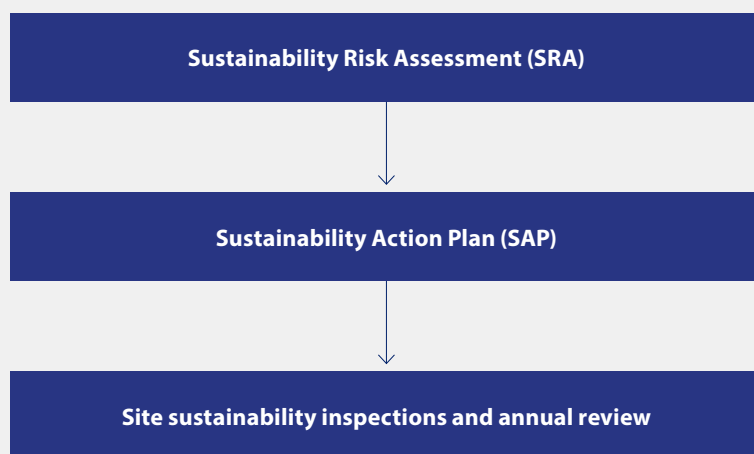
**BREEAM Certifications by rating for Forward Funded Developments**



1 Very good 83%  
2 Excellent 17%

**How we assess sustainability at all stages of our business**

We consider sustainability in accordance with our Investment Policy and we carry out Sustainability Risk Assessments on acquisition of assets. This provides us with valuable information about the sustainability risks and opportunities a new asset will present. We use this information to create Sustainability Action Plans (SAPs) for each asset which set out plans to improve its sustainability performance. These plans identify both asset management and operational initiatives. We use these to engage our Customers and collaborate on sustainability projects. The SAPs are updated annually to identify any new risks and opportunities.



**Driving sustainable performance from our assets**

We seek to enhance the sustainable performance of our assets. We are pleased to report that we are already carbon neutral for our direct operations, where we procure 100% renewable energy through our third-party facilities manager. We develop Sustainability Action Plans (SAPs) for each asset, these are informed by our SRAs. The SAPs identify opportunities where we can promote and, where we have the opportunity, implement initiatives to:

1. improve energy efficiency and reduce energy consumption;
2. increase provision of on-site renewable energy generation;
3. reduce water use through rainwater harvesting and low-flow fixtures; and
4. encourage waste management and recycling facilities.

In line with our objective to reduce the carbon impacts of our assets and protect value in the long-term, during 2019 we focused on improving the energy efficiency of our assets and engaging with our Customers to identify the potential for installing renewable energy generation.

Monitoring and improving of the assets' EPC ratings is central to measuring the energy performance of the Group's portfolio. We are actively managing the Group's assets to remove all "D" and "E" grade EPCs from the portfolio. Through our asset management work and careful acquisition processes we have achieved EPC of Grades A to C for 87% of the portfolio (by floor area). Our active initiatives have reduced the share of "E" grade EPCs to just 1%.

We seek to fund the installation of renewable energy initiatives in order to reduce carbon emissions from our Customers' operations and to secure cost savings for them. This also adds value to our assets and generate financial returns for our Shareholders. We progressed two new renewable energy projects in 2019. We installed solar PV at DSG Newark (see page 62) delivering an additional capacity of 791 kWp and increasing our total renewable energy production to 15,479 mWh. In addition, we worked with Tesco in Goole to install a biomass generator to provide combined heat and power (CHP).

EPCs by gross internal area (sq ft)



- A 39%
- B 23%
- C 25%
- D 12%
- E 1%

**Solar Photo Voltaics (PV)  
at Dixons Carphone  
Newark**

We worked with Dixons Carphone to install renewable energy capacity 791 kWp at its site in Newark. We assessed the opportunity for installing renewable energy for our Customer and proceeded based on a target 9.2% return on investment. The scheme has also benefitted the Customer by reducing reliance on fossil fuels and lowering its operating costs.

Since being commissioned in February 2019, the scheme has generated 613 mWh of energy for our Customer. This has resulted in 173 tonnes of carbon being saved from the generation of this renewable energy.

**613 mWh**  
of renewable energy generated  
**173 tonnes**  
of carbon saved



### **Working with Customers to drive sustainable operations**

Whilst we cannot control the operational impacts of the Group's assets, which are the responsibility of our Customers, we proactively engage with them in order to achieve common sustainability goals.

All new Customers are given a Welcome Pack which contains useful information about how we can work collaboratively to support their occupational requirements. This includes sustainability initiatives to improve operational efficiency, decarbonise energy supplies and improve the health and wellbeing of staff.

This year, in order to gain insight into our Customers' sustainability requirements, we conducted a sustainability survey. This has been valuable in helping us to identify areas in which we can add value for Customers and support their sustainability priorities. We will also use these findings to further engage Customers by developing a forum to share best practice.

### **Developing sustainable assets and building to net zero carbon**

In 2019 Tritax Symmetry worked towards managing down the Group's carbon footprint (see page 59) and we are now actively exploring the options for using alternative construction methods, materials and products to bring this carbon impact down to net zero, in accordance with the UK GBC definition of net zero carbon in construction.

Tritax Symmetry's Standard Base New Building Specification sets out requirements for new developments. Within this Specification, we require a minimum BREAAAM "Very Good" rating and an EPC rating of "A". To achieve a "Very Good" rating necessitates strong sustainability performance in all aspects of the development, including energy use, transport, responsible sourcing of materials, waste management, land use and inclusion of facilities to enable occupier health and wellbeing. Tritax Symmetry engages third-party project managers, who ensure our sustainability requirements are being followed throughout the construction phase, with regular site audits. It also includes objectives to reduce waste and reuse materials as far as possible.

We actively engage our communities throughout the development process, holding regular meetings to inform them of our plans and to listen to their views. We also regularly engage local schools to raise awareness of careers in construction, with visits to our development sites.

At the Group's development at Littlebrook we have held quarterly meetings with local businesses and invited local residents to view the demolition and ecology survey. The remediation of the site has achieved an impressive rate of 98.8% of materials being recycled. This saved over £9 million in landfill costs and enable over 97,000 tonnes of materials to be recovered and re-used in other projects. From the site recovery and demolition, over two million tonnes of carbon have been saved by ensuring materials recovered can be recycled or re-used.

**We require our contractors to be members of Considerate Constructors Scheme, which ensures high environmental, social and safety standards for developments.**



### **Understanding our Customers' sustainability priorities**

In 2019, we commissioned a survey asking Customers about their sustainability priorities and requirements. We asked them a range of questions covering their environmental and social initiatives, including training and staff amenities and community engagement.

Key findings included:

- Sustainability performance is an important consideration when looking for a leased space, in particular energy efficiency and proximity to transport links and amenities.
- The Group's assets are rated highly in terms of their environmental performance and employee wellbeing, which supports Customers' priorities.
- Customers are active in their communities, providing school tours, work experience opportunities, volunteering, and sponsoring local events.
- Improving the health and wellbeing of their employees through a range of amenities, as well as providing community and educational programmes, is a key way Customers are investing in their staff.

### Adding value by supporting local communities

We support local communities because we recognise the value it creates. The Group's investments seek to create social value in three key ways:

Firstly, the Group's assets are well located for local employment opportunities, meaning our direct investment in developments and asset management creates jobs and associated tax revenues and local spend. These jobs often provide skills training, improving the economic opportunities for those employed. There is further benefit through our Customers' employment of people to operate their distribution centres.

Secondly, the assets' good locations create environmental efficiencies, by helping to reduce transport mileage, pollution and congestion. We also enhance the Group's assets to create health and wellbeing benefits through, for example, creation of green space that communities can access or for staff wellbeing amenities.

Thirdly, we support local community causes to create further value for these communities. In 2019, the Group launched a new community partnership with Schoolreaders, a charity that supports primary school children to improve childhood literacy through one-to-one reading practice. This partnership is focused on funding new volunteers to increase the coverage of their literacy mentoring scheme and is targeted in the locations in which the Group has assets. The three-year partnership aims to recruit and support 39 volunteers in 2020, which is expected to benefit just under 600 school children.

### Looking forward

We have demonstrated good performance in 2019 and identified key steps for next year. In particular, we will:

- understand alternative materials and processes for the identified aspects with the highest embodied carbon – focusing on concrete and steel, working towards net zero carbon in accordance with the UK GBC definition.
- evaluate biodiversity opportunities for upcoming developments and existing assets.
- look at ways to measure social value and work with industry partners to determine a consistent methodology.
- seek to improve EPCs to bring all above "E" Grade.
- engage with Customers to begin monitoring energy, water consumption and waste management data; and we will develop a forum of interested and informed Customers to discuss and share best practice.

### Our sustainability disclosures

The Group is reporting sustainability indicators for the first time using the European Public Real Estate Association (EPRA) sustainability best practice indicators, and in accordance with the Mandatory Greenhouse Gas (GHG) Reporting Regulations.

The Group used 1,165mWh of electricity in 2019, which relates to serviced areas for our Customers for car park lighting. The Group is carbon neutral in its direct operations. It does not procure any gas supplies for its assets, meaning its Scope 1 GHG emissions are zero, and it procures 100% renewable energy meaning its Scope 2 GHG emissions are zero. We will assess our Scope 3 GHG emissions in 2020.

The Group consumed 8,635m<sup>3</sup> of water for the purposes of landscaping maintenance. The Group does not provide any waste management services on behalf of its Customers. The Group does not have like-for-like comparisons as it is the first year disclosing sustainability data. From 2020, it will report on progress against previous performance.

### Mandatory greenhouse gas reporting

	2019 Performance	Notes
Scope 1 TCO <sub>2</sub> e	0	No gas supplies
Scope 2 TCO <sub>2</sub> e	0	No carbon emissions as procure 100% renewable energy
Scope 3 TCO <sub>2</sub> e	Not calculated	
Global energy use (kWh)	1,164,784	
Global energy use (mWh)	1,165	

### Rating our performance with GRESB

The Global Real Estate Sustainability Benchmark (GRESB) is one of the largest and most respected sustainability benchmarks in the real estate sector. Its annual assessments are guided by factors that investors and the industry consider to be material to the sustainable performance of real estate investments.

In 2019, the Group made its first submission to GRESB, achieving a Green Star and a score of 55/100. The Group performed well above peers and GRESB averages in Building Certifications (70/100 compared to peers 57/100 and GRESB average 55/100) and New Construction and Major Renovations (82/100 compared to peers 75/100 and GRESB average 63/100).

This initial submission has provided valuable insight about the Group's current sustainability performance. It scored higher than its peers and the GRESB average in the Social Dimension, with a score of 85/100, compared with peer average of 77/100 and GRESB average of 79/100. The Group also performed well in the Governance Dimension, with a score of 73/100 compared with the peer average of 78/100 and GRESB average of 84/100. We recognise that the Group's Environmental Dimension score of 38/100 falls below the peer average of 58/100 and GRESB average of 65/100. We have already made steps to improve our performance, and the disclosure of operational performance data via EPRA will move us significantly forward in 2020 for our Environmental Dimension.

We have identified key areas of opportunity to improve our sustainability performance in 2020 based on these initial results.

## EPRA sustainability best practice reporting indicators

	Indicator	Metric	Scope	2019 Performance
<b>Environmental</b>	Total electricity consumption	Annual kWh	For landlord shared services	1,164,784
			Proportion sourced from renewable energy	100%
	Total fuel consumption (gas)	Annual kWh	For landlord shared services	0
	Total energy consumption	Annual kWh	For landlord shared services	1,164,784
	Building energy intensity	kWh/floor area CPA	For landlord shared services	Not applicable, see explanatory note
	Total direct greenhouse gas (GHG) emissions	Annual metric tonnes CO <sub>2</sub> e	For landlord shared services	0
	Total water consumption	Annual cubic metres (m <sup>3</sup> )	For landlord shared services	8,635
	Type and number of sustainably certified assets	Total number by certification/rating/labelling scheme	Both BREEAM and EPC	See pages 60 and 61 for information on sustainably certified assets
<b>Social</b>	Employee gender diversity	Percentage of female employees	Direct employees of the Manager	45%
	Gender pay ratio	Ratio	Direct employees of the Manager	Not disclosed
	Employee training and development	Average hours	Direct employees of the Manager	5
	Employee performance appraisals	Percentage of employees	Direct employees of the Manager	100%
	New hires and turnover	Total number	Direct employees of the Manager	11
	Turnover rate	Rate	Direct employees of the Manager	13%
	Employee health and safety	Injury rate, absentee rate and number of work-related fatalities	Direct employees of the Manager	0
	Asset health and safety assessments	Percentage of assets	For tenant managed assets	Not applicable, see explanatory note
	Asset health and safety compliance	Number of incidents	For tenant managed assets	Not applicable, see explanatory note
	Community engagement, impact assessments and development programmes	Percentage of assets	Landlord supported activity	100% Schoolreaders is located near all Big Box assets. This programme was selected because literacy is as a common issue for communities across the UK and is a major barrier to entry to work
<b>Governance</b>	Composition of the highest governance body	Total number	The Manager	See page 95 in the Governance section
	Process for nominating and selecting the highest governance body	Narrative on process	The Manager	See pages 98 and 99 in the Governance section
	Process for managing conflicts of interest	Narrative on process	The Manager	See page 93 in the Governance section

### EPRA explanatory notes:

- EPRA covers the operational aspects of an asset. It includes the Group's property investment portfolio, and corporate policies and practices of the Manager. As an externally managed company, the Group does not have employees, but we see merit in reporting on these indicators in relation to our employees as best practice as the Manager solely provides day-to-day management services for the Group. We take an operational control approach to the management of the Group's assets.
- Building energy intensity is not applicable as the energy supplied relates to car parking space. Asset health and safety assessments and compliance are not applicable as it relates to tenant managed assets, over which the Group has no operational control.

## **The Manager's responsible business fundamentals**

The Manager is committed to upholding high standards in driving sustainability across its operations and investing in its staff to enhance in-house expertise.

### **The Manager's responsible business fundamentals**

While the Group does not have employees, the Manager employs 35 people who provide day-to-day management services to the Group.

The Manager is committed to providing a professional and supportive working environment, managing its direct environmental impacts, and supporting charitable and community causes.

### **Management sustainability**

In 2019, the Manager set up a CSR Committee to govern its sustainability. It enjoys participation from staff across the Manager and is tasked with driving sustainability across the Group. The Committee has four sub-committees focused on property, governance, charitable partnerships and social activities.

See page 90 in the Governance section for more information on the key activities reviewed by the Committee in 2019.

### **Staff development and support**

All of the staff of the Manager are supported in their professional development, and are provided with the opportunity to obtain suitable qualifications and participate in networking groups. The staff enjoy a wide range of wellbeing activities, which are organised through the staff social committee.

### **Charity support**

This year, the Manager launched a partnership with London-based youth charity XLP, which aims to create positive futures for young people growing up on inner-city estates.

XLP works with 1,641 young people each week across 32 estates in London, supporting them to complete their education, avoid anti-social behaviour and ultimately become independent and positive contributors to society.

The charity provides mentoring and educational support, as well as sport coaching and community sessions in its purpose-built double decker buses, which travel around London estates, providing a safe environment for young people.

The Manager has partnered with XLP for an initial year, providing it with funding to deliver these critical services. Staff are entitled to take one-day volunteering leave to support XLP.

The Manager also ran for Land Aid – a property charity – with staff running their 10km Summer Race.

### **Managing our impacts**

While the direct environmental impacts of the Manager are minimal, it is committed to being as efficient and environmentally friendly as possible. The Manager is net zero carbon in its direct operations, by procuring 100% renewable energy, and is zero waste to landfill. Following the move to a new office the Manager is seeking ISO14001 accreditation in 2020.

### **Modern slavery and human trafficking**

Modern slavery and human trafficking are wholly unacceptable. The Manager is committed to maintaining the highest standards of ethical behaviour and expects the same of the Group's business partners.

The Manager believes that all efforts should be made to eliminate it from the Group's supply chains. It recognises that real estate and construction are sectors that are highly ranked in terms of being most prone to exploitation. The Manager has carried out a risk assessment of the Group's suppliers and have found them to be third-party professional services based in the United Kingdom, so they consider them to have a low risk of modern slavery and human trafficking.

The Manager continually monitors the risks associated with modern slavery. It assesses the Group's new suppliers on their efforts to tackle modern slavery in their supply chains and submit regular requests for formal governance information on their ongoing efforts.

To support any potential victims of modern slavery from the Group's third-party suppliers and to enable all partners to be able to raise concerns confidentially, the Manager launched a new whistleblowing policy in late 2019. In 2020, it will deliver training on the whistleblowing policy for our employees and communicate the policy to all of the Group's suppliers.

The Group's Modern Slavery Statement can be found online, in the responsible business section.





## Wellbeing in the office

The Manager is committed to supporting the wellbeing of its employees. This year, through the CSR Committee, a Social Sub-Committee was established with the purpose of supporting staff wellbeing initiatives. As a result, the Manager provides its staff with free yoga and exercise classes, and healthy snacks. The Committee has also organised a series of activities for staff, including supporting a Christmas Jumper day in December 2019 and raising funds for XLP, their selected charity partner; mental health training; and lunch and learn sessions.

In moving to a new head office in December 2019, the Manager provided its staff with a series of health and wellbeing initiatives, such as a recreation and dining space, and standing desks.

For 2020, the Committee has planned a step challenge for colleagues and a series of other initiatives to encourage staff wellbeing.

**OUR MATURE AND  
EFFICIENT CAPITAL  
STRUCTURE IS WELL  
PLACED TO SUPPORT  
THE FUTURE GROWTH  
OF OUR BUSINESS.**

**Frankie Whitehead**  
Finance Director



# **FINANCIAL REVIEW**

## **Our 2019 dividends totalled 6.85 pence per share, a 2.2% increase over the previous year. We have also announced a sixth consecutive increase in our dividend target to 7.00 pence per share for 2020.**

**6.85p**

**Dividend per share  
(2018: 6.70p)**

**15.1%**

**EPRA Cost Ratio  
(2018: 13.7%)**

**6.64p**

**Adjusted earnings per share  
(2018: 6.88p)**

**30.4%**

**Loan to value  
(2018: 27.3%)**

**151.06p**

**EPRA NAV per share  
(2018: 152.83p)**

The Group grew its dividend in 2019, declaring dividends totalling 6.85 pence per share, in line with our target and a 2.2% increase on the previous year. We have also, today, announced the sixth successive increase, with a dividend target of 7.00 pence for 2020.

Our total return performance was impacted by the one-off transaction costs incurred upon acquiring the 87% economic interest in db Symmetry (now rebranded Tritax Symmetry). Inclusive of these one-off costs the total return for the year was 3.3%. The Company's total return performance, excluding these one-off transaction costs, and better reflective of underlying performance, was 5.8%.

In February 2019, we successfully raised £250 million of equity proceeds to finance the corporate acquisition of Tritax Symmetry. This is a transaction which we believe materially enhances the future return prospects for the Company. This equity financing was supplemented by a new, unsecured, £200 million revolving credit facility arranged in June 2019, which increases our level of flexible debt commitments.

### **Presentation of financial information**

The consolidated financial statements are prepared under IFRS. The Group's subsidiaries are consolidated at 100% and its interests in joint ventures are equity accounted for.

The Board continues to see Adjusted EPS as the most relevant measure when assessing dividend distributions. Adjusted EPS is based on EPRA's Best Practices Recommendations, with adjustments made to earnings to exclude items considered to be exceptional, not in the ordinary course of business or supported by cash flows, and include the developer's licence fees the Group receives on Forward Funded Developments.

### **Financial results**

#### **Net rental income**

Net rental income for 2019 was £144.3 million (2018: £132.8 million), an increase of £11.5 million or 8.7%. This reflected the benefit of the practical completion and rent commencement on five Forward Funded Pre-let Developments, along with one Tritax Symmetry development completion, which was let during construction. In addition, seven rent reviews were settled in 2019, increasing our contracted annual rent by £0.7 million during the year. The contracted annual rent roll at 31 December 2019 was £166.6 million across 58 assets, increasing from £161.1 million across 54 assets as at 31 December 2018. Included within the contracted annual rent roll was £14.0 million of rent in relation to pre-let assets currently in the course of construction. The target dates for practical completion and therefore expected rent commencement dates for these assets can be found on page 55.

The Group incurred one-off costs of £4.2 million in the year, in relation to the acquisition of Tritax Symmetry. Excluding these one-off transactional costs, operating profit before changes in the fair value of investment properties, share of profits from joint ventures and share-based payments was £126.7 million, an increase of 10.5% (2018: £114.7 million). This reflects the growth in rental and other income, partially offset by higher administrative and other expenses.

#### Administrative and other expenses

Administrative and other expenses, which includes all operational costs of running the Group, totalled £21.7 million in the period (2018: £18.1 million). Increases to administrative costs predominantly relate to growth in the investment management fee, by £2.2 million, driven by growth in the net asset value of the Company. In addition, the Group's Adjusted earnings for the year were affected by a £0.7 million charge in relation to the Tritax Symmetry ManCo fee (noting that 85% of the Tritax Symmetry ManCo fee is capitalised as costs directly attributable to development projects), and £0.3 million in relation to costs associated with the Tritax Symmetry rebranding.

The Group continues to have a low and transparent operating cost base. This is despite the EPRA Cost Ratio increasing for 2019 to 15.1%, from 13.7% in 2018. The increase relates to operational overheads growing as part of the Tritax Symmetry transaction, which we expect to materially contribute to gross rental income over a period of time. We expect this increase in cost ratio to be short-term. It had already reduced during the second half of the year and we anticipate a further reduction in 2020. The Tritax Symmetry portfolio gives the Group the opportunity to reduce its cost ratio over the medium-term to a level that would not otherwise have been possible prior to the acquisition, as gross rental income from the Tritax Symmetry portfolio begins to grow relative to the operating costs.

#### Share-based payment charge

The structure of the Tritax Symmetry transaction has led to the B and C Shareholders' value being split between i) contingent consideration, which is determined by certain provisions under the shareholder agreement between Tritax Symmetry HoldCo and the Tritax Symmetry Management Shareholders and ii) a share-based payment charge, which is the compensation the B and C Shareholders will receive as a result of their economic right held to their share of future performance of the Tritax Symmetry Development Assets. During the year, £3.3 million (2018: £nil) was charged to the Group Statement of Comprehensive Income in respect of share-based payment charges.

#### Financing costs

Net financing costs for the year were £34.0 million (2018: £22.9 million), excluding the reduction in the fair value of interest rate derivatives of £5.2 million (2018: £1.2 million). The Group's average debt drawn throughout

the period was £1,137.8 million, compared to £781.5 million in the prior year. The drawings in the year included the receipt of proceeds from the £400 million US private placement facility arranged in 2018, which allowed for a three-month delayed drawing in February 2019. The average cost of debt remained relatively consistent during the year (see page 72).

#### Tax

The Group has continued to comply with its obligations as a UK REIT and is therefore exempt from corporation tax on its property rental business. The tax charge for the year was therefore £nil (2018: £nil).

#### Profit and earnings

Profit before tax for the year was £141.2 million (2018: £252.6 million). This resulted in basic earnings per share (EPS) of 8.40 pence (2018: 17.54 pence) and basic EPRA EPS of 5.29 pence (2018: 6.37 pence).

Adjusted EPS for the year was 6.64 pence (2018: 6.88 pence). This included adjustments made for items not supported by cash flows and principally includes the addition of licence fee receipts. Adjusted EPS covers the total dividend paid in respect of the year of 6.85 pence per share by 97%. Our earnings per share were affected by the increase in our capital base and number of shares in issue during the year, with the subsequent investment made into the Tritax Symmetry portfolio and early stage development assets. Further information on the calculation of Adjusted EPS can be found in note 13.

#### Dividends

Dividends in respect of 2019 therefore totalled 6.85 pence per share, an increase of 2.2% on the 6.70 pence per share paid in respect of 2018. This was in line with the Group's target for the year. The Q4 2019 interim dividend, as declared on 27 February 2020 will be paid to Shareholders on 27 March 2020, who were on the register on 6 March 2020. The Company has a policy of operating with a progressive dividend policy and has increased its dividend payments each and every year since IPO. The Company has announced its sixth consecutive increase in dividend target, increasing by 2.2% to 7.00 pence per share for 2020.

In respect of the 2019 financial year, the Group has declared the following interim dividends in the table below:

Declared	Amount per share	In respect of three months to	Paid/to be paid
16 May 2019	1.7125p	31 March 2019	17 June 2019
17 July 2019	1.7125p	30 June 2019	15 August 2019
9 October 2019	1.7125p	30 September 2019	14 November 2019
27 February 2020	1.7125p	31 December 2019	27 March 2020

## Portfolio growth

CBRE independently values all of the Group's Investment assets that are leased, pre-leased or have reached practical completion but remain vacant. These Investment property assets are recognised in the Group Statement of Financial Position at fair value. Colliers independently values all optioned land, owned land and assets under construction which are unlet. The value of land options and any other property assets (DMA) are recognised at cost, less amortisation and charges for impairment.

The total Portfolio value at 31 December 2019, including outstanding Forward Funded commitments and the Group's share of joint ventures, was £3.94 billion. The total portfolio value is allocated as follows:

	£m
Investment property	3,541.2
Other property assets	13.9
Land options (at cost)	226.0
Share of Joint Ventures	30.1
Remaining Forward Funded Development commitments	129.9
<b>Portfolio value</b>	<b>3,941.1</b>

The gain recognised on revaluation of the Group's investment properties was £54.5 million (2018: £163.0 million). The like-for-like valuation increase for the 54 assets and the land at Littlebrook which were held throughout the year was 1.8%, excluding any additional capital costs incurred on those assets in the year. The fair value gain was lower than in 2018, due to the equivalent like-for-like growth being 4.7% in the prior year. The portfolio's average valuation yield across its Investment Portfolio at 31 December 2019 remained stable at 4.45% (2018: 4.43%).

At the year end, the Group had total commitments relating to two Forward Funded Pre-let Developments and three Tritax Symmetry developments, totalling £129.9 million (31 December 2018: £366.0 million).

## Embedded value within land options

Under IFRS, land options are recognised at cost and subject to impairment review. Any upside between the cost and the fair value of the associated options is not reflected in the Group's EPRA NAV and hence there is an element of embedded value that is expected to be realised in the future.

In theory, as the land options approach the point of receipt of planning consent, any associated risk could be considered to have reduced and in such circumstances the fair value might be expected to increase. Until the Group physically draws the land down from the landowner, this potential uplift in fair value would not be recognised within EPRA NAV and would remain unrealised in respect of any increase in land value.

As an example, the site at Kettering received planning consent during 2019. We are yet to draw the land down from the landowner and therefore the increase in value as a result of receiving planning consent has not yet been realised.

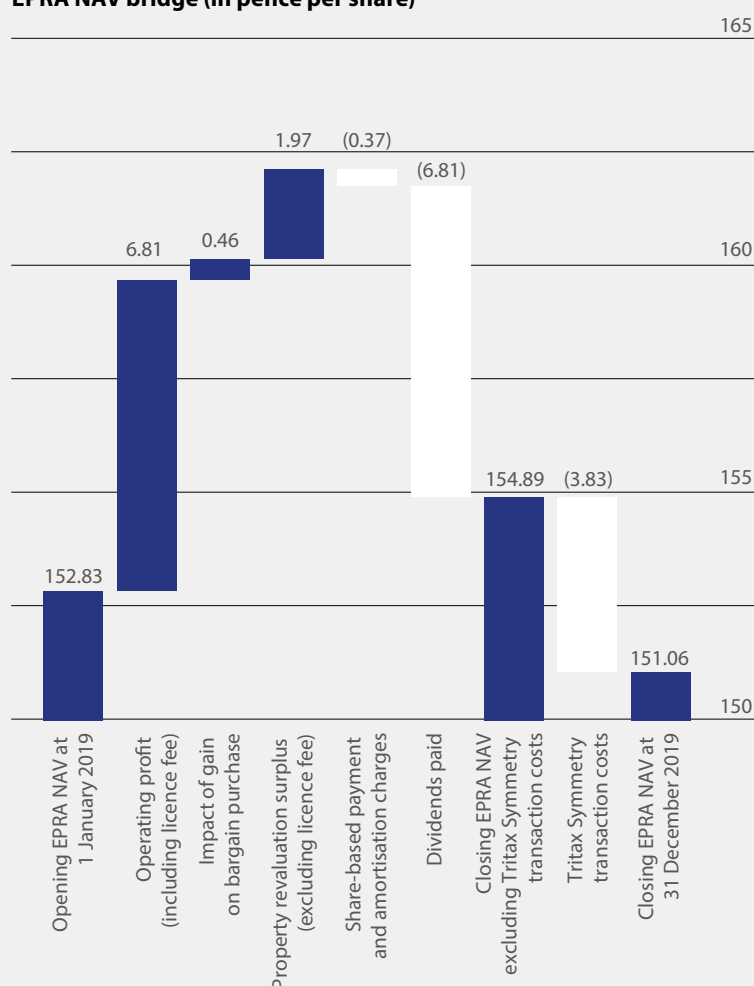
## Net assets

The EPRA NAV per share at 31 December 2019 was 151.06 pence (31 December 2018: 152.83 pence), a reduction of 1.77 pence or 1.16%.

This movement in the EPRA NAV includes a reduction of 3.83 pence per share, as a result of the one-off transaction costs associated with the Tritax Symmetry acquisition. These dilutive costs stem from the February 2019 share issue, required to finance the corporate purchase, along with the other transactional costs incurred. These costs were indicated at the time of the 2018 Annual Results in March 2019. Excluding these extraordinary costs, underlying EPRA NAV grew by 1.3% over the year, supported by the net valuation increase gained across the property portfolio and the positive impact from the gain on bargain purchase recognised following the Tritax Symmetry acquisition. We have identified near-term value within the Tritax Symmetry portfolio that will more than offset this one-off transaction cost.

The total return, equating to the growth in EPRA NAV plus dividends paid, was 3.3% for 2019. Again, excluding the one-off transaction-related costs noted above, the total return measures 5.8%.

## EPRA NAV bridge (in pence per share)



**Financial liquidity**

**Equity capital**

On 11 February 2019, the Company raised gross proceeds of c £250.0 million, through the issue of 192,291,313 Ordinary Shares at a price of 130 pence each. Whilst the equity was fully underwritten ahead of launch, the open offer was significantly oversubscribed and therefore no utilisation of the underwrite was necessary.

These gross proceeds were used to part fund the acquisition of Tritax Symmetry, along with the issue of 40,450,234 new Ordinary Shares on 22 February 2019, also at a price of 130 pence, as further part consideration to the vendors.

**Debt capital**

Towards the end of 2018, the Company put in place longer-term finance by issuing its first unsecured loan notes in the US private placement market, across two separate tranches totalling £400 million. The funds were drawn on 28 February 2019, at which point the Company's existing £250 million, 12-month RCF was cancelled in full.

In June 2019, the Company entered into a new, unsecured £200 million RCF, providing further evidence of the strength of its banking relationships and lender support for its strategy. The facility will give the Group flexibility to help it to pursue the next phase of its growth, allowing it to commit further capital into land and pre-let developments and investments in an efficient manner. The syndicate for the new RCF comprises Banco Santander, S.A., London Branch; Barclays Bank PLC; BNP Paribas, London Branch; The Royal Bank of Scotland International Limited, London Branch; Wells Fargo Bank, N.A., London Branch; and HSBC UK Bank plc. The new RCF has an initial maturity of five years, which can be extended to a maximum of seven years with lenders' consent. It also contains an uncommitted £100 million accordion option. The current margin is 1.10% over LIBOR.

At 31 December 2019, the Group had the following borrowings:

<b>Lender</b>	<b>Maturity</b>	<b>Loan commitment £m</b>	<b>Amount drawn at 31 December 2019 £m</b>
<b>Loan notes</b>			
2.625% Bonds 2026	Dec 2026	250.0	249.2
2.86% Loan notes 2028	Feb 2028	250.0	250.0
2.98% Loan notes 2030	Feb 2030	150.0	150.0
3.125% Bonds 2031	Dec 2031	250.0	247.1
<b>Bank borrowings</b>			
RCF (syndicate of seven banks)	Dec 2023/2024	350.0	50.0
RCF (syndicate of six banks)	Jun 2024	200.0	–
Helaba	Jul 2025	50.9	50.9
PGIM Real Estate Finance	Mar 2027	90.0	90.0
Canada Life	Apr 2029	72.0	72.0
<b>Total</b>		<b>1,662.9</b>	<b>1,159.2</b>

Of the Group's debt commitments, 63.9% is at fixed-term interest rates.

The Group's hedging strategy for its variable rate debt is to use interest rate caps which run coterminous with the respective loan. These allow the Group to benefit from current historically low interest rates, while minimising the effect of a significant increase in interest rates in the future. Combined with the fixed rate debt, the Group's derivative instruments hedge 99.9% of its drawn debt.

As a consequence of the fixed rate debt and hedging policy, the Group has a capped cost of debt of 2.68% (31 December 2018: 2.73%). The all-in running cost of borrowing at the year end was 2.52% (31 December 2018: 2.63%).

At 31 December 2019, the Group's debt had an average maturity of 7.5 years (31 December 2018: 8.7 years).

**Loan to value (LTV)**

The Company has a conservative leverage policy, with a medium-term LTV target of 35% and a maximum of 40%. At the year end, the LTV was 30% (31 December 2018: 27%) with headroom immediately available under existing committed borrowings of £500 million.

The Group also has capital commitments under its development contracts totalling £129.9 million (see note 33).

**Net debt**

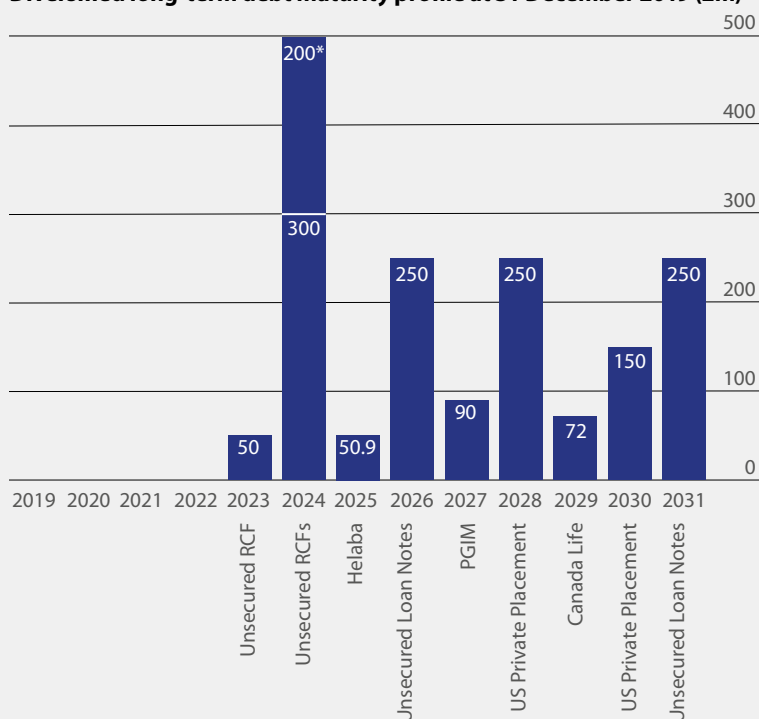
Over the year our net debt increased by £356.3 million, to £1,137.8 million.

The principal elements behind this increase are set out in our cash flow statement on page 123.

Net operating cash flow including licence fees received was £109.1 million, offset by dividends paid of £115.5 million. Capital expenditure across the Group's investment and development portfolio was £286.6 million during the year. There were no disposals during the year.

	<b>31 December 2019</b>	<b>31 December 2018</b>
Net debt	£1,137.8m	£781.5m
Group LTV	30.4%	27.3%
Weighted average cost of debt	2.52%	2.63%

### Diversified long-term debt maturity profile at 31 December 2019 (£m)



\* £200 million unsecured RCF has two one-year extension options, subject to lender consent.

### Business combination – Tritax Symmetry

The Group's acquisition of an 87% economic interest in Tritax Symmetry has been accounted for as a business combination in the Group consolidated financial statements, in accordance with IFRS 3. As at the date of acquisition, the Group therefore recognised the fair value of the identifiable assets acquired and liabilities assumed from the transaction. Along with the identifiable assets and liabilities, the Group has secured the services of the Tritax Symmetry development management team via an exclusive, unassignable development management agreement.

### Gain on bargain purchase

A gain on bargain purchase (or negative goodwill) has arisen on acquisition due to the fair value of the consideration for Tritax Symmetry being lower than the aggregate of the fair value of the net assets acquired. The gain on bargain purchase of £7.8 million has been recognised in full in the Statement of Comprehensive Income during the year. See note 22 for further details.

### B and C Shares

The B and C Shares issued to Tritax Symmetry Management Shareholders are treated as a combination of:

- contingent consideration for the acquisition of a 13% economic interest in the development assets of the Symmetry Portfolio; and
- a 13% economic right held to their share of future performance of the Tritax Symmetry Development Assets, over and above the completion NAV on the completion of the transaction.

The treatment is split as such due to certain vesting conditions attached to the B and C Shares, over the first five years of the development management agreement.

As a result, any value derived by the Tritax Symmetry Management Shareholders through holding the B and C Shares, over and above that which would have been derived regardless of vesting conditions, capped at the completion NAV, is considered remuneration for additional value created post-transaction. This is accounted for separately and appears as a share-based payment expense, under IFRS 2.

The Company has the current intention to settle the B and C Share obligation in cash. The value due to the B and C Shareholders for post-combination services is accounted for as a cash settled share-based payment and recognised as a liability in the Group Statement of Financial Position. The liability is fair valued at each reporting date, with a corresponding share-based payment charge recognised in the Statement of Comprehensive Income over the vesting period. The 13% economic interest is not a minority interest, due to the B and C Shareholders not receiving normal voting rights or the right to secure income distributions. Notes 22 and 23 of the financial statements give further details.

### Investment in joint ventures

As part of the Tritax Symmetry acquisition, the Group acquired a 50% interest in two sites at Middlewich and Northampton relating to land and land options. These two sites are equity accounted for and appear as a single line item in the Statement of Comprehensive Income and Statement of Financial Position.

### Other property assets

The Tritax Symmetry portfolio included a number of other property assets where there is the potential to generate income and profits without a legal ownership of the land, usually through development management agreements and land promotion agreements. These other property assets are recognised at cost, less amortisation and any charges for impairment.

### Going concern

The Group has a strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenant levels. It is considered reasonable that the Group can expect to continue to have access to the capital markets in the future, alongside other sources of financing.

As a result, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (which is considered to be a period of at least 12 months from the date of approval of the financial statements).

### Credit rating

The Company has a Baa1 long-term credit rating and stable outlook from Moody's, which was reaffirmed in October 2019.

### Alternative Investment Fund Manager (AIFM)

The Manager is authorised and regulated by the Financial Conduct Authority as a full-scope AIFM. The Manager is therefore authorised to provide services to the Group and the Group benefits from the rigorous reporting and ongoing compliance applicable to AIFMs in the UK.

As part of this regulatory process, Langham Hall UK Depositary LLP (Langham Hall) is responsible for cash monitoring, asset verification and oversight of the Company and the Manager. In performing its function, Langham Hall conducts a quarterly review during which it monitors and verifies all new acquisitions, share issues, loan facilities and other key events, together with Shareholder distributions, the quarterly management accounts, bank reconciliations and the Company's general controls and processes. Langham Hall provides a written report of its findings to the Company and to the Manager, and to date it has not identified any issues. The Company therefore benefits from a continuous real-time audit check on its processes and controls.

# The Manager

The Manager provides all management and advisory services to the Company, under the Investment Management Agreement. The Financial Conduct Authority authorised the Manager as an AIFM on 1 July 2014.

The Manager is 100% owned by Mark Shaw, Colin Godfrey, James Dunlop, Henry Franklin, Bjorn Hobart and Petrina Austin. This team of property, legal and finance professionals has been together for over 10 years. They have a track record of creating value for their clients through astute asset purchases and by actively managing them. The core management team (whose details are set out below) is supported by a high-calibre team of accounting, marketing, public relations, administrative and support staff.





# Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal controls, with the Audit & Risk Committee reviewing the effectiveness of the risk management process on its behalf.

We aim to operate in a low-risk environment, focusing on a single subsector of the UK real estate market to deliver an attractive, growing and secure income for Shareholders, together with the opportunity for capital appreciation. The Board recognises that effective risk management is important to the Group's success. Risk management ensures a defined approach to decision making that decreases uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for Shareholders.

## Approach to managing risk

Our risk management process is designed to identify, evaluate, manage and mitigate (rather than eliminate) the significant risks we face. The process can therefore only provide reasonable, and not absolute, assurance. As an investment company, we outsource key services to the Manager, the Administrator and other service providers, and rely on their systems and controls.

At least twice a year, the Board undertakes a formal risk review, with the assistance of the Audit & Risk Committee, to assess the effectiveness of our risk management and internal control systems. During these reviews, the Board has not identified or been advised of any failings or weaknesses which it has determined to be material.

## Risk appetite

We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility. During the year the Company increased

its exposure to land and options over land. We have a limit within our Investment Policy which we adhere to and for which the Board has overall responsibility, which allows our exposure to land and unlet development to be up to 15% of gross asset value, of which up to 5% can be invested in speculative development.

## Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out on pages 76 to 79. They have the potential to materially affect our business. Some risks are currently unknown, while others that we currently regard as immaterial, and have therefore not included here, may turn out to be material in the future. The principal risks are the same as detailed in the 2018 Annual Report, with the key changes relating to the increase in land following the acquisition of Tritax Symmetry in February 2019.

## Emerging risks

As well as the principal risks, the Directors have identified a number of emerging risks, encompassing those that are presently either immaterial due to appropriate mitigation, or do not pose a material threat to the Company in the short-term. This could, however, change depending on how these risks evolve over time. These risks could impact the Company's performance and cover a range of subjects which include but are not restricted to climate change, sustainability and technological advancement. Furthermore, and more recently, the Board has identified the added risk that the developing worldwide health concerns over coronavirus could cause a slow down to the global economy. The full effects of this are currently unknown, but this has the potential to become a significant risk over a period of time.

### The Board considers these net risks have increased since last year

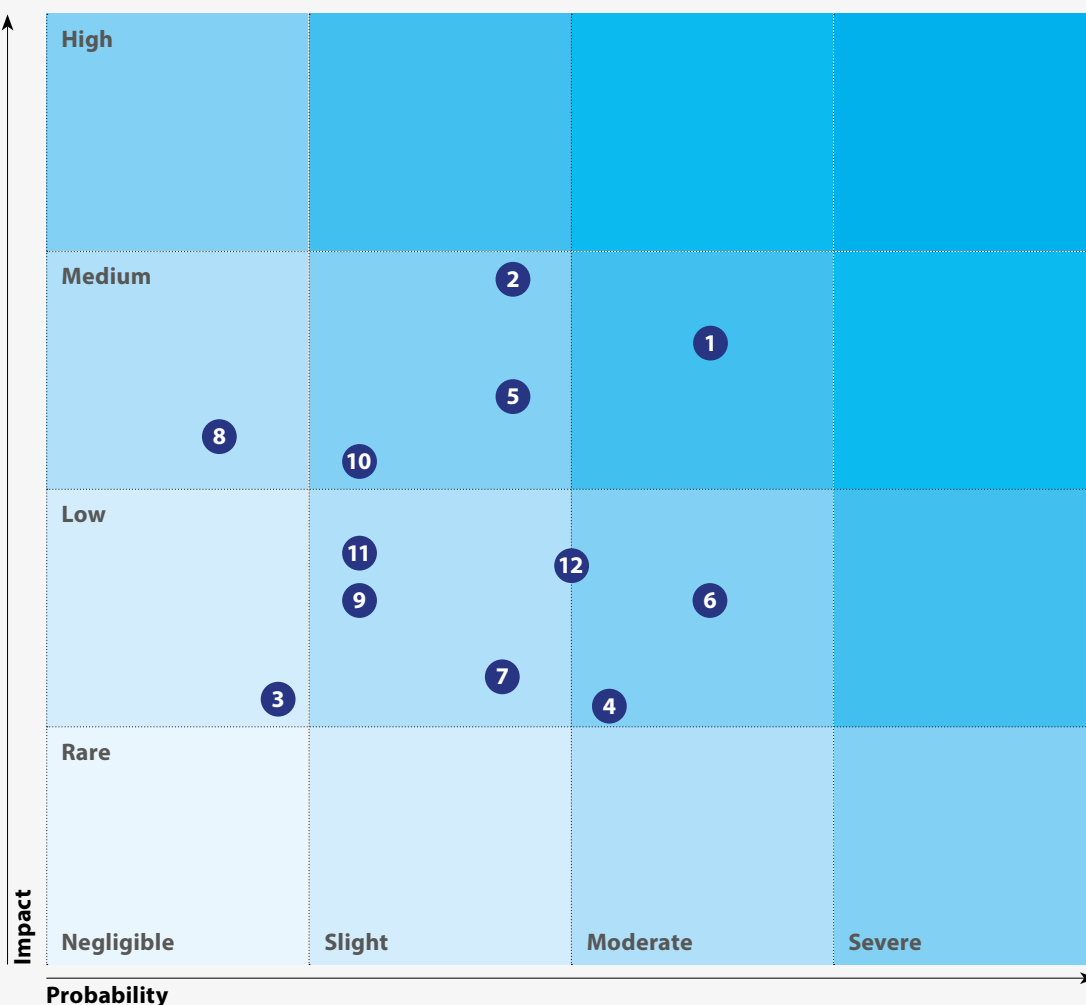
1. Tenant default
5. Execution of development business plan
6. The exposure to land and land options

### The Board considers these net risks to be broadly unchanged from last year

2. Portfolio strategy
4. Performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail
7. Variable rate debt
9. Debt covenant compliance
10. We rely on the continuance of the Manager
11. UK REIT status
12. Disruptive Brexit

### The Board considers these net risks have decreased since last year

3. Competition for investment in properties in the Big Box sector
8. Debt financing



## Property Risks

### 1. Tenant default – The risk around one or more of our tenants defaulting

Net probability	Impact	Mitigation
Moderate	Medium – The default of one or more of our tenants would immediately reduce revenue from the relevant asset(s). If the tenant cannot remedy the default and we have to evict the tenant, there may be a continuing reduction in revenues until we are able to find a suitable replacement tenant, which may affect our ability to pay dividends to Shareholders. This may also affect our ability to meet our debt servicing covenants. Similarly, a default of one or more tenants will impact on the NAV of the Company and will result in an increase in LTV (also refer to covenant compliance risk below).	The Investment Policy limits our exposure to any one tenant to 20% of gross assets or, where tenants are members of the FTSE, up to 30% each for two such tenants. This prevents significant exposure to a single Customer. To mitigate geographical shifts in tenants' focus, we invest in assets in a range of locations. Before investing, we undertake thorough due diligence, particularly over the strength of the underlying covenant and the group of the covenants. We typically select assets with strong property fundamentals (good location, modern design, sound fabric), which should be attractive to other tenants if the current tenant fails. We continually monitor and keep the strength of our tenant covenants under review. We typically focus on assets let to tenants of good financial covenant strength at the time of purchase and assets that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) is 13.1% as at 31 December 2019. Please refer to page 46 for our top tenants.

### 2. Portfolio strategy – The ability of the Company to execute on its strategy and deliver performance

Net probability	Impact	Mitigation
Slight	Medium – An adverse change in the performance of our property portfolio may lead to lower returns for Shareholders or a breach of our banking covenants. Market conditions may lead to a reduction in the revenues we earn from our property assets, which may affect our ability to pay dividends to Shareholders. A severe fall in values may result in a fall in our NAV as well as a need to sell assets to repay our loan commitments.	The Group is focused on a single sector of the commercial property market, which is benefiting from structural change in consumer shopping habits following the continued impact of e-commerce on the retail market. The property portfolio is 99% let, with long weighted average unexpired lease terms and a largely institutional-grade tenant base. All the leases contain upward-only rent reviews, which are either fixed, RPI/CPI linked or at open market value. These factors help support our asset values and overall portfolio performance. We undertake ongoing reviews of asset performance along with a review over the balance of our portfolio, split between Foundation, Value Add, Growth and Land. We monitor covenant, location and building type and its suitability to meet a tenant's evolving requirements. We constantly monitor our covenant headroom on LTV and interest cover. This headroom is currently substantial. The Company has an LTV policy of borrowing up to 40% against gross asset values.

### 3. Competition for investment in the Big Box sector

Net probability	Impact	Mitigation
Negligible	Low – Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources, thereby partly restricting the ability to grow our NAV and further diversify the portfolio.	We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors and developers in the sector, giving us the best possible opportunity to secure future acquisitions. We are not exclusively reliant on acquisitions to grow the portfolio. Since the Tritax Symmetry acquisition, we now own and control one of the largest development land banks in the UK. This acquisition significantly reduces the risk that competition will impact our ability to grow as we will seek to develop our own assets. Our leases contain upward-only rent review clauses and we have a number of current asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio.

### 4. Performance of the UK retail sector and the continued growth of online retail

Net probability	Impact	Mitigation
Moderate	Low – Our focus on the Big Box sector means we directly rely on the distribution requirements of UK retailers and manufacturers. Insolvencies and CVAs among the larger retailers and online retailers could affect our revenues and property valuations.	The diversity of our institutional-grade tenant base means the impact of default for any one of our tenants is low (other than Amazon, where our contracted rental income exposure is 13.1%). In addition to our due diligence on tenants before an acquisition or letting, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance and position of our tenants. We have increasingly been diversifying our tenant exposure to various sub-sectors of the retail sector, i.e. online, food, homeware, fashion, other. Whilst retailers are vacating units on the high street, this is partly as a result of increasing e-commerce spending. This is, generally speaking, positive for our assets and in many instances the logistics supply chain is integral to a tenant's online strategy whilst also supplying direct to stores.

## Property Risks

### 5. Execution of development business plan – There may be a higher degree of risk within our Development portfolio

Net probability	Impact	Mitigation
Slight	<p>Medium – Our development activities are likely to involve a higher degree of risk than is associated with standing assets. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default and general financing risk. For Forward Funded Developments we are reliant on third-party developers to undertake and complete development. We are also reliant on the Tritax Symmetry management team in respect of execution of the development strategy on land within our control. If any of the risks associated with our developments materialise, this could affect the value of these assets or result in a delay to lease commencement. Following the acquisition of Tritax Symmetry we are reliant on the development expertise of the Tritax Symmetry management team for the performance of the Tritax Symmetry portfolio.</p>	<p>At the year end, only three of the Company's assets were pre-let and in the course of development, whilst another two assets are under speculative development from within the Tritax Symmetry portfolio. These assets represent a small element of our total portfolio by floor area 0.5%. Any risk of investment into Forward Funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost over-runs. Our appetite for speculative development is low and we have a limit of 5% of GAV exposed to speculative developments within our Investment Policy. Having acquired the development expertise of Tritax Symmetry from February 2019, the risk of cost overruns is mitigated by our experienced development team which includes a thorough procurement and tender process on all contracts. Tritax Symmetry senior management are incentivised through holding of B and C Shares in Tritax Symmetry Limited and therefore their interests are, in many respects, aligned with that of the Company. We undertake thorough covenant analysis and ongoing review of our contractors and secure guarantees in relation to construction contracts where possible.</p>

## Land Risks

### 6. Land exposure – The exposure to land or options over land may involve a higher degree of risk than that associated with existing and built investments or development activities

Net probability	Impact	Mitigation
Moderate	<p>Low – The failure to obtain planning consent could lead to a planning appeal with associated costs and/or to the land being held or sold prior to any development. The value of the land may be reduced due to the refusal of planning consent and the costs incurred to that date could be significant and may be irrecoverable. This would reduce the Company NAV. This also applies to options over land, whilst any costs in respect of the option or associated planning and appeal costs may have to be written off. If the Company fails to attract a suitable pre-let it is unlikely to proceed with the development of a larger scale big box. This would impact on the potential future development profit and revenues the Company could make from the land and failure to secure a pre-let may have a negative effect on the valuation.</p> <p>The Company may choose to develop smaller scale buildings on a speculative basis if it makes sense to do so.</p> <p>The land may be subject to an environmental risk which requires significant investment to remediate prior to commencing the development works.</p> <p>The costs associated with developing land may fluctuate over the course of the development due to market conditions.</p>	<p>The purchase of land and funding of speculative development is subject to a maximum level of 15% of GAV, at the time of purchase. Within this total, the Company can only undertake limited speculative development of buildings subject to a maximum level of 5% of GAV. It can also undertake land preparation works but the Company will continue, in most cases, to seek a pre-let prior to commencing the vertical construction of a larger scale big box.</p> <p>Following the acquisition of Tritax Symmetry, this has provided the Company with access to one of the UK's largest strategic land portfolios held via direct land holdings and options over land. The Tritax Symmetry assets have been subject to due diligence, but prior to the exercise of land draw down under an option agreement, the Company will carry out extensive due diligence to limit exposure to environmental risks and other hazards. The Company also undertakes due diligence over the surrounding power and highways infrastructure, the surrounding environment and the state of the market to assess the viability of the scheme ahead of acquiring the options over land. The Company takes expert advice from local planning specialists over the likelihood of timing of achieving planning consent.</p>

## Financial Risks

### 7. Variable rate debt – Our use of floating rate debt will expose the business to underlying interest rate movements

Net probability	Impact	Mitigation
Slight	Low – Interest on some of our debt facilities is payable based on a margin over Libor. Any adverse movements in Libor could impact our profitability and ability to pay dividends to Shareholders.	The Company has entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to Libor rises and have terms coterminous with the loans. We aim, where reasonable, to minimise the level of unhedged debt with Libor exposure, by taking out hedging instruments with a view to keeping the drawn levels of variable rate debt approximately 90%+ hedged. As at 31 December 2019, 64% of the Group's drawn borrowings were fixed rate loans.

### 8. Debt financing and liquidity – A lack of debt funding at appropriate rates may restrict our ability to grow and deliver attractive returns

Net probability	Impact	Mitigation
Negligible	Medium – Without sufficient debt funding, we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, either to increase the level of debt or re-finance existing debt, this may impair our ability to maintain our targeted dividend level and deliver attractive returns to Shareholders.	The Group has diversified sources of long-term unsecured borrowings in the form of £500 million in public Bonds and £400 million in unsecured private Loan Notes. We also have £550 million of flexible bank finance available split across two revolving credit facilities. This helps keep lending terms competitive. This access to multiple debt markets should enable the Group to raise future liquidity in a more efficient and effective manner via an unsecured platform at competitive rates. The Board keeps our liquidity and gearing levels under review. We have headroom of £500 million of undrawn debt commitments, within our credit facilities at 31 December 2019.

### 9. Debt covenant compliance – We must be able to operate within our banking covenants

Net probability	Impact	Mitigation
Slight	Low – If we were unable to operate within our banking covenants, this could lead to default and our bank funding being recalled. This may result in us selling assets to repay loan commitments, or be forced to sell assets, possibly resulting in a fall in NAV.	We continually monitor our banking covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. We have an LTV policy of up to 40%, with LTV and Gearing covenants substantially higher than this. We enter into interest rate caps to mitigate the risk of interest rate rises. We operate with a predominantly fixed rate debt platform. This will mitigate the effect on the Group from interest rate rises. We invest in assets let to institutional-grade tenants and we also seek to maintain a long WAULT, which should reduce the volatility in our property values.

## Corporate Risk

### 10. We rely on the continuance of the Manager

Net probability	Impact	Mitigation
Slight	Medium – We continue to rely on the Manager's services and its reputation in the property market. As a result, the Company's performance will, to a large extent, be underpinned by the Manager's abilities in the property market and its ability to asset manage and develop its property portfolio. Termination of the Investment Management Agreement would significantly affect the Company's ability effectively to manage its operations and may have a negative impact on the share price of the Company.	Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 24 months' written notice. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship.

## Taxation Risk

**11. UK REIT status – We are a UK REIT and have a tax-efficient corporate structure, which is advantageous for UK Shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to Shareholders.**

Net probability	Impact	Mitigation
Slight	Low – If the Company fails to remain a REIT for UK tax purposes, our property profits and gains will be subject to UK corporation tax.	<p>The Board is ultimately responsible for ensuring we adhere to the UK REIT regime. It monitors the REIT compliance reports provided by:</p> <ul style="list-style-type: none"><li>– the Manager on potential transactions;</li><li>– the Administrator on asset levels; and</li><li>– our Registrar and broker on shareholdings.</li></ul> <p>The Board has also engaged third-party tax advisers and auditors to help monitor REIT compliance requirements.</p>

## Political Risk

**12. Disruptive Brexit**

Net probability	Impact	Mitigation
Moderate	Low – The UK departed from the EU with effect from 31 January 2020. There will now be a transition period from 31 January 2020 to 31 December 2020. Economic volatility is not a new risk for the Group; however, until the terms of Brexit become clearer the exact outcome on the business remains difficult to predict at this stage.	<p>The Group operates with a focus in the UK Big Box market which has a supply shortage against current levels of demand, which, along with the structural shift to online retailing will assist in supporting portfolio performance. We have regular engagement with key occupiers to understand how Brexit is affecting their businesses and whether this is affecting their need for logistics space. If the outcome is a 'hard Brexit', this is likely to put greater barriers in the form of freedom of movement across our borders. This could lead to further distribution space required in the UK to stock more inventory onshore. The Group is currently well positioned with long and secure leases and a diverse blue chip tenant line up, with a focus on tenants with financial strength, which are well positioned to withstand any uncertainty in the UK economy.</p>

# s172 Statement

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

- The likely consequences of any decision in the long-term;
- Interest of the Manager and its employees, as the Company does not have any employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The Company's reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The table on the right indicates where the relevant information is in this Annual Report that demonstrates how we act in accordance with the requirements of s172.

Further information on how we have engaged with our key stakeholders and considered their interests during the last reporting period can be found on pages 91 and 92.

s172 matter	Further information incorporated into this statement by reference
Likely consequences of any decision in the long-term	Chairman's Statement pages 18 and 20 Our Objectives and Strategy pages 32 and 33 Our Business Model pages 36 to 41 Manager's Report pages 42 to 73 Principal Risks and Uncertainties pages 75 to 79 Viability Statement page 81 Chairman's Governance Overview pages 84 and 85 Board Leadership and Company Purpose pages 89 and 90 Stakeholder Engagement pages 91 and 92 Division of Responsibilities pages 93 and 94 Nomination Committee Report pages 98 and 99 Audit, Risk and Internal Control pages 100 and 101 Audit & Risk Committee Report pages 102 to 104 Management Engagement Committee Report pages 105 to 107
The interests of the Company's employees	As the Group does not have any employees aside from its Non-Executive Directors, please refer to pages 41, 65, 67, 91 and 92 for information on the Manager's employees
The need to foster the Company's business relationships with suppliers, customers and others	Our Objectives and Strategy pages 32 and 33 Our Business Model pages 36 to 41 Stakeholders pages 41, 91 and 92 Manager's Report pages 42 to 73 Chairman's Governance Overview pages 84 and 85 Board Leadership and Company Purpose pages 89 and 90 Management Engagement Committee Report pages 105 to 107
Impact of the Company's operations on the community and environment	Chairman's Statement pages 18 to 20 Fund Managers Q&A pages 22 to 24 Our Objectives and Strategy pages 32 and 33 Our Business Model page 36 Stakeholders pages 41, 91 and 92 Manager's Report pages 58 to 67 Chairman's Governance Overview pages 84 and 85 Board Leadership and Company Purpose pages 89 and 90
The Company's reputation for high standards of business conduct	Our Business Model page 36 Our Objectives and Strategy pages 32 and 33 Manager's Report pages 42 to 73 Principal Risks and Uncertainties pages 76 and 77
The need to act fairly as between members of the Company	Stakeholders pages 41, 91 and 92 Chairman's Governance Overview pages 84 and 85

# Going Concern and Viability Statement

The Strategic Report describes the Group's financial position, cash flows, liquidity position and borrowing facilities. The Group's cash balance as at 31 December 2019 was £21.4 million, of which £21.2 million was readily available. It also had immediately available but undrawn amounts under its debt facilities of a further £500.0 million. The Group had capital commitments totalling £129.9 million across three assets under construction at the year end.

The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 30% as at 31 December 2019. A significant part of the Group's borrowings are on an unsecured basis, providing the Group with a deeper pool of liquidity and with more flexibility over its arrangements. During the year the Group drew fully its debut US private placement Loan Notes totalling £400 million, at which point the Group's existing £250 million 12 month RCF was cancelled in full. The Group's also entered into a new unsecured £200 million RCF and exercised an extension option over its £300 million unsecured RCF, extending the maturity of this facility by 12 months to December 2024. The Group's weighted average maturity across its borrowings was 7.5 years as at 31 December 2019 (2018: 8.7 years). As a result, the Directors believe that the Group is well placed to manage its current and future financial commitments and other business risks.

In order to finance the Tritax Symmetry acquisition in February 2019, the Group raised £250 million of equity. The total consideration in respect of the 87% economic interest that the Group has acquired was £273.1 million, of which £201.7 million was funded with cash and with the remaining £71.4 million funded via the issue of shares in the Company and the issue of B and C Shares in the Tritax Symmetry group.

The Group benefits from a secure income stream from leases with long average unexpired terms, which are not overly reliant on any one tenant and present a well-diversified portfolio.

The Directors believe that there are currently no material uncertainties in relation to the Company and the Group's ability to continue for a period of at least 12 months from the date of approval of the Company and the Group's financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

## Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 16 March 2025. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts.

The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks.

The principal risks on pages 75 to 79 summarise those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance. Following the acquisition of Tritax Symmetry during the year, the Board also paid attention to the impact of either a delay to the receipt of planning permission or the risk of not achieving planning consent across a number of schemes. The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five-year period to 17 March 2025.

The sensitivities performed were designed to be severe but plausible; and to take full account of the availability of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks:

**Downturn in economic outlook:** Key assumptions including occupancy, void periods, planning risk, rental growth and yields were sensitised to reflect reasonably likely levels associated with an economic downturn.

**Restricted availability of finance:** Following the extension of the £300 million RCF by 12 months until December 2024, along with the new, five-year unsecured £200 million RCF, the Group does not have a significant refinancing event occurring until December 2024. Financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in place at the point of refinancing. Furthermore, the Group has the ability to make disposals of investment properties to meet the future financing requirements under the Symmetry portfolio.

## Viability Statement

Having considered the forecast cash flows and covenant compliance and the impact of the sensitivities in combination, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 16 March 2025.

# HOW WE EFFECTIVELY GOVERN THE BUSINESS



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**Corporate Governance**

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Chairman's Governance Overview	84
Key Board Statements	86
Board Leadership and Company Purpose	89
Stakeholder Engagement	91
Division of Responsibilities	93
Our Governance Structure	95
Composition, Succession and Evaluation	96
Nomination Committee Report	98
Audit, Risk and Internal Control	100
Audit & Risk Committee Report	102
Management Engagement	
Committee Report	105
Directors' Remuneration Report	108
Directors' Report	111
Responsibilities Statements	113

## Chairman's Governance Overview

**EFFECTIVE CORPORATE GOVERNANCE HAS BEEN THE CORNERSTONE OF THE COMPANY'S STRATEGY AND STRUCTURE SINCE ITS LAUNCH IN 2013.**

Sir Richard Jewson KCVO, JP  
Chairman



### **This report seeks to demonstrate and explain the core governance-related processes and procedures that are in place.**

I am pleased to present the Company's Corporate Governance Report for the year ended 31 December 2019. 2019 has been an important year in the strategic evolution of the Company. The Board continues to believe that sound corporate governance plays a key role in shaping the long-term success of the Company and provides a strong foundation for the delivery of its strategic objectives. A number of key changes to the UK Corporate Governance regime came into effect during the year. Central to these changes is the requirement to explain clearly how the Directors have performed their duties under s172 of the Companies Act to promote the success of the Company for the benefit of its members as a whole, whilst taking into account the interests of stakeholders.

### **Board priorities**

One of the Board's key priorities is to oversee the successful implementation of the business' strategy and ensure it is positioned for long-term success. We recognise the growing importance of delivering on sustainability for a wider range of stakeholders and I am pleased to report that we continue to make good progress on our sustainability initiatives. The Board is in the process of setting a sustainability strategy which will give the Company a formal framework to monitor and track sustainability targets. The Manager's CSR Committee periodically reports up to the Board with recommendations and progress reports on its ESG initiatives. We were pleased with the positive scores we received on our governance arrangements from ESG agencies, such as GRESB, MSCI and ISS-oekom which, we hope, helps to demonstrate our positive approach to governance. Further details of the Company's sustainability initiatives can be found on pages 58 to 64.

At the end of 2018 and in early 2019, the Board held a series of meetings to discuss the acquisition of Tritax Symmetry (formerly "db Symmetry"). We were supported in our discussions by our key advisors ahead of deciding to acquire an 87% economic interest in db Symmetry on 19 February 2019. Further details can be found on page 69.

### **Board and Committee composition**

We welcomed Alastair Hughes and Karen Whitworth as Non-Executive Directors to the Board during the year. In addition, the Board conducted a review of its Committees' structure and composition which resulted in a refresh of the Committees' composition. For full details of appointments and resignations during the year, as well as of the recruitment process; please refer to pages 98 and 99 in the Nomination Committee Report.

### **Board development**

The Board continues to receive regular updates and briefings on corporate governance as well as wider regulatory changes within the market to ensure we comply with all applicable laws and regulations.

As a Board, we continue to benefit from our bespoke professional development programme, further details of which can be found on page 99.

As in 2018, Lintstock Limited ("Lintstock") conducted the Board evaluation for 2019. Further information can be found on page 99.

### **Governance highlights for 2019**

- Complied with all of the principles and provisions of the 2019 AIC Code applicable to the Company. Please see pages 86 to 88.
- Met all of the requirements set out in the Financial Reporting Council's Guidance on Risk, Internal Control and Related Financial and Business Reporting. Please see pages 75 to 79, and 100 and 101.
- Conducted a comprehensive externally-facilitated Board evaluation exercise. Please see page 99.
- Further developed and enhanced the Company's succession and contingency planning processes. Please see pages 98 and 99.
- Further enhanced processes and procedures across the business and its supply chain in compliance with the Modern Slavery Act 2015 and prepared our third annual statement which appears on our website. Please see page 101.
- Progressed a sustainability strategy framework to be approved in 2020.
- The Board has refined the Company's purpose and culture and increased its focus on stakeholder engagement. Please see pages 40 and 41, and 89 and 90.

### **Board engagement**

We believe that our positive engagement and working relationship with the Manager is key to enhancing the Company's governance arrangements and ensuring that they are robust and fit for purpose. We work closely with the Manager to identify areas for improvement and best practice which creates an open and collaborative culture. This year, we reviewed a number of our policies and procedures, including Board Tenure and Re-election, Diversity and Inclusion and Non-Audit Services, resulting in an enhanced and clearer set of principles in these areas. We considered the Company's purpose in light of the increased focus on directors' duties under s172 and its importance in relation to culture and strategy.

Regular Shareholder engagement is of paramount importance to the Company. The Board has continued to develop its relationships with its Shareholders and stakeholders during the period. I was pleased to run another series of investor lunches, which were very well received by attendees, alongside the more regular Shareholder and analyst engagement following the publication of our interim and annual results. Colin Godfrey, together with the Company's Broker, Jefferies International Limited ("Jefferies"), undertook further extensive international roadshows this year covering the UK, United States, Continental Europe, South East Asia and South Africa. We hosted a stakeholder presentation event in July 2019 which was attended by the Board and representatives of the Manager, as well as Shareholders, occupiers, advisors and analysts.

We enhanced our engagement with the Company's wider stakeholders throughout 2019 through initiatives such as Schoolreaders (our partnership charity to improve literacy for primary school children in schools in the locations of our assets) and XLP (the sponsored charity of the Manager, which supports inclusion for young disadvantaged people in inner London). In addition, we undertook a sustainability survey with our occupiers and engaged with the industry by joining the UK Green Building Council to support our sustainability activities. Full details of how we engaged with our wider stakeholders and Shareholders can be found on pages 90 to 92.

### **Outlook for 2020**

Looking ahead, the Board is focused on formalising a number of strategic initiatives, including embedding the outcomes of the purpose and culture review and formally approving a sustainability strategy, as well as continuing engagement with our Shareholders and wider stakeholders. Succession planning will be a key priority of the Board in 2020 with a focus on the Chairman's succession. We will also be working to ensure that Tritax Symmetry is structured as efficiently as possible. For further details please see page 104.

### **Sir Richard Jewson KCVO, JP Chairman**

16 March 2020

# Key Board Statements

## Statement of compliance

The Board of Tritax Big Box REIT plc has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), and sets out additional Provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the Principles and Provisions of the 2019 AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to Shareholders.

The Company has fully complied with the Principles and Provisions of the 2019 AIC Code.

The 2019 AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the 2019 AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

## Application of AIC Code Principles

The AIC Code, and the underlying UK Code, have placed increased emphasis on "apply and explain" with regard to the Principles of the Codes.

Our explanations of how we have applied the main principles of the AIC Code can be found below.

### Board leadership and company purpose

**Principle A.** A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Strategic Report pages 33, 36 and 39  
Board Leadership and Company Purpose pages 89 and 90

**Principle B.** The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Strategic Report pages 32 to 40  
Board Leadership and Company Purpose pages 89 and 90  
Division of responsibilities pages 93 and 94

**Principle C.** The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Principal Risks and Uncertainties pages 75 to 79  
Section 172 Statement page 80  
Audit, Risk and Internal Control pages 100 and 101  
Audit & Risk Committee Report pages 102 to 104

**Principle D.** In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Stakeholders pages 41, 91 and 92  
Section 172 Statement page 80  
Shareholder Relations page 90

### Division of responsibilities

**Principle F.** The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Board Leadership and Company Purpose pages 89 and 90  
Division of Responsibilities pages 93 and 94

**Principle G.** The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.

Division of Responsibilities pages 93 and 94  
Composition, Succession and Evaluation pages 96 and 97

**Principle H.** Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.

Board Leadership and Company Purpose pages 89 and 90  
Division of Responsibilities pages 93 and 94  
Audit & Risk Committee Report pages 102 to 104  
Management Engagement Committee Report pages 105 to 107

**Principle I.** The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Strategic Report pages 32 to 40

<b>Composition, succession and evaluation</b>	
<b>Principle J.</b> Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination Committee Report pages 98 and 99
<b>Principle K.</b> The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Composition, Succession & Evaluation pages 96 and 97
<b>Principle L.</b> Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Nomination Committee Report pages 98 and 99
<b>Audit, risk and internal control</b>	
<b>Principle M.</b> The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit, Risk and Internal Control pages 100 and 101 Audit & Risk Committee Report pages 102 to 104
<b>Principle N.</b> The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic Report pages 32 to 40 Audit, Risk and Internal Control pages 100 and 101 Audit & Risk Committee Report pages 102 to 104 Managers Report pages 42 to 74
<b>Principle O.</b> The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Principal Risks and Uncertainties pages 75 to 79 Viability Statement page 81 Audit, Risk and Internal Control pages 100 and 101 Audit & Risk Committee Report pages 102 to 104 Notes to the Financial Statements pages 124 to 142
<b>Remuneration</b>	
<b>Principle P.</b> Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Strategic Report pages 32 to 40 Board Leadership and Company Purpose pages 89 and 90 Directors' Remuneration Report pages 108 to 110
<b>Principle Q.</b> A formal and transparent procedure for developing policy on remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Directors' Remuneration Report pages 108 to 110
<b>Principle R.</b> Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Directors' Remuneration Report pages 108 to 110

**Key Board Statements**  
continued

<b>Requirement</b>	<b>Board statement</b>	<b>Where to find further information</b>
<b>Going concern basis</b>	The Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.	Further details are set out on page 81 of the Strategic Report.
<b>Viability Statement</b>	The Board is of the opinion that the viability statement adopted in the preparation of the Annual Report is appropriate.	Further details are set out on page 81 of the Strategic Report.
<b>Annual review of systems of risk management and internal control</b>	A continuing process for identifying, evaluating and managing the risks the Company faces has been established and the Board has reviewed the effectiveness of the internal control systems.	Further details are set out in Audit, Risk and Internal Controls on page 100 of this Governance Report.
<b>Robust assessment of the Company's emerging and principal risks to the business model, future performance, solvency and liquidity of the Company</b>	The Audit & Risk Committee and the Board undertake a full risk review twice a year where all the emerging, principal risks and uncertainties facing the Company and the Group are considered.	Further details can be found in Our Principal Risks and Uncertainties on pages 75 to 79 of the Strategic Report.
<b>Fair, balanced and understandable</b>	The Directors confirm that to the best of their knowledge the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.	Further details of the fair, balanced and understandable statement can be found in the Audit & Risk Committee Report on pages 102 to 104.
<b>Appointment of the Manager</b>	The Directors consider the continuing appointment of the Manager on the terms agreed in the Investment Management Agreement dated 11 September 2017 to be in the best interests of the Company.	Further details are set out in the Management Engagement Committee Report on pages 105 to 107.
<b>s172</b>	The Directors have considered the requirements of s172 when making strategic decisions.	Further details are set out on page 80 of the Strategic Report and page 91 to 92 of the Governance Report.

# Board Leadership and Company Purpose

## How we govern the Company

The Board is responsible for promoting the long-term sustainable success of the Company and generating value for our Shareholders and other stakeholders through effective leadership. The Company's success is based upon the effective implementation of its strategy by the Manager and third-party providers under the leadership of the Board. The Board and the Manager work closely to ensure the highest standards of governance are maintained by the Company and are central to every Board decision. The Board's culture provides a forum for constructive and robust debate, which has been crucial to the successful implementation of our strategy to date.

The Company's purpose is to provide sustainable logistics solutions, giving our customers the space to succeed, whilst benefiting all our stakeholders. In order to achieve this, the Board has determined the Company's Investment Objectives and Investment Policy. It has overall responsibility for the Company's activities, including reviewing investment activity, performance, business conduct and strategy, in compliance with the principles of good corporate governance. We have delegated the day-to-day operational aspects of running the Company to the Manager and approved a schedule of matters reserved for our consideration and approval, which are set out on this page. Although the Board does not approve investment proposals or decisions, as this is a matter delegated to the Manager, the Board is kept fully informed and notified of investment proposals/decisions to enable the Directors to undertake their responsibilities and duties appropriately.

As well as regular Board meetings we also meet for dedicated strategy meetings, in which we discuss the Company's immediate and long-term strategy, and hold ad-hoc meetings to consider specific issues facing the Company, the market generally and our Customers.

There is frequent engagement and interaction between the Manager and Tritax Symmetry regarding the development pipeline and the status of current projects. This regular engagement is overlaid by a series of meetings to ensure proper oversight and governance of Tritax Symmetry, being weekly and quarterly project review meetings, quarterly strategy meetings and bi-annual board meetings of Tritax Symmetry. These meetings provide a forum for reporting on detailed project matters by Tritax Symmetry to the Manager and discussion of the wider business strategy. The Manager retains approval rights in relation to transactional documentation proposed to be entered into by Tritax Symmetry.

### A typical Board agenda includes:

- a review of investment performance
- a review of investments and divestments and asset management initiatives
- an update on investment opportunities available in the market and how they fit within the Company's strategy
- a report on the property market
- a review of the Company's financial performance
- a review of the Company's financial forecast, cash flow and ability to meet targets
- a review of the Company's financial and regulatory compliance
- updates on Shareholder and stakeholder relations
- updates on the Company's capital market activity
- specific regulatory, compliance or corporate governance updates
- an update on sustainability and targets
- a bi-annual risk management review
- investor relations update
- marketing and communications update

### Strategy

Our 2019 strategy meeting, which took place in October 2019, focused on assessing whether the Company followed its overarching strategy set in 2018 and reviewed where changes should be made to ensure the long-term success of the Company. The meeting involved the full Board and key members of the Manager who reviewed additional strategic options available to the Company. The Board also discussed the strategic aims for 2020 and requested a number of actions out of this meeting, including further market analysis, regular peer benchmarking reports and further stakeholder engagement, in particular nurturing existing occupier relationships.

Please see pages 32 and 33 for more details on strategy in the Strategic Report.

Given the current dynamics of the logistics market, with strong demand but limited supply of suitable assets, we believe that we are well set to capture further value in 2020. Our focus for the coming year will be on achieving planning consents and securing pre-lettings for our Land Assets and lettings for our speculatively developed buildings in order to grow the Group's strong asset base and deliver enhanced returns to Shareholders.

## Board reserved matters

Reviewing and approving Board composition and powers, including the appointment of Directors

Overseeing treasury functions and managing the Company's capital structure

Approving and implementing the Company's strategy

Reviewing and monitoring the Manager's ongoing compliance with the Company's Investment Objectives and Investment Policy

Approving the budget, financial plans and Annual and Interim financial reports

Overseeing the services provided by the Manager and, in conjunction with the Manager, the Company's principal service providers

Approving the dividend policy

Reviewing and approving all compliance and governance matters

Reviewing property valuations and valuations of its interest rate derivatives

## Key activities of the Board in 2019

### Q1

- Completed the acquisition of an 87% economic interest in db Symmetry, with a total enterprise value of £370 million.
- Appointed Alastair Hughes as a Non-Executive Director. Mark Shaw retired from the Board.
- Jim Prower resigned from the Board. Aubrey Adams appointed Senior Independent Director.
- Declared an interim dividend of 1.675 pence per share, in respect of the three months to 31 December 2018.
- Raised gross proceeds of £250 million through the substantially oversubscribed issue of 192,291,313 Ordinary Shares at 130 pence per share, to fund the acquisition of db Symmetry and future investments.

### Q2

- Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 31 March 2019.
- Approved the Annual Report and Accounts 2018.
- Entered into a new £200 million unsecured RCF, with an initial maturity of five years and the option to extend to seven years, to help support the next phase of our growth.

### Q3

- Announced rebrand of db Symmetry as Tritax Symmetry.
- Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 30 June 2019.
- Approved the Interim Report 2019.

### Q4

- Appointed Karen Whitworth as a Non-Executive Director.
- Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 30 September 2019.

### Post year end

- Declared an interim dividend of 1.7125 pence per share, in respect of the three months to 31 December 2019.

## Board Leadership and Company Purpose continued

### Culture

The culture and ethos of the Company is important to its success. The Board believes that its positive engagement and working relationship with the Manager helps the business achieve its objectives by creating an open and collaborative culture, whilst allowing for constructive challenge.

Despite the Company being externally managed, we believe that the culture within the Manager remains aligned with the Company's purpose, values and strategy and is complementary to the Company. The Non-Executive Directors meet regularly with members of the Manager outside of Board meetings to discuss various key issues relating to Company matters.

### Sustainability

Managing sustainability is core to our business. This year, the CSR Committee has engaged with the Board on its CSR/ESG activities and discussed and recommended a new sustainability strategy for approval in 2020.

A key activity of the Committee in 2019 was to undertake the first submission to the Global Real Estate Sustainability Benchmark (GRESB). Tritax Big Box REIT plc received a Green Star and has created an ESG action plan to improve performance in 2020.

The Committee oversaw a materiality assessment, which is a defined process to determine the issues most relevant to the Group and their relative importance to stakeholders. It also created a new ESG policy and reviewed all existing policies to ensure they included salient ESG issues.

The Company also became a Gold Leaf member of the UK Green Building Council to support its commitment to sustainability.

The Company looks forward to formally launching its sustainability strategy later this year.

To demonstrate its own commitment to sustainability, the Manager procures renewable energy, sending nothing to landfill. It is currently working towards ISO 14001 accreditation for its Head Office.

Please see pages 59 to 64 for more details on sustainability activities during the year.

### Relations with Shareholders and other stakeholders

Maintaining strong relationships with the Company's Shareholders and other stakeholders and an understanding of their priorities and concerns is of the utmost importance to the Board. In 2019, we invested in the development of new and existing relationships with our Customers. The Chairman and the Senior Independent Director, alongside the Fund Manager and Company's Finance Director, are the Company's principal spokesmen who regularly communicate with the Company's Shareholders, the press, analysts, investors and other stakeholders. All Directors are available to speak to Shareholders on any matters relating to the Company.

The Manager has a dedicated investor relations team who liaise with the Company's public relations advisor and provide regular investor relations reports to the Board, which include major press coverage, analyst reports and Shareholder feedback. The Company's Broker provides a bespoke quarterly report, which has a section dedicated to investor relations. The Manager also produces a quarterly fact sheet on behalf of the Company which can be viewed on the Company's website.

During the year, the Manager, together with the Company's Broker, devoted time to meeting with existing Shareholders and prospective new investors in the UK, Continental Europe, South East Asia, the USA and South Africa. The roadshows, together with a series of ongoing ad hoc meetings, enabled the Manager to listen to and understand the views of Shareholders and other stakeholders and report those views to the Board so it could consider and appreciate these opinions. Furthermore, we undertook an audit with representatives from our stakeholder groups to ensure our purpose remained in line with expectations. Feedback from the roadshows and other meetings has been positive and constructive over the year.

The Chairman and Fund Manager, together with other Directors, held a series of lunches with several investors to discuss, informally, the Company's business strategy in the present economic climate. The investor lunches proved informative for the Board and the Manager and were well received by attendees. The feedback received was generally highly supportive of the Company. The salient themes to emerge included the need for a greater focus on sustainability and aligning the market's view of the traits of the Big Box sector within the wider logistics market. These themes were reported to the Board and have proven useful to the Company in the formulation of its strategy in 2020.

We hosted a stakeholder presentation event in July 2019 which was attended by the Board and representatives of the Manager, as well as Shareholders, occupiers, advisors and analysts. This event enabled us and the Manager to better understand any concerns and development points for our stakeholders more effectively, as well as promoting a more open discussion for future asset management and other property initiatives with our Customers.

Further details of the Company's engagement with our other key stakeholders can be found on pages 91 and 92 and in our section 172 statement on page 80.

### Site visits

The Manager also conducted a "Big Box" site visit for existing Shareholders and lenders, prospective investors and analysts during the year, notably to two of the Company's prime sites in Oxfordshire in September 2019, to provide a greater understanding of the Tritax Symmetry operations. We will continue the initiative in 2020, as we believe that such site visits provide Shareholders and other stakeholders with a better insight into the nature of the assets we invest in and our strategy.

### Annual General Meeting ("AGM")

The Company's general meetings provide us and the Manager with a valuable opportunity to engage with our Shareholders on governance and strategy. All the Directors usually attend the AGM and we make ourselves available to answer Shareholders' questions at all general meetings of the Company and are contactable as necessary. The Chairman also makes himself available outside of these meetings to speak to Shareholders. The Senior Independent Director is available for Shareholders to contact if other channels of communication with the Company are not available or are inappropriate. Various Directors also regularly attend the biannual financial results presentations.

We encourage Shareholders to attend and vote at the AGM and take the opportunity to engage with the Board and the Manager.

The Chairman and the Senior Independent Director as well as other Directors can be contacted by emailing the Company Secretary on [cosec@tritaxbigbox.co.uk](mailto:cosec@tritaxbigbox.co.uk), who will pass the communication directly to the relevant person, or by post at the Company's registered office.

### Public communications

The Company ensures that any price sensitive information is released to all Shareholders at the same time and in accordance with regulatory requirements. All Company announcements which are released through the London Stock Exchange are also made available on the Company's website. The website also holds the quarterly fact sheets, share price and dividend information, investor presentations, the Key Information Document required by PRIIPS regulations and the Annual and Interim Reports which are available for download. The Company's Annual and Interim Reports are dispatched to Shareholders upon request.



# Stakeholder Engagement

## Our Board and stakeholders

Our Purpose is to provide sustainable logistics solutions, giving our customers the space to succeed, whilst benefiting all our stakeholders. The Board recognises the importance of stakeholder engagement in order to deliver its strategic objectives and we believe that our stakeholders are vital to the continued success of our business. We are mindful of stakeholder interests and keep them at the forefront of our business and strategic decisions. We believe that regular engagement with our stakeholders is fundamental to understanding their views. The below section aims to highlight how we engage with our key stakeholders, why they are important to us and the impact they have on our business and therefore the long-term success of the Company, which we believe helps to demonstrate the Board's duties under s172.

Our key stakeholders	Why they are important to us	What they care about most	Activity in 2019
<b>The Manager and its employees</b> See page 41	As an Alternative Investment Fund our key supplier is the Manager and its employees. We draw on its expertise and extensive agent, developer, vendor and occupier contacts. The Manager's culture aligns with that of the Company and its long-standing reputation is key when representing the Company in the wider market.	<ul style="list-style-type: none"> <li>– Long-term going concern of the Company</li> <li>– Long-term relationship with the Company</li> <li>– Wellbeing of their employees</li> <li>– Being able to attract and retain high-calibre talent</li> <li>– Maintaining a positive and transparent relationship with the Board to ensure alignment of values and business objectives</li> </ul>	<ul style="list-style-type: none"> <li>– Board and Committee meetings</li> <li>– Face-to-face meetings with the Chairman and other Board Directors</li> <li>– Quarterly report to the Board with key updates from the Manager as well as Asset Management and Property reports</li> <li>– External Board evaluation, including feedback from key personnel within the Manager</li> <li>– Informal lunches and meetings</li> </ul>
<b>Suppliers</b> See page 41	A collaborative relationship with our suppliers ensures that we receive high-quality services and products to help deliver our strategic and investment objectives.	<ul style="list-style-type: none"> <li>– Collaborative and transparent working relationships</li> <li>– Responsive communication</li> <li>– Being able to deliver their service level agreements</li> </ul>	<ul style="list-style-type: none"> <li>– Board and Committee meetings</li> <li>– One-to-one meetings</li> <li>– Bi-annual review of suppliers by the Management Engagement Committee ("MEC")</li> <li>– Externally facilitated advisor reports</li> </ul>
<b>Shareholders</b> See page 41	Building a strong investor base through clear and transparent communication is vital to building a successful and sustainable business and generating long-term growth. Our asset selection and asset management add value to our investments, allowing Shareholders to benefit from attractive total returns.	<ul style="list-style-type: none"> <li>– Sustainable growth</li> <li>– Attractive returns</li> <li>– Strong Corporate Governance</li> <li>– Transparent reporting framework</li> <li>– ESG and Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>– Investor lunches</li> <li>– Asset tours</li> <li>– International roadshows undertaken by the Manager</li> <li>– Annual and half year presentations</li> <li>– AGM</li> <li>– Market announcements and corporate website</li> <li>– Regular investor feedback received from Jefferies and the Investor Relations team</li> <li>– On-going dialogue with analysts as and when required</li> <li>– Quarterly shareholder analysis report</li> <li>– Direct meetings with investors</li> </ul>
<b>Customers</b> See page 41	We seek to develop and maintain a deep understanding of the businesses that operate in our market in order to create long-term partnerships. Our occupiers are at the very core of our business. We need to understand their needs in order to deliver fit for purpose real estate and asset management opportunities which underpin long-term sustainable income growth and maximise occupier satisfaction.	<ul style="list-style-type: none"> <li>– Quality assets</li> <li>– Profitability</li> <li>– Efficient supply chain logistics</li> <li>– Attractive cost price labour pool</li> <li>– Knowledgeable and committed landlord</li> <li>– Help to fulfil their rapidly growing e-commerce sales</li> <li>– Buildings with strong EPC/BREEAM/ sustainability ratings</li> </ul>	<ul style="list-style-type: none"> <li>– Regular face-to-face meetings both on site and at head offices</li> <li>– Reviewed published data, such as Annual Accounts, trading updates and analysts' reports to identify mutually beneficial opportunities</li> <li>– Stakeholder survey</li> <li>– Engaged on "green" initiatives</li> <li>– Ensured buildings comply with the necessary safety regulations and insurance</li> <li>– Liaised with Customers in respect of insurance procurement</li> </ul>
<b>Communities</b> See page 41	We bring significant employment and social value to the communities we invest in and through the operations of our Customers. Ensuring our investment creates a positive social impact, and also reduces environmental impacts of the asset, is core to our sustainability approach.	<ul style="list-style-type: none"> <li>– That we understand local needs and priorities</li> <li>– That we actively help and support local communities</li> <li>– Jobs and investment</li> <li>– That we act as good neighbours, operating safely and ethically</li> <li>– Compliance with all relevant legislation, including building regulations</li> <li>– Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>– Schoolreaders – our partnership charity improving literacy for primary school children in schools near where our assets are located</li> <li>– XLP – the charity partner of the Manager, which supports inclusion of young disadvantaged people in inner London</li> <li>– Sustainability surveys with our occupiers</li> <li>– Engaged with the industry by joining the UK Green Building Council to support our sustainability activity</li> <li>– Charitable engagement which in turn helps bring environmental and social benefits to the communities we operate in</li> </ul>

## Stakeholder Engagement continued

Our key stakeholders	Why they are important to us	What they care about most	Activity in 2019
<b>Lenders</b> See page 41	Our lenders benefit from having their interest serviced by regular and stable cash flows which are underpinned by strong covenants. Our long leases and future growth in income, through a combination of fixed, indexed and open market reviews provide protection to capital values.	<ul style="list-style-type: none"> <li>– Protection to capital values</li> <li>– Regular and stable cash flows</li> <li>– Strong covenants</li> <li>– Being able to meet interest payments</li> <li>– Maintaining agreed gearing ratios</li> <li>– Regular financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>– Annual and half year presentations</li> <li>– Additional Guarantor accessions</li> <li>– New £200m RCF arranged</li> <li>– Regular covenant reporting</li> <li>– Face-to-face meetings</li> </ul>
<b>Government and Local Authorities</b> See page 41	<p>The need to foster business relationships with Government and Local Authorities is pivotal to the long-term plans of the Company.</p> <p>Positive collaborative relationships with Local Authorities are key to securing planning consents on sites within the development pipeline.</p>	<ul style="list-style-type: none"> <li>– Ensuring planning applications conform with local planning, highways and environmental policies prior to granting planning consent</li> <li>– Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>– Planning consent secured on over 2.6 million sq ft of logistics space during 2019</li> <li>– Engagement with local authorities where we operate</li> </ul>

### Looking forward to 2020

Going forward, we will build on our formal reporting of stakeholder engagement by ensuring that we continue to evaluate the impact our business has on our key stakeholders. This will in turn help to enhance our stakeholder communications across the full portfolio. By continuing to formally monitor and track how the Board engages with stakeholder groups, we can ensure that we maintain positive working relationships with our key stakeholders for the long-term, while also having an understanding of their concerns and priorities, which will help to influence Board decisions.

The Board will also continue to foster Shareholder engagement through investor lunches and roadshows in Q2/Q3 2020.

Throughout the period, we received regular feedback from both investors and occupiers on the importance they place on sustainability and ESG. As a result of this, we are in the process of developing a long-term sustainability strategy to mitigate sustainability and ESG risks and identifying sustainability opportunities to maximise on. The Board is looking to formally approve the sustainability strategy in 2020. As part of our increased focus on ESG, in 2019, the Manager hired a dedicated Sustainability Lead and created a new CSR Committee which seeks to ensure that the Group is effective in meeting its social and environmental obligations.

# Division of Responsibilities

## The Chairman and the Senior Independent Director

Our Independent Chairman, Sir Richard Jewson, has no relationships that may create a conflict of interest between his interest and those of Shareholders or the Manager.

As we are subject to the AIC Code, there is no requirement for a limitation on the length of tenure of the Chairman, as approved by the FRC. However, we recognise that there is a significant body of opinion that tenure should be limited to nine years and bear this in mind in our succession planning. The Chairman has been in post for over six years. The Chairman's other significant commitments include Chairmanship of Raven Property Group Limited. For the Chairman's full biography please refer to page 96 and the Company website. The Board believes he continues to dedicate sufficient time to his Chairmanship of the Company. The Board has adopted a policy on Tenure and Re-election; for more information please refer to page 99.

As Chairman, he sets the agenda for Board meetings with assistance from the Company Secretary, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.

The Senior Independent Director (SID), Aubrey Adams, and the other Directors met during the year, without the Chairman, to appraise his performance. The outcome of this meeting is detailed on page 99.

## The Board

The Board currently consists of six Non-Executive Directors, all independent of the Manager. This follows the appointments of Alastair Hughes in February 2019 and Karen Whitworth in October 2019. We believe that the Board is well balanced and possesses a sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions effectively and promotes the long-term sustainable success of the Company, whilst generating Shareholder value and keeping in mind wider stakeholder interests.

Directors' biographies are set out on pages 96 and 97. In accordance with the requirements of the AIC Code, all of the Directors except for Karen Whitworth will stand for re-election at the Company's AGM which we plan to hold on 13 May 2020 (subject to advancements with Covid-19). Karen Whitworth will be submitting herself for election at the scheduled May 2020 AGM, as this will be the first AGM since her appointment.

We have not established a Remuneration Committee as the Board has no Executive Directors and the Company has no other employees. The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration. Details of the Directors' remuneration for the year ended 31 December 2019 are included in the Directors' Remuneration Report on page 109.

## Conflicts of interest

Each Director has a duty to avoid a situation in which he or she has a direct or indirect interest that may conflict with the interests of the Company.

The Board may authorise any potential conflicts, where appropriate, in accordance with the Articles of Association. Where a potential conflict of interest arises, a Director will declare their interest at the relevant Board meeting and not participate in the decision making in respect of the relevant business.

## The Manager

Tritax Management LLP (the "Manager") acts as the Company's Alternative Investment Fund Manager ("AIFM") for the purposes of the Alternative Investment Fund Manager Directive ("AIFMD") and as such the Board has delegated authority to the Manager to conduct portfolio and risk management services on behalf of the Company. Whilst the Manager has the ultimate responsibility to make the final decision over portfolio and risk management services, the Board actively discusses potential investments and divestments with the Manager and ensures ongoing compliance with the Company's Investment Policy and Investment Objectives. This complies with the latest European Securities and Markets Authority ("ESMA") guidelines published on 13 August 2013 in respect of the AIFMD and ensures that the Company continues to adopt best governance practice.

All decisions to invest in or divest of an asset are made by the Manager following a recommendation by the Investment Committee and discussions with the Board. The Manager provides a detailed paper to the Board on any selected potential acquisition or disposal and notifies it when an offer is made for and accepted on a site, and also regularly updates the Board on the progress of the transaction. An initial development appraisal is presented upon acquisition of development land and regular updates are provided thereafter setting our timings, cash flows and profit expectations for schemes.

Tritax Symmetry provides detailed development appraisals to the Manager on a regular basis which may be advanced through the development pipeline of planning, pre-let and construction. The Manager reviews those recommendations and, if they conform with the Company's strategy, will take the development and investment decision and inform the Board accordingly.

## Board meetings

During 2019 we held nine scheduled Board meetings, plus nine further ad hoc meetings which dealt with transactional and other specific events such as equity raises and debt financing.

The Board meetings follow a formal agenda, which is approved by the Chairman and circulated by the Company Secretary in advance of the meeting to all Directors and other attendees. At each Board meeting, every agenda item is considered against the Company's strategy, its Investment Objectives, its Investment Policy and s172 Directors' duties.

Board papers are disseminated to the Directors via a secure online platform for reasons of efficiency and cyber security. The online platform is also used to store relevant Company documentation, as it provides the Board with quick and secure access. Representatives of the Manager are invited to attend the Board meetings as are representatives of the Company's other advisers as required, particularly representatives from Jefferies (Joint Financial Adviser and Corporate Broker), Akur Limited (Joint Financial Adviser) and Taylor Wessing LLP (Legal Adviser).

## Division of Responsibilities continued

### Attendance at Board and Committee meetings during the year ended 31 December 2019

All Directors are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors and to attend all scheduled meetings of the Board and of the Committees on which they serve. Where Directors are unable to attend a meeting, they will provide their comments on the Board papers received in advance of the meeting to the Chairman, who will share

such input with the rest of the Board and the Manager. The Nomination Committee is satisfied that all the Directors, including the Chairman, have sufficient time to meet their commitments.

The table below sets out the Board and Committee attendance at scheduled meetings during the year. During this period the absences shown were as a result of changes to the Board membership and pre-planned commitments.

	Richard Jewson	Aubrey Adams	Alastair Hughes*	Karen Whitworth*	Richard Laing	Susanne Given	Jim Prower*	Mark Shaw*
<b>Board</b>	9/9	9/9	8/8	1/1	9/9	7/9	3/4	1/1
<b>Audit &amp; Risk Committee</b>	n/a	5/5	5/5	n/a	5/5	5/5	2/2	n/a
<b>Management Engagement Committee</b>	1/1	1/1	1/1	n/a	1/1	1/1	n/a	n/a
<b>Nomination Committee</b>	3/3	3/3	2/2	n/a	3/3	1/3	0/1	n/a
<b>Strategy Meeting</b>	1/1	1/1	1/1	n/a	1/1	1/1	n/a	n/a

\* Alastair Hughes was appointed in February 2019; and Karen Whitworth was appointed in October 2019. Mark Shaw retired in February 2019; and Jim Prower resigned in March 2019.

### Committees

The Board has delegated some of its responsibilities to its three formal Committees; the Nomination, Audit & Risk and Management Engagement Committees, details of which are set out on page 95. The Company ensures that all of the Board Committees have sufficient resources and skills to carry out their obligations.

These Committees are each chaired by a different Non-Executive Director and have their own Terms of Reference which can be found on the Company's website (or copies are available on request from the Company Secretary). The Terms of Reference are reviewed as necessary by the Board as a whole. The Company Secretary acts as secretary to these Committees and each Committee Chair reports the outcome of the meetings to the Board.

We also establish further sub-committees of the Board to take operational responsibility on specific matters either following "in principle" approval from or with subsequent ratification by the Board. These sub-committees ensure that key matters are dealt with efficiently by the Director(s) and representatives of the Manager best qualified for the specific role.

# Our Governance Structure

## The Board

The Board is responsible for promoting the long-term sustainable success of the Company, working towards strategic objectives and generating value for Shareholders and other stakeholders.

### Audit & Risk Committee

- Reviewing the integrity of the Group's financial statements and any significant financial reporting judgements.
- Reviewing and monitoring the relationship with the Auditor.
- Reviewing the Manager's Administrator's (Link) internal controls.
- Overseeing the Company's risk management process.
- Advising the Board on whether the Annual Report and Accounts provide a fair, balanced and understandable view of the Company's performance, position and strategy.
- Considering and reviewing the Company's Viability and Going Concern Statements.

### Nomination Committee

- Reviewing the Board composition and assessing whether the balance of skills, experience, knowledge, diversity and independence is appropriate to enable the Board to operate effectively.
- Managing succession planning and ensuring that the Directors receive necessary training.
- Board Committee evaluations.

### Management Engagement Committee

- Reviewing the main suppliers including the Manager, the Joint Financial Advisers, the Valuer and the Registrar to ensure that the Company is receiving a high level of performance along with value for money.
- Overseeing re-tenders and new appointments.



## The Manager

Day-to-day running of the Company including: making the final decisions in respect of investments and divestments, financial management, asset management and investor relations. Colin Godfrey, as the Fund Manager of the Company, and Henry Franklin, as COO of the Manager, oversee the Manager's relationship with the Company.

### CSR Committee (Committee of the Manager)

- Chaired by Henry Franklin, comprising various members of the Manager.
- Responsible for oversight of CSR and sustainability matters.
- Reviewing and making recommendations to the Manager and the Company's Board, regarding progress on integrating environmental, social and governance ("ESG") factors into business strategy and decision making.
- Providing oversight of the Manager's policies in terms of performance, communication and engagement on CSR and sustainability matters, to ensure the Manager is effective in meeting their social and regulatory requirements and achieving their objective of being a socially responsible corporate entity.

### Investment Committee

- Reviewing and recommending investments and divestments.
- Chaired by Colin Godfrey (the Fund Manager) and comprises of Bjorn Hobart (the Assistant Fund Manager) of the Company, and various members of the Manager.
- Taking a lead on overall portfolio management (including asset management) with oversight from the Board.
- Reviewing, approving and monitoring activities within Tritax Symmetry.

## Company Secretariat and Compliance

Overseeing the Company's governance structure and managing the Company's regulatory compliance.

Administering the Group's subsidiaries.

# Composition, Succession and Evaluation



**Sir Richard Jewson KCVO, JP**  
Independent Chairman

Appointed: 18 November 2013

**Relevant skills and experience:**

- Significant leadership experience as an Executive Director, Non-Executive Director and Chairman of a number of public companies
- Long-standing commercial experience through both executive and non-executive roles in the construction, infrastructure and real estate sectors
- Skilled in guiding companies through strong growth phases as well as managing the impact of business cycles

**External appointments:**

- Chairman of Raven Property Group Limited. Board member since June 2007
- Senior Independent Director of Temple Bar Investment Trust plc. Board member since May 2001

**Board Committee memberships:**

- Chair of the Nomination Committee
- Member of the Management Engagement Committee



**Aubrey Adams OBE, FCA, FRICS**  
Senior Independent Director

Appointed: 11 September 2017

**Relevant skills and experience:**

- Almost 40 years' experience at Board level in the real estate industry, including part of his executive career as Chief Executive of Savills plc
- Extensive experience as a Chairman and Non-Executive Director, including as Senior Independent Director of Associated British Ports plc and Chairman of Max Property Group plc
- Fellow of the Institute of Chartered Accountants in England and Wales
- Fellow of the Royal Institution of Chartered Surveyors

**External appointments:**

- Group Chair of L&Q Housing Trust, a leading housing association since September 2015
- Chairman of the Board of Trustees of Wigmore Hall since May 2011

**Board Committee memberships:**

- Member of the Audit & Risk Committee
- Member of the Management Engagement Committee
- Member of the Nomination Committee



**Susanne Given**  
Independent Non-Executive Director

Appointed: 13 September 2016

**Relevant skills and experience:**

- Over 20 years' experience in managing and running large retail companies
- High-profile involvement in investor presentations as well as previous membership of remuneration and risk and audit committees
- Creation of five-year strategy plans and overseeing their implementation
- Significant experience in management of logistics and property assets

**External appointments:**

- Non-Executive Director of Deloitte NWE since January 2019
- Chair of Outfittery GmbH since March 2017
- Non-Executive Director of Eurostar International Limited since December 2016
- Chair of Made.com since April 2016
- Chair of the Middle Eastern luxury group, Al Tayer Insignia, a division of Al Tayer Group, since January 2016

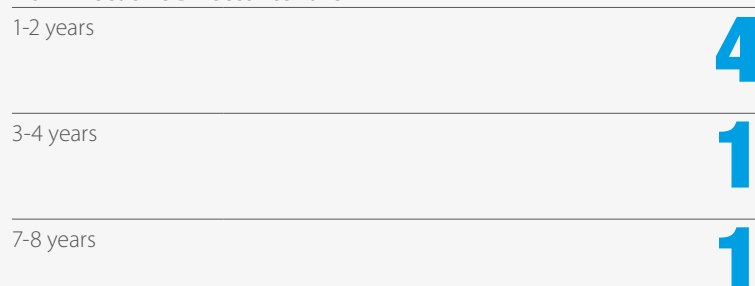
**Board Committee memberships:**

- Chair of the Management Engagement Committee
- Member of the Audit & Risk Committee

**Gender split**



**Non-Executive Director tenure**





**Richard Laing FCA**  
**Independent Non-Executive Director**  
 Appointed: 16 May 2018

**Relevant skills and experience:**

- In depth knowledge of financial matters through his previous role as Finance Director and Chief Executive of CDC Group plc for 11 years; as Finance Director of De La Rue plc; as financial analyst and manager at Bookers Group plc; and from five years at PricewaterhouseCoopers
- Experienced Non-Executive Director on a variety of boards
- Fellow of the Institute of Chartered Accountants in England and Wales

**External appointments:**

- Chairman of Perpetual Income and Growth Investment Trust plc since July 2017, having joined the board in 2012
- Chairman of 3i Infrastructure plc since January 2016
- Chairman of the Audit & Risk Committee of JP Morgan Emerging Markets Investment Trust plc since January 2015
- Chairman of Miro Forestry Limited since May 2014, having joined the board in May 2012
- Non-Executive Director of Development Works Limited, a trading subsidiary of Plan International UK, since June 2019
- Member of the Board of Trustees of Leeds Castle since September 2012, currently chairing the Audit & Risk Committee

**Board Committee memberships:**

- Chairman of the Audit & Risk Committee
- Member of the Management Engagement Committee



**Alastair Hughes FRICS**  
**Independent Non-Executive Director**  
 Appointed: 1 February 2019

**Relevant skills and experience:**

- 30 years' experience in the UK and international real estate markets both at an operational and strategic level
- Former director and Global Executive board member of Jones LaSalle Inc. ("JLL"), previously serving as Managing Director of JLL in the UK, before becoming CEO for Europe Middle East and Africa and most recently CEO for Asia Pacific
- Fellow of the Royal Institution of Chartered Surveyors

**External appointments:**

- Non-Executive Director of QuadReal since October 2019
- Non-Executive Director of The British Land Company plc since January 2018
- Non-Executive Director of Schroder Real Estate Investment Trust Limited since April 2017

**Board Committee memberships:**

- Member of the Management Engagement Committee
- Member of the Nomination Committee



**Karen Whitworth ACA**  
**Independent Non-Executive Director**  
 Appointed: 21 October 2019

**Relevant skills and experience:**

- Over 17 years' operating at Board level in a variety of roles in commercial, operations and governance in several private and publicly listed organisations
- Breadth of experience across all aspects of logistics and supply chain as well as retail, property and hospitality
- Ability to bring strategic insights and contribute to the development of a company
- Robust understanding of retail trends
- Good knowledge of technology and the demands of e-commerce channels
- Track record in delivering change and transformation programmes
- Associate of the Institute of Chartered Accountants in England and Wales

**External appointments:**

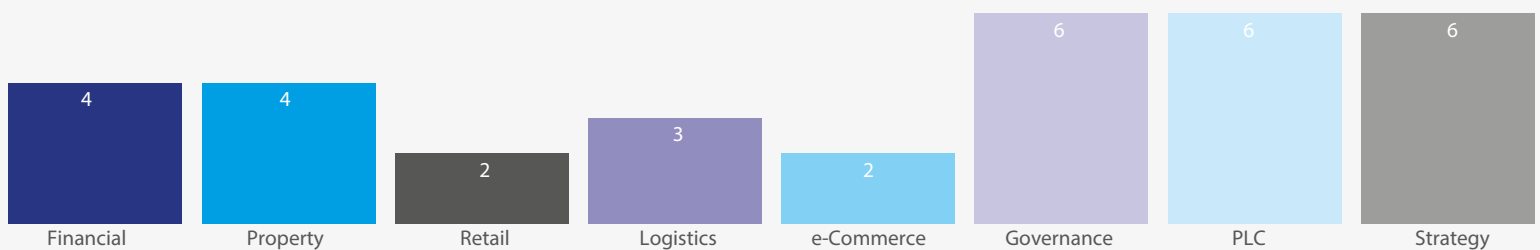
- Non-Executive Director of Rank Group plc since November 2019
- Non-Executive Director of Whitworth Corporate Holdings Limited

**Board Committee memberships:**

- Member of the Audit & Risk Committee
- Member of the Management Engagement Committee
- Member of the Nomination Committee

Full biographies are available on the corporate website.

**Board relevant sector experience**



# Nomination Committee Report



**Sir Richard Jewson KCVO, JP  
Chairman**

## Membership

Sir Richard Jewson, Chair  
Aubrey Adams  
Alastair Hughes  
Karen Whitworth

For full details on Committee attendance please refer to page 94.

## Key areas of focus in 2019

- The size, structure and composition of the Board;
- Succession planning;
- Board and Committee evaluation and;
- The proposal for re-election/ election of the Directors at the AGM which we plan to hold on 13 May 2020 (subject to advancements with Covid-19).

## WE MET THE EXPECTATIONS SET BY THE HAMPTON-ALEXANDER INITIATIVE.

### Dear Shareholders,

I am pleased to present the Nomination Committee Report for the year ended 31 December 2019. The Nomination Committee's focus in 2019 was on reviewing the Board's composition and succession planning and we were delighted to welcome Alastair Hughes and Karen Whitworth to the Board in February and October 2019, respectively.

The Committee's role is to review the size, structure and composition of the Board, including succession planning, and to ensure that it has the right mix of skills, experience and knowledge to enable the Company to fulfil its strategic objectives. The Committee is also responsible for making recommendations for new appointments to the Board and for reviewing the performance and terms of engagement for the existing Directors. The Committee operates within defined Terms of Reference which are available on the Company's website or from the Company Secretary.

### New appointments

We met for one scheduled and two additional meetings during 2019. In anticipation of changes to the Board, in Q1 2019, we identified the need to appoint a suitably experienced, independent Non-Executive Director with an in-depth knowledge of the UK and international real estate markets, with prior experience in a public company environment.

Korn Ferry was engaged to assist with the recruitment process and following our recommendation, the Board decided to appoint Alastair Hughes on 1 February 2019. Alastair is a member of the Nomination and Management Engagement Committees. He also served on the Audit & Risk Committee until 1 January 2020. Alastair is a chartered surveyor with more than 25 years' experience in the UK and international real estate markets, most recently as CEO for the Asia Pacific region for Jones Lang LaSalle. Korn Ferry has no other connection with the Company or individual Directors, apart from the provision of Non-Executive recruitment services.

In Q2, the Nomination Committee evaluated the skills and experience considered necessary to complement the existing composition of the Board. The Committee decided to conduct a second Non-Executive search, engaging Sapphire Partners. A series of interviews was arranged with the Board as well as representatives of the Manager. We considered the candidates' skills and experience, as well as their ability to devote enough time to the position. Following our recommendation, the Board decided to appoint Karen Whitworth as a Non-Executive Director on 1 October 2019. Sapphire Partners have no other connection with the Company or individual Directors, apart from the provision of Non-Executive recruitment services.

Karen is a qualified chartered accountant with 17 years' experience at board level in a variety of roles. Karen spent 10 years at J Sainsbury plc and is currently a non-executive director at Rank Group plc and Whitworth Corporate Holdings Ltd, a commercial property business based in East Anglia. She brings with her a range of experience across logistics and supply chains and has a strong financial and governance background. Karen also serves on the Audit & Risk, Nomination and Management Engagement Committees with effect from 1 January 2020.

Alastair was elected for office at the Company's AGM on 15 May 2019. Karen will hold office until the Company's AGM which we plan to hold on 13 May 2020 (subject to advancements with Covid-19), when she will stand for election by the Shareholders as a Non-Executive Director of the Company.

### Further Board changes

On 1 February 2019, Mark Shaw retired from the Board. He made a significant and valuable contribution to the creation of the Company and its subsequent success. Mark remains Chairman of our Manager, and his retirement means we now have a fully independent Board.



On 27 March 2019, Jim Prower resigned from the Board after more than five years of service. On behalf of the Board, I would like to thank him for his counsel and expertise, as he helped to oversee our progress since the IPO. Aubrey Adams replaced Jim Prower as our Senior Independent Director, with effect from the same date.

During the year, we also reviewed the composition of the Board's Committees and recommended a refresh of members in order to best utilise existing skills and experience. As a result the membership of each Committee is as follows:

Committee	Membership
Audit & Risk Committee	Richard Laing (Chair), Susanne Given, Aubrey Adams and Karen Whitworth
Management Engagement Committee	Susanne Given (Chair), Sir Richard Jewson, Aubrey Adams, Richard Laing, Alastair Hughes and Karen Whitworth
Nomination Committee	Sir Richard Jewson (Chair), Aubrey Adams, Alastair Hughes and Karen Whitworth

### Policy on tenure and succession planning

The Board has implemented a policy on Tenure and Re-election, and in accordance with the provisions of the AIC Code, all the Directors will offer themselves for re-election at each AGM. We considered the ongoing independence of each of the Directors, their respective skills, experience and time commitment, as well as any other external appointments held by the Directors. We believe that each Director has contributed a significant amount over a particularly active year, which has seen the Company become the owner of one of the UK's largest and most geographically diverse land portfolios for the development of Big Box assets and related logistics facilities. Following the advice of the Committee and in line with the AIC Code, the Board will recommend the election or re-election, as appropriate, of each Director at the forthcoming AGM.

Directors are appointed for an initial period of two years and their performance evaluated at least annually during the Board evaluation. In accordance with the principles of the AIC Code, we do not consider it necessary to mandatorily replace a Director after a predetermined period of tenure. We are, however, mindful of the circumstances of each Director and implement succession planning accordingly.

### Board diversity and inclusion

The Company does not have any employees. In respect of appointments to the Board, we consider that each candidate should be appointed on merit to make sure that the best candidate for the role is appointed every time. We support diversity and inclusion at Board level and encourage candidates from all educational backgrounds and walks of life. What is important to us is professional achievement and the ability to be a successful Director based on the individual's skill set and experience.

Qualifications are considered when necessary to ensure compliance with regulation such as in relation to appointments to the Audit & Risk Committee. We regularly review the Company's Diversity and Inclusion Policy and believe that the Board has a balance of skills, qualifications and experience which are relevant to the Company. As at the date of this report the Board consisted of four male and two female members meaning we have achieved the 33% female Board representation target as set out by the Hampton-Alexander initiative. We support the recommendations of the Hampton-Alexander and Parker Reports and recognise the value and importance of cognitive diversity in the boardroom.

### Board performance and evaluation

In 2019, the Board engaged Lintstock to undertake the Board evaluation. Lintstock has no other connection with the Company apart from conducting the Board evaluation. The previous Board evaluations provided a benchmark for the 2019 Board evaluation and enabled Lintstock to understand the Board, the relationships between the Directors and between the Board and the Manager, the Company Secretary and other key stakeholders to the Company, as well as the Company's Shareholders.

The 2019 Board evaluation took the form of comprehensive questionnaires which were sent to each of the Directors and three key representatives of the Manager. It contained a section designed specifically as an appraisal of the Chairman.

We were asked to consider: Board composition and dynamics; stakeholder engagement; management and focus of meetings; Board support; Board Committees; strategic oversight; risk management and internal control; and succession planning.

The outcome of the 2019 Board evaluation was positive, displaying a strong working relationship between the Board members and the Manager, which is reflected in the effective challenge by the Board and a constructive atmosphere in Board meetings. Following recent changes to the Board composition, the evaluation highlighted greater diversity and balance of skills with the addition of Alastair Hughes and Karen Whitworth, which has in turn had a positive impact on discussions.

The Board met in February 2020 to discuss Lintstock's 2019 Board evaluation Report and the following top three priorities for 2020 were identified:

- **The Investment Management Agreement:** The Board noted that they would be reviewing the Investment Management Agreement between the Company and the Manager and ensuring that robust due diligence took place relating to any re-negotiation of the agreement, if required.
- **Addressing strategy:** The Board agreed to spend more time focusing on the Company's strategy, especially with an emphasis on long-term strategy.
- **Time spent together as a Board:** The Board agreed that consideration should be given to extending the time allocated for Board meetings.

### Other priorities included:

- Succession planning (focusing on Chairman's succession)
- Clarity around key issues within Board papers
- Improving timetabling of Management Engagement Committee meetings and monitoring of the Manager's performance

Led by Aubrey Adams, the Senior Independent Director, the Non-Executive Directors met without the Chairman present to appraise the Chairman's performance. The Chairman's review was very positive and the other Directors appreciated that he had played an influential role during a period of significant evolution of the Company and concluded that he continued to chair the Board of the Company effectively.

### Director training programme

We recognise that it is essential to keep abreast of regulatory and compliance changes. Accordingly, a bespoke training programme is agreed and arranged each year. During the period, the Board received regular training on corporate governance developments and financial regulatory changes, an example being Corporate Criminal Offences training. The Board received formal training sessions and updates from some of the Company's external service providers as well as the Manager's Head of Risk and Compliance and Head of Research. The 2019 Board evaluation confirmed that the training programme is well structured and highly informative for the Directors.

In addition to the bespoke training programme, each Director is expected to maintain their individual professional skills and is responsible for identifying any training needs to help them ensure that they maintain the requisite knowledge to be able to consider and understand the Company's responsibilities, business and strategy. All Directors have access to the advice and services of the Company Secretary, who manages the Company's governance procedures, and the Manager.

The Directors are also entitled to take independent advice at the Company's reasonable expense at any time.

### Committee evaluation

The overall performance of the Nomination Committee was rated highly, particularly its performance in reviewing the composition of the Board. The Committee was seen to have worked diligently to produce a good outcome.

### Outlook for 2020

2020 will see the Nomination Committee focus on succession planning, particularly on the identification and timing of a successor for the Chairman in order to facilitate a smooth and orderly transition when the Chairman steps down in the future. We will also continue to monitor and evaluate Board composition to ensure that the Board has the right balance of skills, experience and knowledge to carry out its duties.

**Sir Richard Jewson KCVO, JP**  
**Chair of the Nomination Committee**  
 16 March 2020

# Audit, Risk and Internal Control

The Board is responsible for delivering robust and sustainable value to its Shareholders and wider stakeholders by setting and working toward strategic objectives. In order to do so we undertake robust assessments of the risks which the Group faces and ensure controls and mitigations are in place to manage those risks. The Company's key risks are set out on pages 75 to 79 of the Strategic Report. The Audit & Risk Committee reviewed the principal and emerging business risks of the Company on behalf of the Board, as described on page 75.

The Board and Audit & Risk Committee regularly review the financial position of the Company and perform an assessment of any risks in relation to the Company's business model, the Group's future performance, liquidity and solvency as well as any risks relating to specific or proposed investments and tenants or initiatives relating to assets. To facilitate this process, the Manager produces financial reports, which include the latest management accounts, a review and report on the Company's financial forecast, a report on proposed and existing investment and asset management initiatives, substantiation of any dividend payments and a general update on the financial health of the Company.

As the Company's AIFM, the Manager is subject to reporting and ongoing compliance under the AIFMD. As part of this regulatory process, Langham Hall UK Depositary LLP has been retained by the Company and is responsible for cash monitoring, asset verification and oversight of the Company and the Manager. Langham Hall UK Depositary LLP report quarterly to the Board and the Manager.

The Manager also employs a Head of Risk & Compliance to assist with the discharge of the Manager's obligations in accordance with the AIFMD.

## **Risk management and internal controls review**

The Company's internal control and risk management systems and processes are designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Group and safeguard the Group's assets. These safeguards and systems in place are designed to manage (rather than eliminate) the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board and the Manager have, together, reviewed all financial performance and results notifications. Non-financial internal controls include the systems of operational and compliance controls maintained by the Company's administrator, Link Asset Services (the "Administrator"), and by the Manager in relation to the Company's business, as well as the management of key risks referred to in the Strategic Report on pages 75 to 79.

The Board has contractually delegated responsibility for administrative and accounting services to the Administrator and for company secretarial services to the Manager. These entities have their own internal control systems relating to these matters, which we have reviewed as part of the Company's Financial Position and Prospects Procedures document, which was reviewed, updated and approved in November 2019.

The Company does not have an internal audit function and, following an internal risk review, the Audit & Risk Committee does not consider it necessary for the Company to have one. The Company is managed externally by the Manager. All payments of Company funds are authorised by the Manager in accordance with the duties delegated to it pursuant to the terms of the Investment Management Agreement ("IMA") and in accordance with the provisions of the AIFMD. The Manager instructs the Administrator to make the duly authorised payment and Langham Hall UK Depositary LLP, as part of its role as Depositary, reviews each material payment in relation to the specific test areas as mentioned in the report on page 101. We consider that the internal controls in place and the function undertaken by Langham Hall UK Depositary LLP make it unnecessary for the Company to employ an internal audit function. In addition to this, the Administrator has its own internal audit performed on an annual basis by BDO, from which the Company reviews any findings. The 2019 audit did not raise any significant findings to discuss.

## **Internal control and risk assessment process**

In accordance with the AIC Code, the Board has established a continuing process for identifying, evaluating and managing the risks the Company faces and has reviewed the effectiveness of the internal control systems.

This includes reviewing reports from the Auditor (details of which are included in the Audit & Risk Committee Report), regular reports from the Company Secretary (outlining corporate activity within the Group and outlining the Company's compliance with the AIC Code) and proposed future initiatives relating to the Company's governance and compliance framework. We also receive quarterly compliance reports prepared by Langham Hall UK Depositary LLP and review the formal risk assessment conducted by the Audit & Risk Committee twice a year. Further, we actively consider investment opportunities, asset management initiatives, debt and equity fundraisings and other financial matters against the requirements of the Company's Investment Objectives and Investment Policy.

The Audit & Risk Committee also conducts a robust assessment of the emerging and principal risks to the business model, future performance, solvency and liquidity of the Company at least twice a year and reports its findings to the Board. The Manager is asked to analyse and report on the risks which the Company may encounter on specific transactions including, for example, an adverse decision regarding the development of an asset at the planning stages or a sudden change in market conditions before the launch of an equity raise or debt issue. We then consider each risk in turn, probing the Manager's assumptions and analysing whether the risk factors attributed to each individual risk are fair and accurate, and the effect of any mitigating factors. We also consider this as part of our biannual risk review and at each strategy meeting, and challenge the Manager to actively review the risks it includes. Please see pages 75 to 79 for more details on emerging and principal risks.

The Manager also reports to the Board twice a year over the Company's longer term viability which includes financial sensitivities and stress testing of the business to ensure that the adoption of the going concern is appropriate.

The Manager maintains a risk register, where perceived risks and associated actions are recorded and this is regularly shared with the Board for approval.

#### **Anti-bribery and corruption**

The Board has a zero tolerance policy towards bribery and corruption 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 Company arising from bribery and corruption and identified aspects of the business, which may be improved to mitigate such risks. The Manager actively reviews and monitors perceived risks. Responsibility for anti-bribery and corruption has been assigned to the Head of Risk and Compliance within the Manager.

Employees of the Manager are required to undertake certain e-training on anti-bribery and other topics such as conflicts of interests and anti money laundering which is provided through Thistle.

#### **Modern slavery and human trafficking policy**

The Group is committed to maintaining the highest standards of ethical behaviour and expects the same of its business partners. Slavery and human trafficking are entirely incompatible with the Group's business ethics. We recognise that the real estate and construction sectors rank highly for modern slavery risks. We believe that every effort should be made to eliminate slavery and human trafficking in the Group's supply chain. We seek to mitigate the Group's exposure by engaging with reputable professional service firms based in the United Kingdom, who adhere to the Modern Slavery Act 2015. We also regularly request formal governance information from the Group's suppliers, to enable ongoing monitoring of business and supply chain risk and conduct due diligence and risk assessment on potential new suppliers. We will continue to monitor and collaborate with the Group's suppliers, customers and developers, to ensure that they have systems and controls that reduce the risk of facilitating modern slavery and human trafficking.

## **Depository statement**

Established in 2013, Langham Hall UK Depository LLP is an FCA regulated firm that works in conjunction with the Manager and the Company to act as depository. Consisting exclusively of qualified and trainee accountants and alternative specialists, the entity represents net assets of US \$50 billion and we deploy our services to over 90 alternative investment funds across various jurisdictions worldwide. Our role as depository primarily involves oversight of the control environment of the Company, in line with the requirements of the Alternative Investment Fund Managers Directive (AIFMD).

Our cash monitoring activity provides oversight of all the Company held bank accounts with specific testing of bank transactions triggered by share issues, property income distributions via dividend payments, acquisitions and third-party financing. We review whether cash transactions are appropriately authorised and timely. The objective of our asset verification process is to perform a review of the legal title of all properties held by the Company, and shareholding of special purpose vehicles beneath the Company. We test whether on an ongoing basis the Company is being operated by the Manager in line with the Company's prospectus, and the internal control environment of the Manager. This includes a review of the Company's and its subsidiaries' decision papers and minutes.

We work with the Manager in discharging our duties, holding formal meetings with senior staff on a quarterly basis and submit quarterly reports to the Manager and the Company, which are then presented to the Board of Directors, setting out our work performed and the corresponding findings for the period.

In the year ended 31 December 2019 our work included the review of one equity and two management share awards, one investment property acquisition, the purchase of a majority economic interest in db Symmetry Ltd, two third-party financing arrangements and four property income distributions. Based on the work performed during this period, we confirm that no issues came to our attention to indicate that controls are not operating appropriately.

#### **Joe Hime**

#### **Head of UK Depository**

For and on behalf of Langham Hall UK Depository LLP, London, UK  
16 March 2020

Langham Hall UK Depository LLP is a limited liability partnership registered in England and Wales (with registered number OC388007).

# Audit & Risk Committee Report



**Richard Laing FCA**  
Chair of the Audit & Risk Committee

## Membership

Richard Laing, Chair  
Susanne Given  
Aubrey Adams  
Karen Whitworth

For full details on Committee attendance please refer to page 94.

## Key areas of focus in 2019

- Recommended to the Board that the Annual Report and Accounts for 2019, taken as whole, is fair, balanced and understandable and that it provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- Reviewed the Interim Report for 2019 and recommended it to the Board for approval;
- Monitored the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewed any significant financial reporting judgements contained in them;
- Monitored the effectiveness of the Group's assessment of risk to ensure actions are being taken to mitigate the Group's exposure to risk;
- Reviewed the robustness of the Company's internal financial controls and reviewed the efficiency of the internal control and risk management systems used by the Company;
- Assessed the quality of the annual and interim property valuations prepared by the Company's independent Valuers and challenged the assumptions used by the Valuers in preparing the valuation;
- Reviewed and considered the basis of the Viability and Going Concern Statements made by the Directors;
- Reviewed and monitored the Company's relationship with its Auditor; and
- Reviewed the accounting and reporting implications of the Tritax Symmetry acquisition to ensure appropriateness and clear disclosure.

## WE CONTINUE TO MONITOR THE RISKS THE COMPANY FACES ON A REGULAR BASIS, WITH THE APPROPRIATE RIGOUR AND CHALLENGE.

### Dear Shareholders,

We are pleased to welcome Karen Whitworth to the Audit & Risk Committee with effect from 1 January 2020. Karen's financial and governance background will be an asset to the Board and the Committee. Alastair Hughes stepped down as a member of the Committee with effect from 1 January 2020. I would like to thank Alastair for his valuable contribution to the Committee during his appointment.

The Audit & Risk Committee's role is to oversee the Company's financial reporting process, including the risk management and internal financial controls in place within the Manager, the valuation of the property portfolio, the Group's compliance with accepted accounting standards and other regulatory requirements as well as the activities of the Auditors.

We operate within defined Terms of Reference, which are available on the Company's website and on request from the Company Secretary.

The membership of the Audit & Risk Committee has changed over the course of the year with all current Audit & Risk Committee members being independent Non-Executive Directors of the Company, not connected to the Manager nor the Auditor.

The Committee believes that its members have the right balance of skills and experience to be able to function effectively. I am a Fellow of the Institute of Chartered Accountants in England and Wales and have extensive financial experience gained in my previous roles as the CEO and Finance Director of CDC Group plc and in a number of other listed organisations. Aubrey Adams is also a Fellow of the Institute of Chartered Accountants and has chaired an audit committee previously. Susanne Given has experience of being a member of an audit committee in a previous role as does Karen Whitworth, who is also a Chartered Accountant. Further details of each Directors' experience can be found in the biographies on pages 96 and 97.

We met five times during 2019, following the Company's corporate calendar, which ensures that the meetings are aligned to the Company's financial reporting timetable. The Company Secretary ensures that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations. These meetings are attended by the Committee members, as well as representatives of the Manager, the Company Secretary and the Auditor, BDO LLP, and, on occasion, the Company's Chairman. We also met with the Auditor without any representative of the Manager present. The Committee also met with the Company's independent Valuers, CBRE and Colliers, in July 2019 and January 2020 as part of the interim and year-end audit process. As the Committee Chair, I have had regular communications with the Company Secretary, the Company's Finance Director and the Auditor. In addition, the Committee has discussions throughout the year outside of the formal Committee meetings.

### **Financial reporting and significant judgements**

We monitor the integrity of the financial information published in the Interim and Annual Reports and consider whether suitable and appropriate estimates and judgements have been made in respect of areas which could have a material impact on the financial statements. We seek support from the Auditor to assess these significant judgements. We also consider the processes undertaken by the Manager to ensure that the financial statements are fair, balanced and understandable.

A variety of financial information and reports were prepared by the Manager and provided to the Board and to the Committee over the course of the year. These included budgets, periodic re-forecasting following acquisitions or corporate activity, papers to support raising of additional finance, and general compliance, and specific papers setting out the short, medium and long-term impact of the Tritax Symmetry acquisition.

We also regularly review the Company's ability to continue to pay a progressive dividend. This financial information was fully reviewed and debated both at Committee and Board level across a number of meetings.

The Manager and the Auditor update us on changes to accounting policies, legislation and best practice and areas of significant judgement by the Manager. They pay particular attention to transactions which they deem important due to size or complexity.

The main areas where a significant judgement was required in 2019 included the assessment over fair values of investment property, B and C Shares in Tritax Symmetry (as described below) and business combination accounting.

### **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 an acquisition is judged not to be the acquisition of a business, it is not treated as a business combination. Following the acquisition of Tritax Symmetry, the Company sought accounting advice and valuation expertise from PricewaterhouseCooper ("PwC"). The acquisition was treated as a business combination, with all assets and liabilities acquired being recognised at fair value.

### **Valuation of property portfolio**

We have separated the valuation appointments, such that CBRE continues to value our investment assets and Colliers has been appointed to value our development assets both occur on a bi-annual basis. The Group's portfolio value was £3.94 billion (31 December 2018: £3.42 billion), reflecting a like-for-like uplift of 1.8% across the portfolio for the period.

Following production of the draft valuation by the valuers, the Manager meets with the valuers to discuss and challenge various elements of the property valuation, if necessary. The Auditor, in fulfilling its function as independent auditor to the Company, also meets with the valuers to discuss, and where necessary, challenge the assumptions within the property valuations. The Committee meets with both valuers to discuss and challenge the valuation and to ensure it was conducted properly, independently and could be fully supported. The Committee also receives a copy of the property valuations for the portfolio once they have been reviewed by the Manager and after the Auditor has met with the valuers. The performance of the valuers is assessed on an annual basis by the Management Engagement Committee in its report on pages 105 to 107.

As explained in note 15 to the financial statements, CBRE and Colliers independently valued the properties in accordance with IAS 40: Investment Property. We have reviewed the assumptions underlying the property valuations and discussed these with the Manager and the valuers, and have concluded that the valuation is appropriate.

The Board approved both the CBRE and the Colliers valuations in July 2019 and January 2020.

### **Goodwill**

Where the fair value of the identifiable assets and liabilities exceed the fair value of the consideration paid, the excess is credited to the Group profit and loss account as negative goodwill or a gain on bargain purchase.

### **B and C Shares**

Subject to certain conditions, the B and C Shares of Tritax Symmetry entitle the holders to 13% of the adjusted NAV of Tritax Symmetry. These conditions include bad leaver provisions which, as a result, has led to 50% of Adjusted NAV being recognised as contingent consideration in accordance with IFRS 3. Any further value paid to the B and C Shareholders will therefore be accounted for as a payment for post-combination services and therefore recognised as a share-based payment.

### **Land options**

As we consider that land options do not meet the definition of investment property, land options will be classified as a non-financial asset and measured at cost less provision for impairment.

### **Fair, balanced and understandable financial statements**

The production and audit of the Group's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Annual Report is fair, balanced and understandable, as required under the AIC Code, the Board has requested that the Audit & Risk Committee advise on whether it considers that the Annual Report fulfils these requirements. In outlining our advice, we have considered the following:

- the comprehensive documentation that outlines the controls in place for the production of the Annual Report, including the verification processes to confirm the factual content;
- the detailed reviews undertaken at various stages of the production process by the Manager, Administrator, Joint Financial Advisers, Auditor and the Audit & Risk Committee, which are intended to ensure consistency and overall balance;
- controls enforced by the Manager, Administrator and other third-party service providers, to ensure complete and accurate financial records and security of the Company's assets;
- the satisfactory ISAE 3402 control report produced by the Administrator for the year ended 31 December 2019, which has been reviewed and reported upon by the Administrator's external auditor, to verify the effectiveness of the Administrator's internal controls; and
- a letter provided by the Administrator that there have been no changes to its control environment since 31 December 2019 and that all internal controls in place at the time of the last review remain active.

As a result of the work performed, we have concluded and reported to the Board that the Annual Report for the year ended 31 December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

## Audit & Risk Committee Report continued

### Internal audit

The Company does not have an internal audit function and, following an internal risk review, we do not consider it necessary for the Company to have one.

Following the acquisition of Tritax Symmetry, the Committee engaged Grant Thornton UK LLP to conduct a review of how well the Tritax Symmetry employees and systems had been integrated, where necessary, with those of the Manager. Overall, Grant Thornton found strong engagement from all personnel over the assessment of the efficiency of systems and processes. Grant Thornton made some recommendations to current practices in place, which we started to implement immediately and will continue to do so in 2020.

### External audit

The position of Auditor to the Company was re-tendered in April 2017. As a result of this rigorous process the Audit & Risk Committee recommended that BDO be re-appointed. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2014 to 31 December 2019.

Geraint Jones took over the position as Lead Audit Partner following the approval of the Company's 2018 Annual Report and rotation of Richard Levy, the Lead Audit Partner since 2014. The Committee has met with the key members of the Audit team over the course of the year and BDO has formally confirmed its independence as part of the reporting process. We consider that the Audit team assigned to the Company by BDO has a good understanding of the Company's business which enables it to produce a detailed, high-quality, in-depth audit and permits the team to scrutinise and challenge the Company's financial procedures and significant judgements. We ask the Auditor to explain the key audit risks and how these have been addressed. We also considered BDO's internal quality control procedures and transparency report and found them to be sufficient. Overall, the Committee is satisfied that the audit process is transparent and of good quality and that the Auditor has met the agreed audit plan.

Please refer to note 8 in the financial statements for a summary of fees paid to the Auditor.

The Company confirms that it has complied with the provisions of the Competition and Markets Authority statutory audit services order for the financial year under review.

### Audit process

We meet with the Auditor and the Manager before the preparation of each of the Interim and Annual results, to plan and discuss the scope of the audit or review as appropriate, and challenge where necessary to ensure its rigour. At these meetings the Auditor prepares a detailed audit or review plan which is discussed and questioned by us and the Manager to ensure that all areas of the business are appropriately reviewed and that the materiality thresholds are set at the appropriate level, which varies depending on the matter in question. We also discuss with the Auditor its views over significant risk areas and why it considers these to be risk areas. The Audit & Risk Committee, where appropriate, continues to challenge and seek comfort from the Auditor over those areas which drive audit quality. The timescale for the delivery of the audit or review is also set at these meetings. We meet with the Auditor again just prior to the conclusion of the review or audit to consider, challenge and evaluate findings in depth. As an example, new accounting concepts in the year include accounting for land options and their review for impairment as well as fair valuing the B and C Shares. These topics were discussed at length with the Auditor following advice from PwC.

We continue to believe that, in some circumstances, the external Auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. For this reason we continue to engage BDO as reporting accountants on the Company's secondary issues of equity capital in the normal course of the Company's business. Following the audit tender, PwC were appointed to assist with financial and tax due diligence on corporate acquisitions and to provide specific tax compliance advice.

The Committee adopted a Non-Audit Services Policy during the period. The Policy requires approval by the Audit & Risk Committee above a certain threshold before the external Auditor is engaged to provide any permitted non-audit services.

The Company paid £70,000 in fees to the Auditor for non-audit services during 2019. These fees are set out in the table below.

Work undertaken	Rationale for using the external Auditor	Fee (£)
Reporting accountant on the Company's equity issue in February 2019.	Detailed knowledge and understanding of the business and requirements of the exercise having acted in this capacity in the past.	20,000
Agreed upon procedures in relation to TSL acquisition.	Detailed knowledge and understanding following the Tritax Symmetry subsidiary audit in the prior period.	10,000
Interim Review.	Acted in this capacity over a number of years.	40,000
<b>Total</b>		<b>£70,000</b>

The ratio of audit to non-audit services received in the year was 26% (2018: 58%).

### Committee evaluation

The overall performance of the Audit & Risk Committee was rated very highly, in particular its review and assessment of the work of the external Auditors, financial reporting, internal control and risk management systems and the independent property valuations.

### Outlook for 2020

The Committee will continue to review and assess the work of the external Auditor, financial reporting, internal control and risk management systems and the independent property valuations.

**Richard Laing, FCA**  
Chair of the Audit & Risk Committee  
16 March 2020

# Management Engagement Committee Report



**Susanne Given**  
Chair of the Management Engagement Committee

## Membership

Susanne Given, Chair  
Sir Richard Jewson  
Aubrey Adams  
Richard Laing  
Alastair Hughes  
Karen Whitworth

For full details on Committee attendance please refer to page 94.

## Key areas of focus in 2019

- Annual review of each service provider to ensure the quality of service and value for money;
- Implementation of the re-tender schedule commencing with the re-tender of the design and marketing consultant, Bruce Associates; the offshore corporate services provider, Estera; and the appointment of the joint valuers “Colliers” as part of the Tritax Symmetry acquisition; and
- The review of the Investment Management Agreement between the Company and the Manager.

## WE MONITOR THE PERFORMANCE OF KEY SUPPLIERS TO THE COMPANY, ENSURING QUALITY OF SERVICE AND VALUE FOR MONEY.

### Dear Shareholders,

In 2019, the Committee conducted a comprehensive review of the services provided to the Company by its key suppliers and their performance in order to recommend which suppliers should be re-tendered. The Committee also put in place a more extensive process for monitoring and evaluating the Manager’s performance.

Alastair Hughes and Karen Whitworth were appointed to the Management Engagement Committee with effect from 1 February 2019 and 1 January 2020, respectively.

The Management Engagement Committee’s role is to review the performance of the Manager and the Company’s key service providers and if required to recommend the re-tender of their services for consideration by the Board. The Committee is also responsible for overseeing any amendments to the Investment Management Agreement (“IMA”).

We met for one scheduled and two additional meetings in the year ended 31 December 2019. This included an assessment of the ongoing requirement for the provision of various services, the fees paid and the performance of such advisers. We also take note of any added value provided, and whether additional services were required over and above that of the previous year. The review was for the 12-month period ended 30 June 2019, thereby allowing the Committee to refer to figures reviewed by the Auditor in its assessment of performance. I also met independently with representatives of the Manager to discuss the re-tender process, management of suppliers and the Manager’s performance against the Service Level Agreement (“SLA”).

Under the terms of the IMA and in accordance with the ESMA guidance, as to the interpretation of the rules under AIFMD, the Board has delegated the day-to-day responsibility for running the Company to the Manager, including the sourcing and responsibility for investment and divestment decisions made in accordance with the Company’s Investment Policy, asset management of the existing portfolio, negotiation of debt facilities within the parameters of the Company’s policy on gearing and liaising with the Company’s advisers on equity fundraisings. All of the Company’s subsidiaries and therefore all of its assets are wholly owned and controlled by the Company as at 31 December 2019, with the exception of its joint venture arrangements, and the Board exercises direct control in respect of the Group’s holdings.

The Board continues to review all investment and divestment decisions as well as the asset management policy established by the Manager and remains responsible for ensuring that these decisions are made in accordance with the Company’s Investment Policy.

To ensure open and regular communication between the Manager and the Board, the Manager is invited to attend all Board meetings to update the Board on the Company’s portfolio activity and discuss the general market conditions and the financial performance and strategy of the Company. Details of the Company’s performance in 2019 have been set out in the Strategic Report on pages 32 to 40.

## Management Engagement Committee Report continued

### The Manager

The Committee also reviews the Manager's culture and organisational structure. The Manager increased the number of employees in 2019 to ensure that the Company is well served, including the appointment of a Head of Financial Reporting, a Sustainability Lead and an Assistant Company Secretary. It is also worth noting that the Manager appointed a new Chief Financial Officer in order to provide an additional support to the Finance Director.

In Q4 2019 and into 2020, the Committee focused on assessing the Manager's performance and reviewing the terms of the IMA between the Company and the Manager to determine whether the existing IMA continues to offer good value for shareholders in a market which has changed considerably since the agreement was put in place.

### IMA terms

The IMA continues on a rolling basis, with either party having the right to terminate the Investment Management Agreement by giving at least 24 months' notice. There are provisions allowing the parties to terminate without notice in certain circumstances, including material breach and/or loss of key personnel.

### Conflict management

The IMA contains robust conflict provisions and the Manager is not permitted in any circumstance to manage another fund with an exclusive investment strategy focusing on distribution or logistics assets in excess of 300,000 sq ft located within the UK. The Manager is permitted to acquire and manage UK distribution or logistics assets which provide less than 300,000 sq ft of accommodation on behalf of other funds subject to certain caveats designed to ensure that any assets which may be of interest to the Company are offered to the Company in priority to other funds managed by the Manager.

We will review the continuing appointment of all of the Company's principal service providers and the performance of the Manager on an annual basis, in order to ensure they are in the best interest of the Company.

### Management fee

Under the terms of the IMA, the Manager is entitled to a management fee in consideration for its services. This is payable in cash by the Company each quarter and is calculated based on a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents. The fee is payable quarterly in arrears and the Manager is obliged to apply 25% of the fee in shares of the Company ("Management Shares") (see below for further detail). If the Group buys or sells any assets after the date at which the relevant NAV is calculated, the NAV is adjusted pro rata for the net purchase or sale price, less any third-party debt drawn or repaid whilst remaining capped at NAV.

The management fee as a percentage of NAV is as set out below:

NAV	Relevant percentage
Up to and including £500 million	1.0%
Above £500 million up to and including £750 million	0.9%
Above £750 million up to and including £1 billion	0.8%
Above £1 billion up to and including £1.25 billion	0.7%
Above £1.25 billion up to and including £1.5 billion	0.6%
Above £1.5 billion	0.5%

During specified periods after publication of the Company's annual or interim results the members of the Manager and relevant employees (and/or their connected parties) are obliged to use 25% of the management fee (net of any VAT, personal taxation liabilities and dealing costs, including stamp duty or stamp duty reserve tax) (the "net cash amount"), to subscribe for Ordinary Shares in the Company, at a price equivalent to the prevailing NAV per share, adjusted for any dividend declared after the NAV per share is announced. In the circumstance where NAV is below the prevailing share price, new Ordinary Shares will be issued. Where the NAV is above the prevailing share price, the Company's Broker will be instructed to acquire Ordinary Shares in the market for those persons, to the value as near as possible equal to the net cash amount. The Management Shares may be allocated to any Partners of the Manager or, at the discretion of the Manager, to any employee of the Manager.

On 17 April 2019, the Manager purchased shares in the market and allocated 698,144 Ordinary Shares to the Manager's Partners and its staff in respect of the net cash amount, relating to the six-month period to 31 December 2018. The purchase price was 148.92 pence per Ordinary Share compared to the prevailing and latest published audited basic NAV of 152.83p per Ordinary Share.

On 16 September 2019, the Manager purchased shares in the market and allocated 787,183 Ordinary Shares to the Manager's Partners and its staff in respect of the net cash amount, relating to the six-month period to 30 June 2019. The purchase price was 143.94 pence per Ordinary Share compared to the prevailing and latest published NAV of 150.08p per Ordinary Share.

Following the allocations and Open Offer of Ordinary Shares in February 2019 in which the Manager and some members of its staff participated, the Manager had the following beneficial interests as at the date of this report:

Tritax Partner or person closely associated	Number of Ordinary Shares held	Percentage of issued share capital as at 16 March 2020
Mark Shaw	1,540,584	0.090%
Colin Godfrey	1,506,447	0.088%
James Dunlop	1,444,086	0.085%
Henry Franklin	1,072,330	0.063%
Bjorn Hobart	176,053	0.010%
Petrina Austin	155,966	0.009%
Tritax Management LLP	95,030	0.006%
Staff of Tritax Management LLP <sup>1</sup>	299,387	0.018%
<b>Total</b>	<b>6,289,883</b>	<b>0.369%</b>

<sup>1</sup> The figure comprises Ordinary Shares issued to staff of Tritax Management LLP under the terms of the IMA and at IPO, and does not include other shares that may have otherwise been acquired by staff.

### Suppliers

Two new appointments were made during the period, being the roles of design and marketing consultant and joint valuer, and one supplier re-tender also took place.

Bruce Associates was appointed as design and marketing consultant at IPO in December 2013 and provided a personal, flexible and cost-effective service to the Company and its Shareholders during this time. However, in light of the significant growth of the Company since IPO, along with the addition of Tritax Symmetry to the Group, it was felt that the role should be reviewed by the Committee to ensure that we remain in line with industry best practice. On this basis, the Manager conducted a thorough audit of suppliers including Black Sun, Radley Yeldar, Jones and Palmer, Gather, Emperor, Fin International and Luminous in July 2019. Subsequently, four suppliers (Black Sun, Radley Yeldar, Jones and Palmer and Gather) were invited to provide a copy of their credentials along with indicative costs. Following a rigorous tender process, the Manager and the Board determined that Gather not only provides good value, but also has the appropriate level of expertise and bandwidth to accommodate the full scope of the Company's brief. The Manager formally appointed Gather in September 2019 upon the Board's recommendation.



Colliers was appointed to value the portfolio as part of the Tritax Symmetry acquisition in February 2019. The Company was pleased with the service provided by Colliers and, as noted in the Chairman's Statement, Colliers was appointed (in May 2019) as the independent valuer for the Company's Development portfolio.

Following the Committee's recommendation, the Manager invited Estera and other perspective suppliers to submit their proposals in September 2019 for the role of offshore corporate services provider. Following a rigorous assessment of services offered, experience, efficiency and pricing, Estera was considered to have maintained a good service to the Company and were also highly competitive on price. The Committee therefore recommended Estera's re-appointment to the Board.

The Manager also carried out a tender of the insurance support services provided through its insurance broker, Lockton. Although no material weaknesses and support provided by the incumbent were identified, it was felt prudent to review the service to ensure that the Company continued to receive the best service and value for money. The Manager invited three market-leading specialist Real Estate insurance brokers, including the incumbent supplier, to provide a written tender proposal for a new three-year appointment. All three providers presented their services to the Manager. Following a rigorous tender process and based on the written proposals and the Manager's feedback, the Committee decided to retain Lockton and recommended their re-appointment to the Board.

Following an extensive review and full analysis, we agreed with the Manager that the performance of the Company's current service providers for the past year continued to be satisfactory, and in several cases exceptional, and agreed with the Manager's recommendation that each be retained until the next review. Our review did not reveal any material weaknesses in the advice and support provided to the Group. We are satisfied that the Company is benefiting from added value in respect of the services it procures. We did not suggest any material changes to the engagement terms of the remaining advisers or service providers. In order to ensure that the Company continues to receive the very best service and value from its service providers, the Committee has recommended a re-tender schedule to the Board which sets out a timetable for each professional appointment to be re-tendered.

#### **AIFM Directive**

The AIFMD became part of UK law in 2013. It regulates AIFMs and imposes obligations on managers who manage alternative investment funds ("AIFs") in the EU or who market shares in AIFs to EU investors. Under the AIFMD, the AIFM must comply with various organisational, operational and transparency obligations.

The Manager is authorised by the FCA as an AIFM and provides all relevant investment management and advisory services to the Company, including regulated activities. The Manager is responsible for making investment and divestment decisions in respect of the Company's assets as part of its regulatory responsibility for the overall portfolio and risk management of the Company. This is in line with published ESMA guidance on the application of the AIFMD.

#### **AIFM remuneration policy applied by the Manager**

As a full scope AIFM, the Manager must apply a remuneration policy in line with its business strategy, objectives, values and interests, as well as those of the AIFs it manages or its investors. The policy must include measures to avoid conflicts of interest. This ensures that the Partners have a vested interest in ensuring the Manager remains financially sound.

The annual fee paid by the Company is based on a percentage of its NAV, as set out on page 106. In addition, the Manager's Partners are required to apply 25% of that fee (net of tax and certain other costs, as described on the previous page) to the purchase of the Company's Ordinary Shares ("Management Shares"). Management Shares are subject to a 12-month lock-in period. This aligns the interests of the Manager's Partners with the strategy and interests of the Company and its Shareholders. The Manager's Partners are able to allocate a proportion of the Management Shares to key members of staff, which they have once again done in respect of both Management Share purchases in 2019.

The Manager's partnership board therefore meets at least twice a year to discuss the remuneration of its entire staff. Staff are remunerated in accordance with their seniority, expertise, professional qualifications, responsibilities and performance. They are paid salaries in line with market rates and, in profitable years, awarded a discretionary bonus from a bonus pool worth, in aggregate, at least 5% of the Manager's profits. The discretionary bonus may consist of cash or Ordinary Shares in the Company allocated to certain members of staff out of the Management Shares. This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's overall profitability, rather than the performance of a particular AIF.

The Manager's Partners are entitled to their partnership share of its profits and losses. None of the Partners are entitled to additional partnership drawings that depend on the performance of any AIF managed by the partnership. The Partner's remuneration therefore depends on the Manager's overall profitability, rather than the performance of any AIF.

#### **Committee evaluation**

The overall performance on the Management Engagement Committee for the period was positively rated, in particular its oversight of the performance and retention of key service providers.

#### **Outlook for 2020**

The Committee will continue to review and assess the performance of all key suppliers, with a focus on the Manager's performance.

#### **Susanne Given Chair of the Management Engagement Committee**

16 March 2020

# Directors' Remuneration Report

## Annual statement

The Company only has Non-Executive Directors and therefore does not consider it necessary to establish a separate Remuneration Committee. The only relevant remuneration decisions taken in the year under review were on the level of Non-Executive Director fees. The Directors' remuneration is disclosed on page 109. The Remuneration Report will be presented at the 2020 AGM for Shareholder consideration and approval.

During the year, the Board made certain amendments to the fee structure for the Board of Directors of the Company. This decision followed a robust review, further details of which are set out below. The amended fee structure was implemented with effect from 1 June 2019.

Role	Revised fee per annum	Fee agreed in 2016
Chairman	£120,000	£100,000
Non-Executive Directors ("NEDs") (unchanged)	£50,000	£50,000
Senior Independent Director ("SID")/ Management Engagement Committee Chair*	£5,000	–
Audit & Risk Committee Chair*	£10,000	–

\* In addition to the Non-Executive Director fee payable.

As the Company continues to progress, it remains key for the Board to attract suitably experienced members and offer candidates competitive levels of remuneration which recognises the commitment required for a dynamic, growing FTSE 250 company and it is considered crucial in its succession and diversity planning.

The Board also recognises that the increased levels of development activity, through acquisitions such as Tritax Symmetry, will have a substantial impact on the time commitment of the Directors, particularly for the Chairman and the SID as the stakeholders in the Company increase and engagement becomes even more important, and also for the Audit & Risk Committee Chair as the financial reporting process becomes more complex.

To this end, the Company commissioned a report on Non-Executive Director remuneration from Deloitte LLP in order to benchmark its fee levels. The outcome of this led the Board to seek greater clarity around the NEDs base fees and those NEDs who take on an enhanced responsibility within the Board, such as the roles of Committee Chairs and the SID. This resulted in the Board maintaining the NEDs basic fee and introducing an additional fee of £5,000 per annum for the SID and Chair of the MEC and an additional £10,000 per annum for the Chair of the Audit & Risk Committee, which the Board believes reflects accurately the additional time commitment and responsibility of each role. The new fee structure outlined above reflects the fee levels of externally managed peers as well as other peer companies of a similar size which are self-managed (noting the Company is in the lower quartile of the latter group).

As part of this process, the business engaged with key investors, as well as the proxy advisors and invited feedback on the proposals. The feedback from those that responded was supportive.

Where the Board sets its own remuneration, there are inherent conflicts of interest. However, the Board seeks to minimise these through appropriate benchmarking.

## Directors' Remuneration Policy

The Company's policy is to determine the level of Directors' fees with regard to those payable to Non-Executive Directors of comparable REITs and the time each Director dedicates to the Company's affairs. The Directors' Remuneration Policy was approved at the Company's AGM on 16 May 2018. The next time that the Shareholders will be asked to approve the Directors' Remuneration Policy will be at the Company's AGM in 2021.

The Directors are entitled to their annual fee and reasonable expenses. No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

Under the Company's Articles, all Directors are entitled to the remuneration determined from time to time by the Board.

## Annual report on remuneration

Each Director has been appointed pursuant to a Letter of Appointment. All Directors are appointed for a two-year term, subject to annual re-election at the Company's AGM. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the notice provisions and the Articles and, in certain circumstances, without compensation. The terms of appointment of the Directors are set out in the below table.

Director	Letter of appointment dated	Expected and actual date of expiry	Unexpired term as at 31 December 2019	Notice period
Sir Richard Jewson Chairman	18 November 2013 13 September 2016 13 September 2018	13 September 2020	9 months	3 months
Susanne Given	13 September 2016 13 September 2018	13 September 2020	9 months	3 months
Aubrey Adams	11 September 2017 11 September 2019	11 September 2021	21 months	3 months
Richard Laing	16 May 2018	16 May 2020	5 months	3 months
Alastair Hughes	1 February 2019	1 February 2021	14 months	3 months
Karen Whitworth	21 October 2019	21 October 2021	22 months	3 months

The fees paid to the past and current Directors in the year to 31 December 2019, which have been audited, are set out below. In addition, each Director is entitled to recover all reasonable expenses incurred in connection with performing his or her duties as a Director. Directors' expenses for the year to 31 December 2019 totalled £10,386 (2018: £4,046). No other remuneration was paid or payable during the year to any Director.

Director	Annual fee		Expenses		Total	
	For year ended 31.12.2019 <sup>7</sup> (£)	For year ended 31.12.18 (£)	For year ended 31.12.2019 (£)	For year ended 31.12.18 (£)	For year ended 31.12.2019 (£)	For year ended 31.12.18 (£)
Sir Richard Jewson	111,667	100,000	8,465	3,788	120,132	103,788
Susanne Given	52,917	50,000	N/A	N/A	52,917	50,000
Aubrey Adams <sup>1</sup>	52,917	50,000	N/A	N/A	52,917	50,000
Richard Laing <sup>2</sup>	55,833	31,474	1,921	N/A	57,754	31,474
Mark Shaw <sup>3</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Alastair Hughes <sup>4</sup>	45,833	N/A	N/A	N/A	45,833	N/A
Jim Prower <sup>5</sup>	12,500	50,000	N/A	258	12,500	50,258
Karen Whitworth <sup>6</sup>	10,064	N/A	N/A	N/A	10,064	N/A

1 Aubrey Adams was appointed Senior Independent Director effective 27 March 2019.

2 Richard Laing was appointed to the Board effective 16 May 2018.

3 As Chairman of the Company's Manager, Mark Shaw was not entitled to receive a fee. He retired from the Board effective 1 February 2019.

4 Alastair Hughes was appointed effective 1 February 2019.

5 Jim Prower resigned effective 27 March 2019.

6 Karen Whitworth was appointed effective 21 October 2019.

7 Includes NED fee changes effective from 1 June 2019.

## External advisers

The Board and its Committees have access to sufficient resources to discharge their duties which, in the past, have included access to independent remuneration experts Deloitte LLP. The Board has engaged Deloitte LLP to provide a benchmarking report on remuneration of Non-Executive Directors of other comparable REITs during 2019. Deloitte LLP has no other connection with the Company and were paid a fee of £4,000 for the service.

## Statement of voting at general meeting

The Company is committed to ongoing Shareholder dialogue and takes an active interest in voting outcomes. If there are substantial votes against any resolutions, the Company will consult with Shareholders in order to understand the reasons for any such vote. The Company will provide an update on the views received from Shareholders no later than six months after the meeting and any resulting action will be detailed in the next Annual Report.

The Directors' Remuneration Policy and the Directors' Remuneration Report were approved by Shareholders at the Company's AGMs held on 16 May 2018 and 15 May 2019 respectively. The voting on the respective resolutions was as shown below:

Resolution	For %*	Against %	Votes withheld
Directors' Remuneration Policy <sup>1</sup>	99.98%	0.02%	566,224
Directors' Remuneration Report <sup>2</sup>	99.99%	0.01%	2,857,047

\* Including votes in favour and discretion.

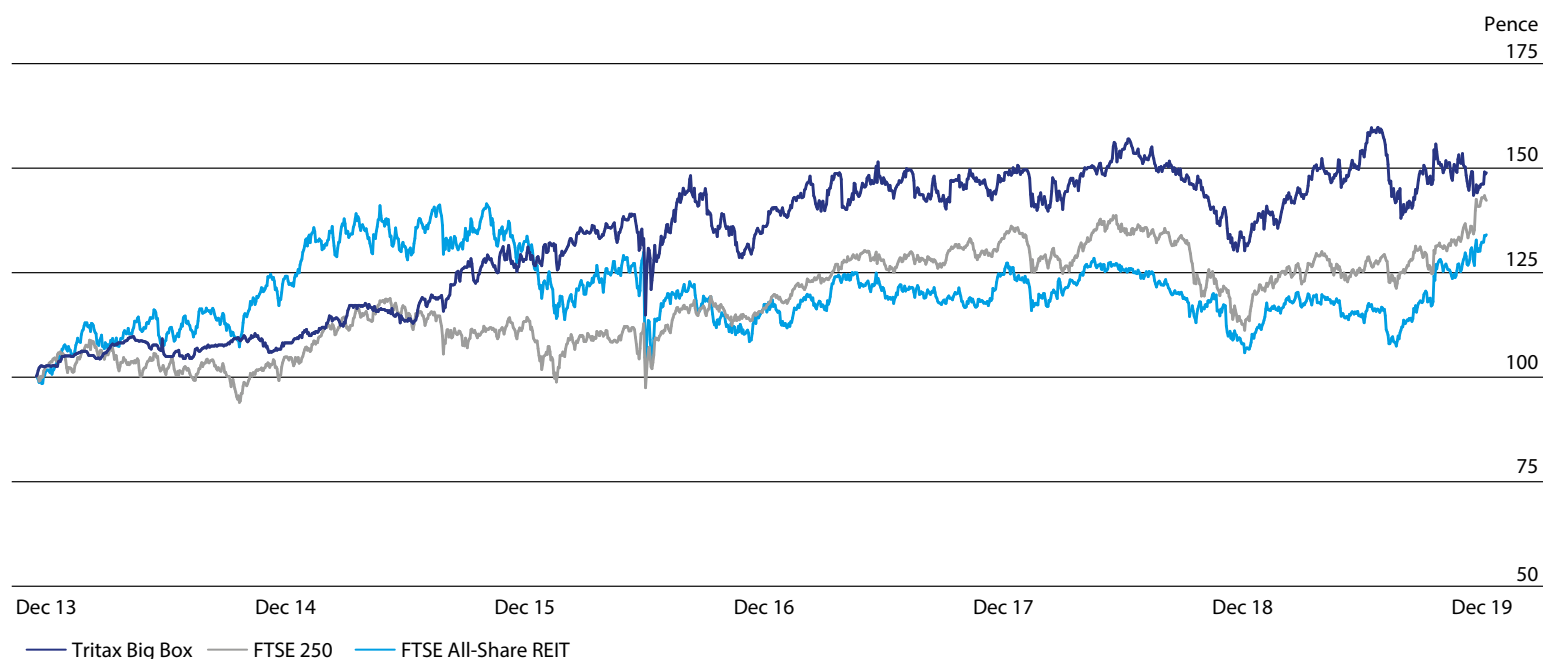
1 Voting as at AGM held 16 May 2018.

2 Voting as at AGM held 15 May 2019.

## Directors' Remuneration Report continued

### Total Shareholder Return

The graph below shows the Total Shareholder Return (as required by company law) of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE 250 and the FTSE All-Share REIT Index.



Total Shareholder Return is the measure of returns provided by a Company to Shareholders reflecting share price movements and assuming reinvestment of dividends.

### Directors' shareholdings (audited)

There is no requirement for the Directors of the Company to own shares in the Company. As at 16 March 2020, the Directors and their persons closely associated held the shareholdings listed below.

Director	Number of shares held	Percentage of issued share capital	Dividends received 31 December 2019 £
<b>Sir Richard Jewson</b> Chairman	87,249	0.005%	5,944
<b>Susanne Given</b>	–	–	–
<b>Aubrey Adams</b>	150,000	0.009%	8,334
<b>Richard Laing</b>	45,828	0.003%	3,122
<b>Alastair Hughes</b>	35,000	0.002%	2,384
<b>Karen Whitworth</b>	–	–	–

\* Includes Directors and persons closely associated (as defined by the EU Market Abuse Regulation) shareholdings. The shareholdings of these Directors are not significant and, therefore, do not compromise their independence.

### Relative importance on spend on pay

	2019 £ million	2018 £ million	Change %
Directors' remuneration	0.4	0.3	33%
Investment management fees	17.5	15.3	14%
Dividends paid to Shareholders	116.3	95.9	21%

### Other items

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

### Sir Richard Jewson KCVO, JP

Chairman

16 March 2020

# Directors' Report

## Introduction

The Directors are pleased to present the Annual Report, including the Company's audited financial statements as at, and for the year ended, 31 December 2019.

The Directors' Report and the Strategic Report comprise the "Management Report" for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

## Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference, as indicated in the relevant section.

Information	Location in Annual Report
Directors	Pages 96 and 97
s172	Pages 80, 91 and 92
Directors' interest in shares	Page 99
Future developments of the Company	Pages 1 to 81
Financial instruments	Note 26 on page 139
Corporate Governance Statement	Pages 86 and 87
Going Concern and Viability	Page 81
Disclosure of information to Auditor	Page 113
Share capital	Pages 111 and 112

## Incorporation by reference

The Governance Report (pages 85 to 107 of this Annual Report and Accounts for the year ended 31 December 2019) is incorporated by reference into this Directors' Report.

## Financial results and dividends

The financial results for the year can be found in the Group Statement of Comprehensive Income on page 120.

The following interim dividends amounting to, in aggregate, 6.85 pence per share were declared in respect of the year ended 31 December 2019:

On 6 March 2019 we declared an interim dividend in respect of the period from 1 October 2018 to 31 December 2018 of 1.675 pence per Ordinary Share, paid on 28 March 2019 to Shareholders on the register on 15 March 2019.

On 16 May 2019, we declared an interim dividend in respect of the period from 1 January 2019 to 31 March 2019 of 1.7125 pence per Ordinary Share, paid on 17 June 2019 to Shareholders on the register on 24 May 2019.

On 17 July 2019, we declared an interim dividend in respect of the period from 1 April to 30 June 2019 of 1.7125 pence per Ordinary Share, paid on 15 August 2019 to Shareholders on the register on 26 July 2019.

On 9 October 2019, we declared an interim dividend in respect of the period from 1 July to 30 September 2019 of 1.7125 pence per Ordinary Share, paid on 14 November 2019 to Shareholders on the register on 18 October 2019.

A fourth interim dividend in respect of the three months ended 31 December 2019, of 1.7125 pence per share, was declared on 27 February 2020, payable on 27 March 2020.

This takes the total dividend in respect of the 2019 financial year to 6.85 pence per share.

## Political donations

No political donations were made during the year.

## Employees

The Group has no employees and therefore no employee share scheme or policies on equal opportunities and disabilities.

## Share capital

On 8 February 2019, the Company issued 192,291,313 Ordinary Shares at a price of 130 pence per share pursuant to an Open Offer. On 19 February 2019, the Company issued 40,450,234 Ordinary Shares as part of the consideration for the acquisition of Tritax Symmetry.

As at 31 December 2019, there were 1,706,974,948 Ordinary Shares in issue.

Ordinary Shares	Number	Gross proceeds (£)
Balance at the start of the year	1,474,233,401	N/A
Shares issued in relation to further equity issuance	192,291,313	£250,000,000
Shares issued in relation to share consideration	40,450,234	N/A
Balance at end of the year	1,706,974,948	£250,000,000

## Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except as a result of:

- the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- the Company's Articles of Association, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or the Manager breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company.

## Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

## Greenhouse gas (GHG) reporting

The Group has reported its Scope 1 and 2 GHG emissions in accordance with the Mandatory Carbon Reporting Regulations. From April 2019, all quoted companies are required to report its GHG emissions under the Streamlined Energy and Carbon Reporting (SECR) Regulations 2019. This applies to companies from their first reporting period after this date. The Company will therefore report against the new SECR in 2020.

This data is reported through the EPRA's Best Practice Recommendations table on page 65.

## Directors' Report continued

### Substantial shareholdings

As at 16 March 2020, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital. As at 16 March 2020, the issued share capital remained the same as at 31 December 2019 with 1,706,974,948 shares in issue.

Shareholder name	Holding as at 16 March 2020	%
BlackRock	138,431,927	8.11
Aviva Investors	113,742,222	6.66
Brewin Dolphin, stockbrokers	80,943,180	4.74
Vanguard Group	80,453,834	4.71
Hargreaves Lansdown, stockbrokers (EO)	53,898,922	3.16
SSGA	53,849,188	3.15
Brookfield Asset Management	53,825,665	3.15
Legal & General Investment Management	52,319,395	3.07

### Amendment of Articles of Association

The Articles may be amended by a special resolution of the Company's Shareholders.

### Powers of the Directors

The Board will manage the Company's business and may exercise all the Company's powers, subject to the Articles, the Companies Act and any directions given by the Company by special resolution.

### Powers in relation to the Company issuing its shares

At the AGM held on 15 May 2019, the Directors were granted a renewed general authority to allot Ordinary Shares in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £11,379,833. Of those Ordinary Shares, the Directors were granted authority to issue up to an aggregate nominal amount of £853,487 (which is equivalent to 5% of the Company's issued share capital as at that date) non pre-emptively and wholly for cash and authority to issue up to an aggregate nominal amount of £853,487 to be used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction), a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights. These authorities replaced the equivalent authorities given to the Directors at the AGM held on 15 May 2019. These authorities expire at the next AGM in Q2 2020.

### Change of control

Under the Group's financing facilities, any change of control at the borrower or immediate Parent Company level may trigger a repayment of the outstanding amounts to the lending banks or institutions.

In certain facilities including the issue of recent loan notes, the change of control provisions also include a change of control at the ultimate Parent Company level.

### Appointment and replacement of Directors

Details of the process by which Directors can be appointed or replaced are included in the Nomination Committee Report on pages 98 and 99.

### Events subsequent to the year-end date

For details of events since the year-end date, please refer to note 34 to the consolidated financial statements.

### Independent Auditor

BDO LLP has expressed its willingness to continue as Auditor for the financial year ending 31 December 2020.

### Manager and service providers

The Manager during the year was Tritax Management LLP. Details of the Manager and the Investment Management Agreement are set out in the Management Engagement Committee Report on pages 105 to 107.

### Additional information

In accordance with Listing Rule (LR) 9.8.4C R, the only disclosure requirement required under LR 9.8.4 R is the disclosure of capitalised interest, which is disclosed in note 11, page 130.

### Annual General Meeting

It is planned for the Company's AGM to be held at the offices of Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW on 13 May 2020 (subject to advancements with Covid-19).

This report was approved by the Board on 16 March 2020.

### Tritax Management LLP

#### Company Secretary

16 March 2020

Company Registration Number: 08215888

# Responsibilities Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

## Directors' responsibilities statement

Company law requires the Directors to prepare the Group and Company financial statements for each financial year. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), subject to any material departures disclosed and explained in the Company 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Strategic Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

## Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation as a whole;
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts taken as a whole is fair, balanced and understandable, and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

## 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.

Signed on behalf of the Board by:

**Sir Richard Jewson KCVO, JP**  
**Chairman**

16 March 2020

# Independent Auditor's Report

## To the members of Tritax Big Box REIT plc

### Opinion

We have audited the financial statements of Tritax Big Box REIT plc (the "Parent Company") and its subsidiaries (together the 'Group') for the year ended 31 December 2019 which comprise the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Cash Flow Statement, the Notes to the Consolidated Accounts and the Notes to the Company Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation set out on page 100 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 81 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 81 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



## Key audit matters

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

Key audit matter

How the scope of our audit addressed the key audit matter

### Valuation of investment property portfolio, including properties under construction (forwarded funded assets)

Refer to note 3 in relation to accounting policies over significant estimates and judgements

Refer to note 15 in relation to Investment property

The Group's investment property portfolio includes:

- Standing assets: these are existing properties that are currently let or available to let. They are valued using the income capitalisation method.
- Properties under construction: these are properties being built under Forward Funded agreements with developers and which have agreed pre-lets with tenants. Such assets have a different risk and investment profile to the standing assets. They are valued using the residual method (ie by estimating the fair value of the completed project using the income capitalisation method less estimated costs to completion).

The valuation of Investment property requires significant judgement and estimates by the Directors and the independent valuer ("the Valuer") and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.

Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet.

Additionally, properties under construction may involve licence fees receivable from the developer during the construction phase and lease incentives to the pre-let tenant. Accounting for such assets is typically more complex than for standing assets.

There is also a risk that the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.

### Treatment and accounting for a business combination

Refer to note 3 in relation to accounting policies over significant estimates and judgements

Refer to note 22 in relation to business combination

During the year, Tritax Big Box REIT plc completed the acquisition of db Symmetry. The Tritax Symmetry Portfolio holds a diverse portfolio of strategic land under land option agreements for the development of Big Box assets and related logistics facilities.

The acquisition is considered a significant risk due to the number of complex areas that require significant judgements and estimations. The key judgements and estimations made as a result of the acquisition are:

- 1) The classification of the acquisition as a business combination in accordance with IFRS 3 or an asset acquisition;
- 2) The classification of and accounting for contingent consideration;
- 3) The fair value of the land options and Investment property acquired; and
- 4) The existence and valuation of identifiable intangible assets acquired.

The contingent consideration is made up of B and C Shares issued upon completion of the acquisition to the selling shareholders and the management team of TSL. The shares constitute both consideration paid and remuneration payable for ongoing services provided by management to the Group. These shares are measured at fair value, taking into consideration the best estimate of the future cash flows that would be payable when the shares are converted, discounted at a rate that reflects the credit risk of the Group.

The fair value of the land options, Investment property, and intangible assets acquired requires significant judgement and estimates by the Directors and the independent valuer ("the Valuer") and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.

We read the Valuer's report and checked that the approaches used were consistent with the requirements of relevant accounting standards.

We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity, including any influence from Directors over the significant judgements and estimates, or imposed scope limitations upon them.

We checked the data provided to the Valuer by the Group and found that it was consistent with the information we audited. This data included inputs such as current rent and lease terms, which we have agreed on a sample basis to executed lease agreements as part of our audit work.

Alongside our internal valuations team we met with the Valuer and gained an understanding of the valuation methods and assumptions used. We challenged the assumptions utilised by the Valuer within the valuation by benchmarking the valuation to our expectations developed using independent data around the year end.

We assessed the licence fee receivable, project costs and progress of development for properties under construction by agreeing relevant details to the underlying agreement, and verified the forecast costs to complete included in the valuations to third party Quantitative Surveyor reports. Receipts of the licence fee during the year were verified to the bank.

We checked that the property valuations have been properly included in the financial statements. We also assessed whether the disclosures in the financial statements are appropriate and in accordance with relevant accounting standards.

#### Key observation:

Our testing indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio.

We reviewed the terms of the acquisition and determined that the transaction is correctly identified and accounted for as a business combination in accordance with IFRS 3.

Alongside our internal valuations team we obtained an understanding of the approach to the valuation of the B and C Shares as at the date of acquisition by reviewing the underlying agreement, along with the independent report obtained by the Manager setting out the appropriate treatment. We used our internal valuation team to then re-perform and challenge the independent valuation of the contingent consideration.

We read the Valuer's report and confirmed that the approach used to value the land options, intangible assets, contingent consideration and Investment property acquired were consistent with the requirements of IFRSs as adopted by the European Union.

We reviewed the fair value of the land options and Investment property at acquisition date as detailed above in "Valuation of investment property portfolio, including properties under construction (forwarded funded assets)", and below, in "Carrying value of land options". We checked that the schedules were complete and accurate.

We assessed the Valuers of the Investment property, land options, identifiable assets and B and C Shares competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them.

#### Key observation:

Our testing indicated that the estimates and assumptions used were appropriate in the context of the business combination.

## Independent Auditor's Report continued

Key audit matter

### Carrying value of land options

*Refer to note 3 in relation to accounting policies over significant estimates and judgements*

*Refer to note 16 in relation to the treatment of land options*

The Group carries its investment in land options at cost less provision for impairment and as such must consider potential impairment at each reporting date under IAS 36.

This poses a significant risk due to the significant judgement and subjective nature of certain assumptions inherent in the impairment review by the Directors and the independent valuer ("the Valuer").

Any input inaccuracies or unreasonable bases used in the impairment judgements (such as area considerations, rental rates, yields, build costs and risk deductions) could result in a material misstatement of the income statement and balance sheet.

How the scope of our audit addressed the key audit matter

As part of the Group's assessment of potential impairments it obtained valuations from an external valuer of each land option at 31 December 2019.

We read the Valuer's report and assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them.

We tested a sample of the data provided to the Valuer by the Group and found that it was consistent with the information we audited.

Alongside our internal valuations team we met with the Valuer and gained an understanding of the valuation methods and assumptions used. We challenged the assumptions utilised by the Valuer within the valuation by benchmarking the valuation to our expectations developed using independent data around the period end.

We compared the closing cost basis for each asset to the independent valuation report to check for indicators of potential impairment and challenged the justification for the carrying value of any individual land options being above its 31 December 2019 valuation.

#### **Key observation:**

Based on the work performed, we are satisfied that the Group's land options have been appropriately accounted for in all material respects.

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in the evaluation of the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

	Group	Parent
Materiality	£38.50 million	£29.00 million
Performance materiality	£28.88 million	£21.75 million
Specific materiality	£4.30 million	£4.09 million
Specific performance materiality	£3.23 million	£3.06 million
Reporting threshold	£0.77 million	£0.58 million

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £38.50 million (2018: £30 million), which was set at 1% of Group total assets (2018: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We determined that for other account balances, classes of transactions and disclosures not related to Investment properties, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We determined that materiality for these areas should be £4.30 million (2018: £4.50 million). This was set at 5% (2018: 5%) of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus on revaluation of Investment properties and interest rate derivatives.

We determined that the same measures as the Group was appropriate for the Parent Company, and the materiality and specific materiality applied were £29.00 million and £4.09 million (2018: £22.00 million and £4.10 million) respectively.

## Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% (2018: 75%) of materiality, namely £28.88 million (2018: £22.50 million).

We determined that the same measure as the Group was appropriate for the Parent Company, and the performance materiality and specific performance materiality applied were £21.75 million and £3.06 million (2018: £16.50 million and £3.08 million) respectively.

### Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £0.77 million (2018: £0.60 million) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We agreed that the reporting threshold for the Parent Company would be £0.58 million (2018: £0.44 million).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

### Component materiality

We set materiality for the two components of the Group, namely the investment property portfolio and the portfolio of land options, based on a percentage of 95% (2018: not applied) of Group materiality dependent on the size and our assessment of the risk of material misstatement of each component. Component materiality was £36.58 million (2018: not applied). In the audit of each component we further applied performance materiality levels of 75% (2018: not applied) of the component materiality to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## Independent Auditor's Report continued

### An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

The Group operates solely in the United Kingdom, and all audit procedures are performed by the Group audit team. During the year the Group acquired the Tritax Symmetry portfolio, which holds a portfolio of land option agreements. As a result, we identified two significant components, in addition to the Parent Company:

- The investment property portfolio, consisting of 72 subsidiaries.
- The newly acquired Tritax Symmetry Limited group, consisting of 41 subsidiaries.

All were subject to full scope audits. The Group audit team performed all the work necessary on all components to issue the Group and Parent Company audit opinions, including detailed work on the acquisition in the year. None of the subsidiary companies across the whole Group were considered to be an individually significant component.

### The capability of the audit to detect irregularities, including fraud

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focusing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, the REIT regime requirements and legislation relevant to the rental of properties. Our audit procedures included, but were not limited to:

- Enquiries of management;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

### Other information

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 103** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit & Risk Committee reporting set out on pages 102 to 104** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 86** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 113, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### **Other matters which we are required to address**

Following the recommendation of the Audit Committee, we were initially appointed in November 2013 by the Directors to audit the financial statements for the period from 1 November 2013 to 31 December 2014. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. Following a competitive re-tender in May 2017 we were reappointed to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2014 to 31 December 2019.

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

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

### **Use of our report**

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

### **Geraint Jones (Senior Statutory Auditor)**

**For and on behalf of BDO LLP, Statutory Auditor**

**London**

**United Kingdom**

16 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Group Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Gross rental income	6	144.4	133.9
Service charge income	6	4.1	3.9
Service charge expense	7	(4.2)	(5.0)
<b>Net rental income</b>		<b>144.3</b>	132.8
Other operating income	6	4.1	–
Administrative and other expenses	8	(21.7)	(18.1)
Acquisition-related costs	8	(4.2)	(1.0)
<b>Operating profit before changes in fair value of investment properties and contingent consideration, gain on bargain purchase, impairment of intangible and other property assets and share-based payment charges</b>		<b>122.5</b>	113.7
Changes in fair value of investment properties	15	54.5	163.0
Gain on bargain purchase	22	7.8	–
Share-based payment charge	23	(3.3)	–
Impairment of intangible and other property assets		(0.6)	–
Changes in fair value of contingent consideration payable	23	(0.5)	–
<b>Operating profit</b>		<b>180.4</b>	276.7
Finance income	10	0.4	0.2
Finance expense	11	(34.4)	(23.1)
Changes in fair value of interest rate derivatives	25	(5.2)	(1.2)
<b>Profit before taxation</b>		<b>141.2</b>	252.6
Taxation	12	–	–
<b>Profit and total comprehensive income</b>		<b>141.2</b>	252.6
<b>Earnings per share – basic</b>	13	<b>8.40p</b>	17.54p
<b>Earnings per share – diluted</b>	13	<b>8.38p</b>	17.54p

# Group Statement of Financial Position

As at 31 December 2019

	Note	At 31 December 2019 £m	At 31 December 2018 £m
<b>Non-current assets</b>			
Intangible assets		2.3	–
Investment property	15	3,541.2	3,038.3
Investment in land options	16	226.0	–
Investment in joint ventures	17	30.1	–
Other property assets	22	13.9	–
Interest rate derivatives	25	1.3	5.2
<b>Total non-current assets</b>		<b>3,814.8</b>	3,043.5
<b>Current assets</b>			
Rent and other receivables	19	25.7	42.3
Cash at bank	20	21.4	48.3
<b>Total current assets</b>		<b>47.1</b>	90.6
<b>Total assets</b>		<b>3,861.9</b>	3,134.1
<b>Current liabilities</b>			
Deferred rental income		(35.3)	(30.2)
Trade and other payables	21	(76.1)	(42.4)
Tax liabilities	12	(18.7)	(0.1)
<b>Total current liabilities</b>		<b>(130.1)</b>	(72.7)
<b>Non-current liabilities</b>			
Bank borrowings	24	(256.2)	(327.8)
Loan notes	24	(891.5)	(492.7)
Amounts due to B and C Shareholders	23	(22.9)	–
<b>Total non-current liabilities</b>		<b>(1,170.6)</b>	(820.5)
<b>Total liabilities</b>		<b>(1,300.7)</b>	(893.2)
<b>Total net assets</b>		<b>2,561.2</b>	2,240.9
<b>Equity</b>			
Share capital	28	17.1	14.8
Share premium reserve	28	446.7	153.6
Capital reduction reserve	28	1,188.1	1,304.4
Retained earnings	28	909.3	768.1
<b>Total equity</b>		<b>2,561.2</b>	2,240.9
<b>Net asset value per share – basic</b>	29	<b>150.04p</b>	152.00p
<b>Net asset value per share – diluted</b>	29	<b>150.04p</b>	152.00p
<b>EPRA net asset value per share – diluted</b>	29	<b>151.06p</b>	152.83p

These financial statements were approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

**Sir Richard Jewson KCVO, JP**  
Chairman

# Group Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
<b>1 January 2019</b>		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>768.1</b>	<b>2,240.9</b>
Net profit for the year		–	–	–	141.2	141.2
		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>909.3</b>	<b>2,382.1</b>
<b>Contributions and distributions:</b>						
Shares issued in relation to equity issue	28	1.9	248.1	–	–	250.0
Shares issued in relation to equity consideration	28	0.4	51.9	–	–	52.3
Share issue costs		–	(6.9)	–	–	(6.9)
Share-based payments		–	–	–	2.3	2.3
Transfer of share-based payments to liabilities to reflect settlement		–	–	–	(2.3)	(2.3)
Dividends paid	14	–	–	(116.3)	–	(116.3)
<b>31 December 2019</b>		<b>17.1</b>	<b>446.7</b>	<b>1,188.1</b>	<b>909.3</b>	<b>2,561.2</b>
<b>1 January 2018</b>		13.7	932.4	467.9	515.5	1,929.5
Net profit for the year		–	–	–	252.6	252.6
		13.7	932.4	467.9	768.1	2,182.1
<b>Contributions and distributions:</b>						
Cancellation of share premium account	28	–	(932.4)	932.4	–	–
Shares issued in relation to further equity issue	28	1.1	154.4	–	–	155.5
Associated share issue costs		–	(2.6)	–	–	(2.6)
Shares issued in relation to management contract		–	1.8	–	–	1.8
Share-based payments		–	–	–	2.0	2.0
Transfer of share-based payments to liabilities to reflect settlement		–	–	–	(2.0)	(2.0)
Dividends paid	14	–	–	(95.9)	–	(95.9)
<b>31 December 2018</b>		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>768.1</b>	<b>2,240.9</b>



# Group Cash Flow Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
<b>Cash flows from operating activities</b>			
Profits for the period (attributable to the Shareholders)		141.2	252.6
Add: tax charge		-	-
Add: changes in fair value of contingent consideration payable		0.5	-
Add: finance expense		34.4	23.1
Add: changes in fair value of interest rate derivatives		5.2	1.2
Add: share-based payment charges		3.3	-
Add: impairment of intangible and other property assets		0.6	-
Less: changes in fair value of Investment properties		(54.5)	(163.0)
Less: gain on bargain purchase		(7.8)	-
Less: finance income		(0.4)	(0.2)
Accretion of tenant lease incentive	15	(6.1)	(11.1)
Decrease/(increase) in rent and other receivables		2.3	(14.1)
Increase in deferred income		5.1	2.6
(Decrease)/increase in trade and other payables		(7.9)	3.3
Cash received as part of asset acquisitions		-	(0.1)
<b>Cash generated from operations</b>		<b>115.9</b>	<b>94.3</b>
Taxation paid	12	(22.6)	(0.4)
<b>Net cash flow generated from operating activities</b>		<b>93.3</b>	<b>93.9</b>
<b>Investing activities</b>			
Additions to Investment properties		(286.6)	(283.2)
Additions to land options		(10.9)	-
Additions to joint ventures		(0.1)	-
Licence fees received		15.8	16.5
Interest received		0.5	0.2
Amount transferred out of restricted cash deposits		0.7	5.2
Acquisition of subsidiary, net of cash acquired	22	(194.0)	-
<b>Net cash flow used in investing activities</b>		<b>(474.6)</b>	<b>(261.3)</b>
<b>Financing activities</b>			
Proceeds from issue of Ordinary Share capital		249.9	157.4
Cost of share issues		(6.9)	(2.6)
Bank borrowings drawn	24	135.0	180.3
Bank and other borrowings repaid	24	(273.7)	(69.3)
Amounts received on issue of loan notes	24	400.0	-
Loan arrangement fees paid		(4.1)	(1.2)
Bank interest paid		(28.2)	(21.8)
Interest rate cap premium paid	25	(1.3)	(4.5)
Dividends paid to equity holders		(115.5)	(95.5)
<b>Net cash flow generated from financing activities</b>		<b>355.2</b>	<b>142.8</b>
Net decrease in cash and cash equivalents for the year		(26.1)	(24.6)
Cash and cash equivalents at start of year	20	47.3	71.9
<b>Cash and cash equivalents at end of year</b>	20	<b>21.2</b>	<b>47.3</b>

# Notes to the Consolidated Accounts

## 1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries (together, "The Group") and were approved by the Board for issue on 16 March 2020. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information.

The nature of the Group's operations and its principal activities are set out in the Strategic Report.

## Accounting policies

### 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

The comparative information disclosed relates to the year ended 31 December 2018.

The Group's financial statements have been prepared on a historical cost basis, as modified for the Group's Investment properties, interest rate derivatives and amounts due to B and C Shareholders of Tritax Symmetry Limited, which have been measured at fair value through the Group profit or loss.

The consolidated financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest 0.1 million (£m), except where otherwise indicated.

The Group has chosen to adopt EPRA (European Public Real Estate Association) best practice guidelines for calculating key metrics such as net asset value and earnings per share ([www.epra.com/finance/financial-reporting/guidelines](http://www.epra.com/finance/financial-reporting/guidelines)).

### 2.1. Going concern

During the period the Group raised gross proceeds of £250 million from the issue of new equity and entered into a new £200 million unsecured revolving credit facility. The Group had a cumulative £500 million of undrawn commitments under its senior debt facilities as at the year end, of which £129.9 million was committed under various development contracts. At the year-end date the Group's loan to value ratio stood at 30.4%, with an average maturity term of approximately 7.5 years.

In respect of the loan to value covenant testing, the LTV default position is set at a minimum of 60% across certain Group loan facilities. There is currently significant headroom across all Group loan facilities in respect of financial covenants, while the Group has been compliant with each loan facility during the year and following the year end.

The Directors have assessed the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for at least 12 months from the date of approval of these financial statements. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon Group's ability to continue as a going concern. Further details of the going concern assessment can be found on page 81.

## 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 3.1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### Business combinations

The Group acquires subsidiaries that own property and other property interests. 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 that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. 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 the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or deferred tax arises. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company.

On 19 February 2019, the Group completed the acquisition of db Symmetry Group Ltd and db Symmetry BVI Limited together with their subsidiary undertakings and joint venture interests ("db Symmetry"), subsequently rebranded to Tritax Symmetry. The Directors have reviewed the terms of the acquisition and determined that a business, as defined by IFRS 3, was acquired. In the context of the Tritax Symmetry acquisition the principal consideration was whether substantive processes were acquired. As part of the acquisition a Development Management Agreement ("DMA") was entered into with Symmetry ManCo allowing for the management team to continue to manage the development activities of Tritax Symmetry. These activities are determined to be substantive processes.

#### Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. As it is a balancing figure of the assets and liabilities acquired, it is a judgement, as a result of the fair value of some of the other assets and liabilities acquired also being estimated. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Group profit or loss on the acquisition date as a gain on bargain purchase or negative goodwill. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company. Ultimately, the negative goodwill recognised is a judgement applied to various balances recognised within fair value of net assets acquired (see note 22 Business combination for further details).

### 3. Significant accounting judgements, estimates and assumptions continued

#### Land options

##### Classification

A number of land options were acquired as part of the Tritax Symmetry acquisition. These were bought for the potential to exercise the option and develop the land into a pipeline of Foundation assets. The Directors have considered whether the land options meet the definition of Investment property and concluded that as the options do not represent a current direct interest in land they cannot be classified as Investment property and carried at fair value. The Directors have concluded that the land options should be classified as a non-financial asset and measured at cost less provision for impairment in accordance with IAS 36.

##### Measurement

Land options, and other non-financial assets, are initially capitalised at cost and considered for any impairment indication annually. The impairment review includes consideration of the resale value of the option, likelihood of achieving planning consent and current recoverable value as determined by an independent valuer.

#### B and C Shares

As part of the acquisition of Tritax Symmetry, shares were issued in Tritax Symmetry Limited to the management shareholders of Tritax Symmetry ("Symmetry Management Shareholders") in the form of B and C shares (the "B and C Shares"). The terms of these shares are complex and as a result the Directors have had to make a number of judgements in order to conclude on the appropriate accounting treatment. The significant judgements applied in relation to the B and C Shares were as follows:

1. Subject to remaining in continued employment these shares entitle the holders to 13% of the Adjusted NAV of Tritax Symmetry Limited. Were an individual to leave employment and be deemed a bad leaver, the amount payable is the lower of the value of the shares on the completion date and 50% of Adjusted NAV. The Directors have therefore concluded that the unconditional amount payable to the B and C Shareholders, being 50% of the value of the B and C Shares on acquisition, should be treated as contingent consideration in accordance with IFRS 3. The fair value of the contingent consideration is remeasured at each reporting date. Any additional amounts paid to the B and C Shareholders as a result of their continued service is accounted for as payment for the provision of post-combination services.
2. The B and C Shares have put options in place at various points in time over an eight-year period from completion, along with a put and call option at the end of eight years from the completion date. The B and C Shares are not considered to represent a present ownership interest in the Group as an element of the amount due to the B and C Shareholders is dependent on them continuing to remain in employment and provide services to the Group. Therefore, the Directors have concluded that the B and C Shares do not represent a non-controlling interest and the amounts owed to the B and C Shareholders should instead be presented as a financial liability.
3. When settled the B and C Shares are settled 25% in cash with the remaining 75% settled in either cash or shares at the discretion of the Company. Both elements are considered to represent share-based payments as the amounts due are based on the Adjusted NAV of the underlying business of Tritax Symmetry Limited. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group. In accordance with IFRS 2 this is accounted for as a cash settled share-based payment. In conformity with the requirements of IFRS 2 for cash settled share-based payments, the share-based payment charge is the fair value of the settlement value of the B and C Shares in Tritax Symmetry Limited, established by a Monte Carlo simulation model and reassessed at each reporting date.

### 3.2. Estimates

#### Fair valuation of Investment property

The market value of Investment property is determined by an independent property valuation expert (see note 15) to be the estimated amount for which a property should exchange on the date of the valuation in an arm's-length transaction. Properties have been valued on an individual basis. The valuation expert uses recognised valuation techniques and the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 ("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 15.

### 4. Summary of significant accounting policies

#### 4.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, as at the year-end date.

#### 4.2. Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed wherever facts and circumstances indicate that there may be a change in any of these elements of control.

#### 4.3. Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in Big Box assets and land options in the United Kingdom. The Directors consider that these properties have similar economic characteristics in nature and as a result they have been reported as a single reportable operating business. All of the Group's revenue and assets are based in the United Kingdom.

#### 4.4. Investment property and Investment property under construction

Investment property comprises completed property that is held to earn rentals or for capital appreciation, or both. Property held under a lease is classified as Investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to Investment property. For further details see Accounting Policy note 4.15.1.

Investment property is recognised once practical completion is achieved and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, Investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Group profit or loss in the year in which they arise under IAS 40 Investment Property.

Long leaseholds are accounted for as Investment property as they meet the criteria for right of use assets.

## Notes to the Consolidated Accounts continued

### 4. Summary of significant accounting policies continued

Investment properties under construction are financed by the Group where the Group enters into contracts to forward-fund the development of a pre-let property. All such contracts specify a fixed amount of consideration. Following the acquisition of Tritax Symmetry the Group enters into construction contracts to develop logistics assets, in the form of pre-let development, with an allowance of up to 5% of GAV in speculative development (with no pre-let secured). Investment properties under construction are initially measured at cost (including the transaction costs), which reflect the Group's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of Investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits, which are expected to accrue to the Group. All other property expenditure is expensed in the Group profit or loss as incurred.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of Investment property. Any gains or losses are recognised in the Group profit or loss in the year of retirement or disposal.

### 4.5. Financial instruments

#### Fair value hierarchy

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

#### 4.5.1. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

##### *Amortised cost*

These assets arise principally from the provision of goods and services to Customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from tenant default (being the failure of a tenant to timely pay rent due) to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise rent and other receivables and cash and cash equivalents in the Group Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### 4.5.2. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value; and the amounts due to B and C Shareholders. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

##### *Other financial liabilities*

Other financial liabilities include the following items:

Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensure that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

### 4.6. Forward Funded Pre-let investments

The Group enters into forward funding development agreements for pre-let investments. The Group will enter into a forward funding agreement with a developer and simultaneously enter into an agreement for lease with a prospective tenant willing to occupy the building once complete.

#### **4. Summary of significant accounting policies** continued

##### **4.6.1. Licence fees receivable**

During the period between initial investment in a Forward Funded agreement and the rent commencement date under the lease, the Group receives licence fee income. This is payable by the developer to the Group throughout this period and typically reflects the approximate level of rental income that is expected to be payable under the lease, as and when practical completion is reached. IAS 40.20 states that Investment property should be recognised initially at cost, being the consideration paid to acquire the asset, therefore such licence fees are deducted from the cost of the investment and are shown as a receivable. Any economic benefit of the licence fee is reflected within the Group profit or loss as a movement in the fair value of Investment property and not within gross rental income. Licence fees received are treated as gross receipts within the Group Cash Flow Statement. In addition, IAS 16.21 indicates that income and expenses from operations that are not to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended, should be recognised in profit or loss.

##### **4.7. Joint arrangements**

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group does not have any joint operations.

Joint ventures are initially recognised in the Group Statement of Financial Position at cost. Subsequently joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group profit or loss.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Provision for impairment in value is made where there is objective evidence that the investment in a joint venture has been impaired.

##### **4.8. Goodwill**

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the Group profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Group profit or loss on the acquisition date as a gain on bargain purchase or negative goodwill.

In relation to the purchase of Tritax Symmetry, a gain on bargain purchase has arisen. See note 22, Business combination for further details.

##### **4.9. Intangible assets**

As a result of the acquisition of Tritax Symmetry, the DMA is assessed as a favourable contract. It is recognised as an intangible asset on the Group Statement of Financial Position and is amortised over the original eight-year term of the DMA. The favourable element of the DMA was assessed with reference to a reasonable mark-up that may be expected for these services if the agreement were set up at arms' length, discounted over the eight-year period.

##### **4.10. Land options**

Land options are classified as non-financial assets as they are non-liquid assets with no active market and they cannot be readily converted into cash. The options are exercisable at a future date subject to receiving planning consent. They are initially carried at cost and are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the option is written down accordingly as a charge to the Group profit or loss. Once the options are exercised and the land is drawn down, they are transferred into Investment property.

##### **4.11. Impairment of assets**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including intangible assets, investment in joint ventures and land options are subject to annual impairment tests, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in Group profit or loss. An impairment loss recognised for goodwill is not reversed.

##### **4.12. Business combination**

The Group acquires subsidiaries that own Investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Under IFRS 3, a business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business will usually consist of inputs, processes and outputs. Therefore the Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where an acquisition is considered to be a business combination the consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Group Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Any excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired is treated as goodwill. Where the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds

## Notes to the Consolidated Accounts continued

### 4. Summary of significant accounting policies continued

the fair value of the purchase consideration, the difference is treated as gain on bargain purchase and credited to the Group profit or loss. The results of acquired operations are included in the Group profit or loss from the date on which control is obtained until the date on which control ceases.

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 the 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.

Where amounts payable for the acquisition of a business are subject to a contingent consideration arrangement in which the payments are automatically forfeited if employment terminates, the amounts are treated as remuneration for post-combination services rather than consideration for the acquisition of a business.

#### 4.13. Share-based payments

The Company has entered into an agreement with the Symmetry Management Shareholders where future amounts payable are based on the Adjusted NAV of the underlying business and subject to certain provisions around continuing employment. 25% of the amounts payable are to be settled in cash with the remaining 75% settled in cash or shares at the discretion of the Company. Where the Company has a present obligation to settle the amounts in cash, either through its stated intention or past practice, the Company accounts for the amounts as cash settled share-based payments. The fair value of the cash settled obligation is recognised over the vesting period and presented as a liability in the Group Statement of Financial Position. The liability is remeasured at each reporting date with the charge to the profit or loss updated over the vesting period.

#### 4.14. Dividends payable to Shareholders

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at an Annual General Meeting.

#### 4.15. Property income

##### 4.15.1. Rental income

Rental income arising from operating leases on Investment property is accounted for on a straight-line basis over the lease term and is included in gross rental income in the Group profit or loss. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, where the Directors are reasonably certain that the rental uplift will be agreed. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is invoiced, either monthly or quarterly in advance, and for all rental income that relates to a future period this is deferred and appears within current liabilities on the Group Statement of Financial Position.

For leases, which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

When the Group enters into a Forward Funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once practical completion has taken place the formal lease is signed, at which point rental income commences to be recognised in the Group profit or loss from the rent commencement date.

#### 4.16. Finance income

Finance income is recognised as interest accrues on cash balances held by the Group. Interest charged to a tenant on any overdue rental income is also recognised within finance income.

#### 4.17. Finance costs

Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings. Any finance costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that takes a period of time to complete are capitalised as part of the cost of the asset. All other finance costs are expensed to the Group profit or loss in the period in which they occur.

#### 4.18. 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 profit not relating to the property rental business for the year, using tax rates enacted or substantively enacted at the year-end date, including any adjustment to tax payable in respect of previous years.

### 5. New standards issued

#### 5.1. New standard issued and effective from 1 January 2019

##### IFRS 16 – Leases

This accounting policy has been adopted for the year ended 31 December 2019. The long leasehold properties have immaterial peppercorn rental. The impact of IFRS 16 is considered to be immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

#### 5.2. New standards issued but not yet effective

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces an optional “concentration test”. The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition.

Amendments to IAS 1 Presentation of Financial Statements effective for financial years commencing on or after 1 January 2020 are designed to address concerns about existing presentation and disclosure requirements and to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements. The amendments clarify the definition of material and how it should be applied. It is expected that the amendments will not have a significant impact on the entity's financial statements. However, it could potentially impact how materiality judgements are made in practice, by elevating the importance of how the information is organised in the financial statements.

Amendments to IAS 1 on Classification of liabilities as Current or Non-Current are effective for the financial years commencing on or after 1 January 2022 and are to be applied retrospectively. It is expected that the amendments may have an impact on the presentation and classification of liabilities in the Group Statement of Financial Position based on rights that are in existence at the end of the reporting period.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

## 6. Total property income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Rental income – freehold property	108.9	93.7
Rental income – long leasehold property	29.2	29.1
Spreading of tenant incentives and guaranteed rental uplifts	6.1	11.1
Other income	0.2	–
<b>Gross rental income</b>	<b>144.4</b>	133.9
Property insurance recoverable	3.2	2.9
Service charges recoverable	0.9	1.0
<b>Total property insurance and service charge income</b>	<b>4.1</b>	3.9
<b>Total property income</b>	<b>148.5</b>	137.8

There were no individual tenants representing more than 10% of gross rental income present during either year.

The other income included in the Group profit or loss in relation to Tritax Symmetry is £4.1 million. This income was receivable across Development Management Agreements in place during the year.

## 7. Service charge expenses

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Property insurance expense	3.4	3.2
Service charge expense	0.8	1.8
<b>Total property expenses</b>	<b>4.2</b>	5.0

## 8. Administrative and other expenses

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Investment management fees	17.5	15.3
Directors' remuneration (note 9)	0.4	0.3
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	0.2	0.1
– Fees payable for the review of the Company's interim accounts	0.1	0.1
– Fees payable for the audit of the Company's subsidiaries	0.1	0.1
<b>Total Auditor's fee</b>	<b>0.4</b>	0.3
Development management fees	0.7	–
Corporate administration fees	0.5	0.5
Regulatory fees	0.1	0.1
Legal and professional fees	1.1	1.1
Marketing and promotional fees	0.4	0.1
Other administrative costs	0.6	0.4
<b>Total administrative and other expenses</b>	<b>21.7</b>	18.1
<b>Acquisition-related costs<sup>1</sup></b>	<b>4.2</b>	1.0

<sup>1</sup> Acquisition-related costs have been incurred in the year, due to the one-off nature of these costs which have been expensed in accordance with IFRS 3: Business combinations.

The Auditor has also received £0.1 million (2018: £0.1 million) in respect of providing reporting accountant services in connection with the equity issuance occurring during the year.

The Auditor provided audit services in respect of Joint Ventures of £12,500 (2018: £nil).

Fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees related to the bond issuance have been treated as part of the arrangement fees for issuing the bond. The fees in relation to the acquisition of assets have been capitalised into the cost of the respective assets.

## 9. Directors' remuneration

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Directors' fees	0.3	0.2
Employer's National Insurance	0.1	0.1
<b>Total</b>	<b>0.4</b>	0.3

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

## Notes to the Consolidated Accounts continued

### 10. Finance income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest received on bank deposits	0.4	0.2

### 11. Finance expense

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on bank borrowings	6.1	6.0
Interest payable on loan notes	24.1	14.3
Commitment fees payable on bank borrowings	1.8	1.4
Swap interest payable	–	0.1
Amortisation of loan arrangement fees	2.4	1.3
	<b>34.4</b>	23.1

None of the interest payable on financial liabilities and amortisation of loan arrangement fees were capitalised in the current and preceding year.

### 12. Taxation

#### a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
UK corporation tax	–	–

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2019.

#### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit on ordinary activities before taxation	141.2	252.6
Theoretical tax at UK corporation tax rate of 19.00% (31 December 2018: 19.00%)	26.8	48.0
REIT exempt income	(18.7)	(17.3)
Non-taxable items	(11.0)	(33.0)
Transfer pricing adjustment	1.8	1.1
Residual losses	1.1	1.2
Total tax charge	–	–

Non-taxable items include income and gains that are derived from the property rental business and are therefore exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

REIT exempt income includes property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

The current year tax liability of £18.7 million relates to appropriation tax charges in relation to the business combination as well as tax payable on non-property profits arising in the year (see note 22). During the year £22.6 million was paid relating to the appropriation tax charges (2018: £nil). In the financial year 2018, £0.4 million was paid in relation to the tax liabilities from acquired SPVs.



### 13. Earnings per share

Earnings per share ("EPS") are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are dilutive instruments outstanding, basic and diluted earnings per share are shown below.

In relation to the dilutive shares to be issued in respect of the B and C Shares, the Directors have indicated a current intention to settle these 100% in cash. The calculation of basic and diluted earnings per share is based on the following:

	Net profit attributable to Ordinary Shareholders £m	Weighted* average number of Ordinary Shares <sup>1</sup> '000	Earnings per share pence
<b>For the year ended 31 December 2019</b>			
<b>Basic EPS</b>	<b>141.2</b>	<b>1,681,525</b>	<b>8.40</b>
Adjustment for dilutive shares:			
Changes in fair value of contingent consideration payable	0.5		
Dilutive shares in respect of management fee		-	
Dilutive shares in respect of B and C Shareholders <sup>3</sup>		8,521	
<b>Diluted EPS<sup>2</sup></b>	<b>141.7</b>	<b>1,690,046</b>	<b>8.38</b>
Adjustments to remove:			
Changes in fair value of contingent consideration payable	(0.5)		
Changes in fair value of Investment property	(54.5)		
Changes in fair value of interest rate derivatives	5.2		
Costs associated with a business combination	4.2		
Gain on bargain purchase and impairment of intangible contract	(7.2)		
<b>EPRA EPS</b>	<b>88.9</b>	<b>1,681,525</b>	<b>5.29</b>
Add back: Changes in fair value of contingent consideration payable	0.5		
<b>EPRA diluted EPS<sup>2</sup></b>	<b>89.4</b>	<b>1,690,046</b>	<b>5.29</b>
Adjustments to include:			
Licence fee receivable on Forward Funded Developments	21.4		
Fixed rental uplift adjustments	(4.9)		
Share-based payments charges	3.3		
Amortisation of loan arrangement fees and intangibles (see note 11)	2.4		
<b>Adjusted EPS</b>	<b>111.6</b>	<b>1,681,525</b>	<b>6.64</b>
<b>Adjusted diluted EPS</b>	<b>111.6</b>	<b>1,690,046</b>	<b>6.60</b>

1 Based on the weighted average number of Ordinary Shares in issue throughout the year.

2 Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).

3 Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C Shareholders that could potentially be settled as equity. The share-based payments charges are non-dilutive at year end.

	Net profit attributable to Ordinary Shareholders £m	Weighted average number of Ordinary Shares <sup>1</sup> '000	Earnings per share pence
<b>For the year ended 31 December 2018</b>			
<b>Basic EPS</b>	<b>252.6</b>	<b>1,440,013</b>	<b>17.54</b>
Adjustment for dilutive shares:			
Dilutive shares in respect of management fee		-	
Dilutive shares in respect of B and C Shareholders <sup>3</sup>		-	
<b>Diluted EPS<sup>2</sup></b>	<b>252.6</b>	<b>1,440,013</b>	<b>17.54</b>
Adjustments to remove:			
Changes in fair value of Investment property	(163.0)		
Changes in fair value of interest rate derivatives	1.2		
Costs associated with a business combination	1.0		
<b>EPRA EPS</b>	<b>91.8</b>	<b>1,440,013</b>	<b>6.37</b>
<b>EPRA diluted EPS<sup>2</sup></b>	<b>91.8</b>	<b>1,440,013</b>	<b>6.37</b>
Adjustments to include:			
Licence fee receivable on Forward Funded Developments	10.3		
Fixed rental uplift adjustments	(4.3)		
Amortisation of loan arrangement fees and intangibles (see note 11)	1.3		
<b>Adjusted EPS</b>	<b>99.1</b>	<b>1,440,013</b>	<b>6.88</b>
<b>Adjusted diluted EPS</b>	<b>99.1</b>	<b>1,440,013</b>	<b>6.88</b>

1 Based on the weighted average number of Ordinary Shares in issue throughout the year.

2 Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).

3 Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C Shareholders that could potentially be settled as equity. The share-based payments charges are non-dilutive at year end.

Adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. The metric reduces EPRA earnings by other non-cash items credited or charged to the Group Statement of Comprehensive Income, such as fixed rental uplift adjustments and amortisation of loan arrangement fees. Licence fees received during the period are added to earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments. The Board compares the Adjusted earnings to the available distributable reserves when considering the level of dividend to pay.

## Notes to the Consolidated Accounts continued

### 13. Earnings per share continued

The adjustment for licence fees receivable is calculated by reference to the proportion of the total period of completed construction during the year, multiplied by the total licence fee receivable on a given Forward Funded asset. Licence fees will convert into rental income once practical completion has occurred and therefore rental income will flow into EPRA and Adjusted earnings from this point.

Fixed rental uplift adjustments relate to adjustments to net rental income on leases with fixed or minimum uplifts embedded within their review profiles. The total minimum income recognised over the lease term is recognised on a straight-line basis and therefore not supported by cash flows during the early term of the lease, but this reverses towards the end of the lease.

Share-based payment charges relate to the B and C Shareholders. Whilst impacting on earnings, this value is considered capital in nature from the perspective it relates to an equity holding in Tritax Symmetry Limited. It is therefore removed from Adjusted earnings.

### 14. Dividends paid

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Fourth interim dividend in respect of period ended 31 December 2018 at 1.675 pence per Ordinary Share (fourth interim for 31 December 2017 at 1.60 pence per Ordinary Share)	<b>28.6</b>	21.8
First interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	<b>29.2</b>	24.7
Second interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	<b>29.2</b>	24.7
Third interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	<b>29.3</b>	24.7
<b>Total dividends paid</b>	<b>116.3</b>	95.9
<b>Total dividends paid for the year</b>	<b>5.138p</b>	5.025p
<b>Total dividends unpaid but declared for the year</b>	<b>1.713p</b>	1.675p
<b>Total dividends declared for the year</b>	<b>6.85p</b>	6.70p

On 27 February 2020, the Company announced the declaration of the fourth interim dividend in respect of the year ended 31 December 2019 of 1.7125 pence per share payable on 27 March 2020. In relation to the total dividends declared for the year of 6.85 pence, 5.14 pence is a property income distribution (PID) and 1.71 pence is an ordinary dividend.

### 15. Investment property

In accordance with IAS 40: Investment Property, the Investment property has been independently valued at fair value by CBRE Limited ("CBRE") and Colliers International Valuation UK LLP ("Colliers"), both accredited independent valuers with recognised and relevant professional qualifications and with recent experience in the locations and categories of the Investment properties being valued. CBRE value all Investment property with leases attached or assets that have reached practical completion. Colliers value all land holdings and assets under construction with no pre-agreed letting. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13.

The Valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the Valuer's professional judgement. The Valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

	Investment property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2019	<b>2,053.7</b>	<b>635.6</b>	<b>349.0</b>	<b>3,038.3</b>
Property additions <sup>1</sup>	<b>16.1</b>	<b>0.7</b>	<b>297.1</b>	<b>313.9</b>
Property acquired through business combination (see note 22)	–	–	<b>128.4</b>	<b>128.4</b>
Fixed rental uplift and tenant lease incentives <sup>2</sup>	<b>4.3</b>	<b>1.8</b>	–	<b>6.1</b>
Transfer of completed property to Investment property	<b>503.3</b>	–	<b>(503.3)</b>	–
Change in fair value during the year	<b>0.6</b>	<b>2.7</b>	<b>51.2</b>	<b>54.5</b>
<b>As at 31 December 2019</b>	<b>2,578.0</b>	<b>640.8</b>	<b>322.4</b>	<b>3,541.2</b>
	Investment property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2018	1,924.3	612.4	62.5	2,599.2
Property additions <sup>1</sup>	42.5	–	222.5	265.0
Fixed rental uplift and tenant lease incentives <sup>2</sup>	9.3	1.8	–	11.1
Change in fair value during the year	77.6	21.4	64.0	163.0
<b>As at 31 December 2018</b>	<b>2,053.7</b>	<b>635.6</b>	<b>349.0</b>	<b>3,038.3</b>

<sup>1</sup> Licence fees deducted from the cost of Investment property under construction totalled £0.6 million in the year (2018: £35.0 million).

<sup>2</sup> Included within the carrying value of Investment property is £43.0 million (2018: £37.0 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

## 15. Investment property continued

	31 December 2019 £m	31 December 2018 £m
Investment property at fair value per Group Statement of Financial Position	<b>3,541.2</b>	3,038.3
Licence fee receivable	<b>2.5</b>	18.3
Capital commitments	<b>128.1</b>	361.6
<b>Total Investment property valuation*</b>	<b>3,671.8</b>	3,418.2

\* Including costs to complete on Forward Funded Development assets.

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These commitments could also represent commitments made in respect of asset management initiatives and development land. These costs are not provided for in the Group Statement of Financial Position (refer to note 33).

Cash received in respect of future rent-free periods represents amounts that were topped up by the vendor on acquisition of the property to cover future rent-free periods on the lease. The valuation assumes the property to be income generating throughout the lease and therefore includes this cash in the value.

Licence fees that have been billed but not received from the developer in relation to the property are included within rent and other receivables. The valuation assumes the property to be income generating and therefore includes this receivable in the value.

Fees payable under the DMA totalling £3.7 million (2018: nil) have been capitalised in the year being directly attributable to the ongoing development projects.

The valuation summary is set out in the Strategic Report.

### Fair value hierarchy

The Group considers that all of its Investment properties fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of Market Value (MV), which is defined in the RICS Valuation Standards, as:

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

Market Value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRS.

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

### Valuation techniques

The yield methodology approach is used when valuing the Group's properties which uses market rental values capitalised with a market capitalisation rate. This is sense-checked against the market comparable method (or market comparable approach) where a property's fair value is estimated based on comparable transactions in the market.

For Investment property under construction and the majority of land held for development, properties are valued using a residual method approach. Under this approach, the valuer initially assesses the investment value (using the above methodology for completed properties). Then, the total estimated costs to complete (including notional finance costs and developer's profit) are deducted from the value to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (such as the potential cost overruns and letting risks). Land values are sense-checked against the rate per acre derived from actual market transactions.

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

### Unobservable input: estimated rental value (ERV)

The rent per square foot at which space could be let in the market conditions prevailing at the date of valuation (range: £3.80 – £10.75 per annum).

Passing rents are dependent upon a number of variables in relation to the Group's property. These include: size, location, tenant covenant strength and terms of the lease.

### Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 3.67% – 6.22%).

### Sensitivities of measurement of significant unobservable inputs

As set out within significant accounting estimates and judgements above, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £m	+5% in passing rent £m	+0.25% in initial yield £m	-0.25% net initial yield £m
<b>(Decrease)/increase in the fair value of Investment properties as at 31 December 2019</b>	<b>(175.6)</b>	<b>175.6</b>	<b>(187.1)</b>	<b>209.4</b>
(Decrease)/increase in the fair value of Investment properties as at 31 December 2018	(170.9)	170.9	(183.2)	205.3

## Notes to the Consolidated Accounts continued

### 16. Investment in land options

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Opening balance	–	–
Land options acquired in business combination	217.4	–
Costs capitalised in the year	16.8	–
Transferred to Investment property	(2.7)	–
Disposals	(5.5)	–
Closing balance	226.0	–

The average maturity date across land options held is approximately nine years term remaining.

### 17. Investment in joint ventures

As at 31 December 2019 the Group has two joint ventures which have been equity accounted for. There were no equity accounted joint ventures prior to the acquisition of Tritax Symmetry in February 2019.

The Group has the following joint ventures as at 31 December 2019:

	Principal activity	Country of incorporation	Ownership	Joint venture partner
HBB (J16) LLP	Property development	UK	50%	HB Midway Limited
Magnitude Land LLP (previously known as DBS Pochin LLP)	Property investment	UK	50%	Pochin Midpoint Limited

The registered office for the above joint ventures is: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA.

Net investment	Total 100% £m	Group's share £m
At beginning of period	–	–
Acquired from business combination acquisition	60.0	30.0
Total comprehensive income	0.1	–
Cash contributed	0.1	0.1
<b>As at 31 December 2019</b>	<b>60.2</b>	<b>30.1</b>
<b>50% share</b>	<b>30.1</b>	

The joint ventures have a 31 December year end (previously 31 January 2019). The aggregate amounts recognised in the Group Statement of Financial Position and Statement of Comprehensive Income are as follows:

### Comprehensive income statement

Year ended 31 December 2019	Total 100% £m	Group's share £m
Revenue	0.1	–
<b>Profit before taxation</b>	<b>0.1</b>	<b>–</b>
Taxation	–	–
<b>Total comprehensive income</b>	<b>0.1</b>	<b>–</b>

## 17. Investment in joint ventures continued

### Statement of Financial Position

As at 31 December 2019	Total 100% £m	Group's share £m
Investment property	8.5	<b>4.3</b>
Options to acquire land	51.5	<b>25.7</b>
<b>Non-current assets</b>	<b>60.0</b>	<b>30.0</b>
Other receivables	0.2	<b>0.1</b>
Cash	0.1	<b>0.1</b>
<b>Current assets</b>	<b>0.3</b>	<b>0.2</b>
Trade and other payables	(0.1)	<b>(0.1)</b>
<b>Current liabilities</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Net assets</b>	<b>60.2</b>	<b>30.1</b>

The Group's share of contingent liabilities in the joint ventures is £nil (December 2018: £nil).

## 18. Investments

The Group comprises a number of SPV subsidiaries. All SPV subsidiaries that form these financial statements are noted within the Company financial statement in note 5.

## 19. Rent and other receivables

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Rent receivables	<b>7.8</b>	7.0
Licence fee receivable	<b>2.5</b>	18.4
Prepayments, accrued income and other receivables	<b>3.3</b>	4.0
VAT	<b>12.1</b>	12.9
	<b>25.7</b>	42.3

The carrying value of rent and other receivables classified at amortised cost approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's Customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

## 20. Cash held at bank

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash and cash equivalents to agree with cash flow	<b>21.2</b>	47.3
Restricted cash	<b>0.2</b>	1.0
	<b>21.4</b>	48.3

No cash was ring-fenced in the year. In 2018, £0.03 million was included within cash and cash equivalents representing amounts related to future rent-free periods on certain assets within the portfolio or rental top-up amounts, where a cash deduction against the net purchase price was agreed with the vendor.

Restricted cash is cash where there is a legal restriction to specify its type of use, i.e. this may be where there is a joint arrangement with a tenant under an asset management initiative.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £21.2 million (2018: £47.3 million) as at the year end, which excludes long-term restricted and ring-fenced cash deposits totalling £0.2 million (2018: £1.0 million). Total cash held at bank as reported in the Group Statement of Financial Position is £21.4 million (2018: £48.3 million).

## Notes to the Consolidated Accounts continued

### 21. Trade and other payables

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Trade and other payables	62.6	32.5
Bank loan interest payable	5.7	2.0
Accruals	7.8	7.9
	<b>76.1</b>	<b>42.4</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

### 22. Business combination

On 19 February 2019, the Group acquired an 87% economic interest in Tritax Symmetry, a development group with ownership of a combination of land and land options. Upon acquisition, the portfolio had the potential to add approximately 38 million sq ft of logistics assets to the Group's existing portfolio. The portfolio also allows the Group to develop a pipeline of assets at an attractive yield on cost which is expected to be in the region of 7-8%. The structure of the deal, mostly consisting of land options, minimises cash drag and allows the Group to bring each site forward at a time that suits the Group and wider market conditions. The portfolio was acquired for a total consideration of £273.1 million as per the table below.

	Fair value £m
Cash	201.7
Share consideration in the Company	52.3
Contingent consideration of B and C Shares	19.1
Total purchase consideration	273.1

Details of the fair value of the assets and liabilities acquired and the resultant gain on bargain purchase are as follows:

	Fair value £m
Investment property	128.4
Investment in land options	217.4
Investment in joint ventures	30.0
Other property assets	14.3
Intangible assets	2.6
Cash and cash equivalents	7.7
Other items	(9.1)
Deep discounted bonds (fully redeemed after acquisition)	(67.7)
Deferred tax liabilities	(42.7)
Fair value of acquired interest in net assets of subsidiaries	280.9
Gain on bargain purchase	(7.8)
Total purchase consideration	273.1

The acquisition-date fair value of the total consideration transferred is £273.1 million. The gain on bargain purchase is a result of the fair value determined for the assets purchased exceeding the fair value of consideration transferred. The gain on bargain purchase of £7.8 million has been recognised in the Group profit or loss immediately in the year. This gain on bargain purchase arises partly in relation to the accounting treatment of the B and C Shares, which is detailed in note 23. This results in £19.6 million recognised as contingent consideration, and included within liabilities on acquisition in line with IFRS 3 "Business Combinations" with the remaining balance of £3.3 million treated as payments for future services in accordance with IFRS 2 "Share-Based Payment".

Acquisition costs of £4.2 million have been included in the Group profit or loss in the year.

The total loss for Tritax Symmetry since acquisition included in the Group profit or loss is £2.3 million.

Had Tritax Symmetry been part of the Group since 1 January 2019, the combined revenue for the Group at 31 December 2019 would have been £122.7 million; the combined total profit for the Group would have been £140.6 million.

At the point of completion of the acquisition the Group also redeemed in full deep discounted bonds with a value of £67.7 million (see note 24).

The enterprise value was determined as £370 million at the time of the transaction. This was arrived at by taking the total purchase consideration and adding the deep discounted bonds that were fully redeemed and the tax liabilities that the vendor agreed to fund totalling c. £29 million. The Group's 87% economic share therefore totalled £321.5 million.

The B and C Shares issued to Symmetry Management Shareholders are treated as a combination of both contingent consideration for the acquisition of 13% economic interest in the Symmetry Portfolio and a 13% economic right held to their share of future performance of the Tritax Symmetry Development assets. This is as a result of certain vesting conditions attached to the B and C Shares over the first five years of the contract (see note 23 below).

A non-controlling interest has not been recognised at the acquisition date for the 13% economic interest held by the Symmetry Management Shareholders due to the put and call options attached to the shares issued, which are expected to be exercised on or around the eighth anniversary of the acquisition at the latest. The Symmetry Management Shareholders have a put option, on the third to eighth anniversary of the acquisition allowing them to sell 1.5% of their 13% economic interest to the Company at each date. The Company has a call option, to buy any remaining economic interest still due to the Symmetry Management Shareholders on the eighth anniversary.

The acquisition included other property assets of £14.3 million. These assets were amortised by £0.4 million during the year resulting in a net position on the Group Statement of Financial Position of £13.9 million.

### 23. Amounts due to B and C Shareholders

Amounts due to B and C Shareholders comprise the fair value of the contingent consideration element of B and C Shares along with the fair value of the obligation under the cash settled share-based payment element of B and C Shares.

Amounts due to B and C Shareholders are detailed in the table below:

	Contingent consideration	Share-based payment	Fair value £m
Contingent consideration recognised on acquisition	19.1	–	19.1
Fair value movement recognised	0.5	–	0.5
Cash settled share-based payment charge	–	3.3	3.3
Closing balance	19.6	3.3	22.9

The Group considers that the amounts due to the B and C Shareholders fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

#### 1. Contingent consideration

The B and C Shares vest over a five-year period and require the Symmetry Management Shareholders to, amongst other things, remain in the employment of the Symmetry ManCo for the vesting period. The value of the amount due (subject to certain vesting conditions) is the lower of 50% of the adjusted NAV of Tritax Symmetry at the relevant future point in time and the value of the B and C Shares at the original completion date. In accordance with IFRS 3 “Business Combinations” the unconditional amount due under Shareholders’ agreement is accounted for as contingent consideration.

The adjusted NAV of Tritax Symmetry is the NAV of Tritax Symmetry at the reporting date, adjusted for various matters impacting on the fair value of those land options where planning permission has been obtained but the land has not been acquired.

#### 2. Share-based payment

In accordance with IFRS 3 “Business Combinations” the requirement to remain in continued employment in order to realise the full value of the B and C Shares has resulted in the excess value (over and above the amount recognised as contingent consideration) being accounted for as payments for post-combination services which reflect the 13% economic right held to their share of future performance of the Tritax Symmetry Development assets over and above the completion NAV. The amount due to Symmetry Management Shareholders is based on the adjusted NAV of Tritax Symmetry and is settled in cash to the value of 25% with the balance settled in either cash and/or shares in the Company, at the sole discretion of the Company.

The fair value of the B and C Shares has been calculated using a Monte Carlo simulation model, for the cash settled element of the liability. This approach has the benefits of being flexible, not reliant on a single case scenario and removes the inherent difficulties with determining discount rate to assign to a particular class of share as the risk would change every time the NAV moved. The change in volatility assumptions does not lead to a significant change in the resulting fair values of the B and C Shares because there are limited hurdles attached to them and it is assumed that all will be exercised at some point over the eight year horizon. The key unobservable inputs for the Monte Carlo simulation purposes are the net initial yield of completed developments, future costs of debt and the timing of the completion of the developments.

The Company has the legal option of settling the share-based payment either via cash or equity, with a minimum of 25% being settled in cash. The Directors have a current intention to maximise the cash element of the settlement as they believe this would minimise dilution to existing shareholders. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group.

Amounts due to B and C Shareholders are shown as a liability at fair value in the Group Statement of Financial Position. The liability is fair valued at each reporting date with a corresponding charge recognised in the Group profit or loss over the vesting period. For the year ended 31 December 2019, £3.3 million was charged in the Group profit or loss for the share-based payment.

### 24. Borrowings

As part of the acquisition of Tritax Symmetry the Group acquired £67.7 million of Deep Discounted Bonds, which were immediately redeemed post-acquisition as per note 22.

The Company signed a new private placement of £400 million senior unsecured loan notes (the “Loan Notes”) with a number of new institutional investors on 4 December 2018. The Loan Notes comprised of two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years. The funds were drawn on 28 February 2019.

Upon receipt of the Loan Note proceeds above, the Group cancelled the £250 million senior, short-term, unsecured banking facility with a syndicate of its relationship lenders with effect from 1 March 2019.

A large part of the Group’s borrowings are unsecured financing arrangements. On 17 June 2019, the Group announced that it had agreed a new £200 million unsecured revolving credit facility (RCF) with a syndicate of relationship lenders comprising Banco Santander S.A. London Branch, Barclays Bank plc, BNP Paribas London Branch, HSBC UK Bank plc, The Royal Bank of Scotland International Limited London Branch and Wells Fargo Bank N.A. London Branch. The new facility has an initial maturity of five years and can be extended (subject to consent) by two further years to a maximum of seven years. The new facility also has a £100 million accordion option and has an opening margin of 1.10% per annum over LIBOR.

The Group also has a second RCF of £350 million which provides the Group with a significant level of operational flexibility. The syndicate for the £350 million unsecured RCF comprises Barclays Bank plc, BNP Paribas London Branch, HSBC Bank plc, Sumimoto Mitsui Banking Corporation, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch. On 17 December 2019 the Group announced that it had agreed to extend the termination date of £300 million of the £350 million RCF from 10 December 2023 to 10 December 2024.

As at 31 December 2019, 64% (2018: 73%) of the Group’s debt facility commitments are fixed term, with 36% floating term (2018: 27%). When including interest rate hedging the Group has fixed term or hedged facilities totalling 99% of drawn debt (see note 25).

As at 31 December 2019, the weighted average running cost of debt was 2.52% (2018: 2.63%) and the Group’s average capped cost of debt was 2.68% (2018: 2.73%). As at the same date the Group had undrawn debt commitments of £500.0 million.

The Group has been in compliance with all of the financial covenants of the Group’s bank facilities as applicable throughout the year covered by these financial statements.

## Notes to the Consolidated Accounts continued

### 24. Borrowings continued

A summary of the drawn and undrawn bank borrowings in the year is shown below:

#### Bank borrowings

	Bank borrowings drawn £m	Bank borrowings undrawn £m	Total £m
As at 1 January 2019	<b>333.9</b>	<b>879.0</b>	<b>1,212.9</b>
New bank borrowings agreed in the year	–	<b>200.0</b>	<b>200.0</b>
Bank borrowings drawn in the year under existing facilities	<b>135.0</b>	<b>(135.0)</b>	–
Bank borrowings repaid in the year under existing facilities	<b>(206.0)</b>	<b>206.0</b>	–
Cancellation of bank borrowing facility	–	<b>(250.0)</b>	<b>(250.0)</b>
Loan notes drawn in the year	–	<b>(400.0)</b>	<b>(400.0)</b>
<b>As at 31 December 2019</b>	<b>262.9</b>	<b>500.0</b>	<b>762.9</b>
As at 1 January 2018	222.9	340.0	562.9
New bank borrowings agreed in the year	–	650.0	650.0
Bank borrowings drawn in the year under existing facilities	180.3	(180.3)	–
Bank borrowings repaid in the year under existing facilities	(69.3)	69.3	–
<b>As at 31 December 2018</b>	<b>333.9</b>	<b>879.0</b>	<b>1,212.9</b>

Included in the undrawn borrowings in 2018 is £400.0 million loan notes.

Any associated fees in arranging the bank borrowings and loan notes that are unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

#### Bank borrowings drawn

	<b>31 December 2019 £m</b>	31 December 2018 £m
Bank borrowings drawn: due in more than one year	<b>262.9</b>	333.9
Less: unamortised costs on bank borrowings	<b>(6.7)</b>	(6.1)
	<b>256.2</b>	327.8

#### Loan notes

	<b>31 December 2019 £m</b>	31 December 2018 £m
<b>Bonds</b>		
2.625% Bonds 2026	<b>249.2</b>	249.1
3.125% Bonds 2031	<b>247.1</b>	246.8
2.860% USPP 2028	<b>250.0</b>	–
2.980% USPP 2030	<b>150.0</b>	–
Less: unamortised costs on loan notes	<b>(4.8)</b>	(3.2)
	<b>891.5</b>	492.7

The weighted average term to maturity of the Group's debt as at the year end is 7.5 years (31 December 2018: 8.9 years).

#### Maturity of borrowings

	<b>31 December 2019 £m</b>	31 December 2018 £m
Repayable between one and two years	–	–
Repayable between two and five years	<b>50.0</b>	121.0
Repayable in over five years	<b>1,109.2</b>	708.8
	<b>1,159.2</b>	829.8



## 25. Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has entered into a number of interest rate derivatives. A number of interest rate caps and one interest rate swap have been taken out in respect of the Group's variable rate debt to fix or cap the rate to which three month Libor can rise. Each runs coterminous to the initial term of the respective loans.

The weighted average capped rate, excluding any margin payable, for the Group as at the year end was 1.26% (2018: 1.26%), which effectively caps the level to which Libor can rise to, therefore limiting any effect on the Group of an interest rate rise. The interest rate derivatives mean that the Group's borrowing facilities at the year end have an all-inclusive capped interest rate payable of 2.52% (2018: 2.63%). The total premium payable in the year towards securing the interest rate caps was £1.3 million (2018: £4.5 million).

	31 December 2019 £m	31 December 2018 £m
Non-current assets: interest rate derivatives	<b>1.3</b>	5.2

The interest rate derivatives are valued by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the mark to market values of the derivatives are taken to the Group profit or loss.

	31 December 2019 £m	31 December 2018 £m
Interest rate derivative valuation brought forward	<b>5.2</b>	1.9
Interest rate cap premium paid	<b>1.3</b>	4.5
Changes in fair value of interest rate derivatives	<b>(5.2)</b>	(1.2)
	<b>1.3</b>	5.2

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed rate loan arrangements. As at the year-end date the total proportion of drawn debt either hedged via interest rate derivatives or subject to fixed rate loan agreements equated to 99.87%, as shown below.

	31 December 2019 Drawn £m	31 December 2018 Drawn £m
Total borrowings drawn (note 24)	<b>1,159.2</b>	829.8
Notional value of effective interest rate derivatives and fixed rate loans	<b>1,157.6</b>	828.3
Proportion of hedged debt	<b>99.87%</b>	99.81%

### Fair value hierarchy

The fair value of Group's interest rate derivatives is recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end. This valuation technique falls within Level 2 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the years, nor have there been any transfers between Level 2 and Level 3 during any of the years.

## 26. Financial risk management

### Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: rent and other receivables, trade and other payables and cash held at bank. The Group's other principal financial assets and liabilities are amounts due to B and C Shareholders, bank borrowings and interest rate derivatives. The main purpose of bank borrowings and derivatives is to finance the acquisition and development of the Group's investment property portfolio and hedge against the interest rate risk arising.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Book value 31 December 2019 £m	Fair value 31 December 2019 £m	Book value 31 December 2018 £m	Fair value 31 December 2018 £m
<b>Financial assets</b>				
Interest rate derivatives	<b>1.3</b>	<b>1.3</b>	5.2	5.2
Rent and other receivables <sup>1</sup>	<b>10.3</b>	<b>10.3</b>	25.3	25.3
Cash held at bank	<b>21.4</b>	<b>21.4</b>	48.3	48.3
<b>Financial liabilities</b>				
Trade and other payables <sup>2</sup>	<b>76.1</b>	<b>76.1</b>	42.4	42.4
Amounts due to B and C Shareholders	<b>22.9</b>	<b>22.9</b>	–	–
Borrowings	<b>1,159.2</b>	<b>1,212.2</b>	829.8	813.0

1 Excludes certain VAT prepayments and other debtors.

2 Excludes tax and VAT liabilities.

Interest rate derivatives and amounts due to B and C Shareholders are the only financial instruments measured at fair value through profit and loss. All other financial assets and all financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

## Notes to the Consolidated Accounts continued

### 26. Financial risk management continued

The following table sets out the fair value of those financial liabilities measured at amortised cost where there is a difference between book value and fair value.

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
<b>Borrowings</b>	<b>31 December 2019</b>	<b>1,110.9</b>	<b>943.1</b>	<b>167.8</b>	<b>–</b>
Borrowings	31 December 2018	682.2	521.0	161.2	–

The Group has two fixed rate loans totalling £162 million, provided by PGIM (£90 million) and Canada Life (£72 million). The fair value is determined by comparing the discounted future cash flows using the contracted yields with the reference gilts plus the margin implied. The reference Gilts used were the Treasury 1.5% 2026 Gilt and Treasury 4.75% 2030 Gilt respectively, with an implied margin that is unchanged since the date of fixing. The loans are considered to be a Level 2 fair value measurement. For all other bank loans there is considered no other difference between fair value and carrying value.

The fair value of financial liabilities traded on active liquid markets, including the 2.625% Bonds 2026, 3.125% Bonds 2031, 2.860% USPP 2028 and 2.980% USPP 2030, is determined with reference to the quoted market prices. These financial liabilities are considered to be a Level 1 fair value measure.

The fair value of the financial liabilities at Level 1 fair value measure were £943.1 million (2018: £521.0 million) and the financial liabilities at Level 2 fair value measure were £167.8 million (2018: £161.2 million).

#### Risk management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

#### Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group's cash balances, bank borrowings along with a number of interest rate derivatives entered into to mitigate interest rate risk.

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on the Group profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.4 million (2018: £0.6 million) or a decrease of £0.5 million (2018: £0.9 million). The difference between the increase and decrease absolute figure is due to the interest rate caps in place.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions. Credit risk is mitigated by tenants being required to pay rentals in advance under their lease obligations. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement.

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.

#### Trade receivables

Trade receivables, primarily tenant rentals, are presented in the Group Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition and on an ongoing annual basis. Refer to note 19 for details regarding credit risk management of trade receivables.

#### Credit risk-related to financial instruments and cash deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital, the finance charges, principal repayments on its borrowings and its commitments under Forward Funded Development arrangements. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management ensuring it has appropriate levels of cash and available drawings to meet liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand £m	<3 months £m	3-12 months £m	1-5 years £m	>5 years £m	Total £m
<b>31 December 2019</b>						
Borrowings	–	8.1	24.3	179.4	1,239.6	1,451.4
Amounts due to B and C Shareholders	–	–	–	–	22.9	22.9
Trade and other payables	–	76.1	–	–	–	76.1
	–	84.2	24.3	179.4	1,262.5	1,550.4
<b>31 December 2018</b>						
Borrowings	–	5.6	16.7	260.4	761.0	1,043.7
Trade and other payables	–	42.4	–	–	–	42.4
	–	48.0	16.7	260.4	761.0	1,086.1

Included within the contracted payments is £286.1 million (2018: £209.8 million) of loan interest payable up to the point of maturity across the facilities.

## 27. Capital management

The Board, with the assistance of the Investment Manager, monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion and to maintain sustainable returns for Shareholders. The Group considers proceeds from share issuances, bank borrowings and retained earnings as capital. The Group's policy on borrowings is as set out below:

The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, while maintaining flexibility in the underlying security requirements, and the structure of both the portfolio and the REIT Group.

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

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 30.4% (2018: 27.3%).

Debt is secured at the asset and corporate level, subject to the assessment of the optimal financing structure for the Group and having consideration to key metrics including lender diversity, debt type and maturity profiles.

## 28. Equity reserves

### Share capital

The share capital relates to amounts subscribed for share capital at its nominal value:

	31 December 2019 Number	31 December 2019 £m	31 December 2018 Number	31 December 2018 £m
<b>Issued and fully paid at 1 pence each</b>				
Balance at beginning of year – £0.01 Ordinary Shares	<b>1,474,233,401</b>	<b>14.8</b>	1,363,598,083	13.7
Shares issued in relation to further Equity issuance	<b>192,291,313</b>	<b>1.9</b>	109,364,308	1.1
Shares issued in relation to the consideration for a corporate acquisition	<b>40,450,234</b>	<b>0.4</b>	–	–
Shares issued in relation to management contract	–	–	1,271,010	–
<b>Balance at end of year</b>	<b>1,706,974,948</b>	<b>17.1</b>	1,474,233,401	14.8

On 8 February 2019, the Company announced that 192,291,313 new Ordinary Shares were issued via an Open Offer for Subscription at an issue price of 130.00 pence per Ordinary Share, raising gross proceeds of £250 million.

On 19 February 2019, the Company announced that 40,450,234 new Ordinary Shares were issued as part of the consideration for the acquisition of Tritax Symmetry for an issue price of 130.00 pence per Ordinary Share.

### Share premium

The share premium relates to amounts subscribed for share capital in excess of its nominal value.

### Capital reduction reserve

On 3 June 2015, the Company by way of Special Resolution, cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £422.6 million was transferred from the share premium account into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve. Movements in the current year relate to dividends paid.

### Retained earnings

Retained earnings relates to all net gains and losses not recognised elsewhere.

## 29. Net asset value (NAV) per share

Basic NAV per share is calculated by dividing net assets in the Group Statement of Financial Position attributable to ordinary equity holders of the Parent by the number of Ordinary Shares outstanding at the end of the year. As there are dilutive instruments outstanding, both basic and diluted NAV per share are shown below.

	31 December 2019 £m	31 December 2018 £m
Net assets per Group Statement of Financial Position	<b>2,561.2</b>	2,240.9
EPRA NAV (see Additional Information)	<b>2,578.6</b>	2,253.1
Ordinary Shares:		
Issued share capital (number)	<b>1,706,974,948</b>	1,474,233,401
Basic net asset value per share	<b>150.04p</b>	152.00p
Dilutive shares in issue (number)	–	–
Diluted net asset value per share	<b>150.04p</b>	152.00p
Basic EPRA NAV per share	<b>151.06p</b>	152.83p
Dilutive shares in issue (number)	–	–
Diluted EPRA NAV per share	<b>151.06p</b>	152.83p

EPRA NAV is calculated as net assets per the Group Statement of Financial Position excluding cumulative fair value adjustments for debt-related derivatives.

## Notes to the Consolidated Accounts continued

### 30. Operating leases

The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	<1 year £m	2-5 years £m	>5 years £m	Total £m
<b>31 December 2019</b>	<b>148.7</b>	<b>588.1</b>	<b>1,484.3</b>	<b>2,221.1</b>
31 December 2018	129.0	504.4	1,201.9	1,835.3

The Group's Investment properties are leased to single tenants, with the exception of one asset which is leased to two separate tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward-only rent reviews that are linked to either RPI/CPI, open market or with fixed uplifts. The weighted average unexpired lease term is 14.1 years (2018: 14.4 years).

### 31. Transactions with related parties

For the year ended 31 December 2019, all Directors and the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8.

The total amount outstanding at the year end relating to the Investment Management Agreement was £4.5 million (2018: £4.0 million).

The total expense recognised in the Group profit or loss relating to share-based payments under the Investment Management Agreement was £2.3 million (2018: £2.0 million), of which £1.2 million (2018: £1.1 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. No fees were paid to SG Commercial in the year ended 31 December 2019 (2018: £0.3 million) in respect of agency services for the year; this represents a total of 0% (2018: 7%) of agency fees paid by the Group during the year. There were £nil (2018: £0.3 million) fees outstanding as at the year end. The six Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop, Henry Franklin, Petrina Austin and Bjorn Hobart, are also Members of SG Commercial.

Mark Shaw did not vote at any meeting of the Board during his time prior to resignation in February 2019 relating to contractual terms to be agreed between the Company, the Manager and SG Commercial, nor with respect to any investment decision where SG Commercial is acting as agent in any capacity.

During the year the Directors who served during the year received the following dividends: Richard Jewson: £5,944 (2018: £5,113), Jim Prower: £nil (2018: £1,574), Aubrey Adams: £8,334 (2018: £6,625), Susanne Given: £nil (2018: £nil), Alastair Hughes: £2,384 (2018: £nil), Richard Laing: £3,122 (2018: £2,212) and Mark Shaw: £90,225 (2018: £63,870).

During the year the six Members of the Manager received the following dividends: Mark Shaw as above, Colin Godfrey: £90,650 (2018: £58,552), James Dunlop: £86,402 (2018: £55,176), Henry Franklin: £64,415 (2018: £41,256), Petrina Austin: £9,123 (2018: £4,297) and Bjorn Hobart: £10,946 (2018: £7,142).

### 32. Reconciliation of liabilities to cash flows from financing activities

	Borrowings £m	Derivative financial instruments £m	Loan notes £m	Total £m
Balance on 1 January 2019	<b>327.9</b>	<b>(5.3)</b>	<b>492.7</b>	<b>815.3</b>
Cash flows from financing activities:				
Bank borrowings advanced	<b>135.0</b>	–	–	<b>135.0</b>
Bank borrowings repaid	<b>(273.7)</b>	–	–	<b>(273.7)</b>
Amounts received on the issue of loan notes	–	–	<b>400.0</b>	<b>400.0</b>
Interest rate cap premium paid	–	<b>(1.2)</b>	–	<b>(1.2)</b>
Loan arrangement fees paid	<b>(2.1)</b>	–	<b>(2.0)</b>	<b>(4.1)</b>
Non-cash movements:				
Change in debtors for loan receipts	<b>(0.1)</b>	–	–	<b>(0.1)</b>
Change in creditors for loan arrangement fees payable	–	–	<b>(0.1)</b>	<b>(0.1)</b>
Amortisation of loan arrangement fees	<b>1.5</b>	–	<b>0.9</b>	<b>2.4</b>
Fair value movement	–	<b>5.2</b>	–	<b>5.2</b>
<b>Balance on 31 December 2019</b>	<b>188.5</b>	<b>(1.3)</b>	<b>891.5</b>	<b>1,078.7</b>
Balance on 1 January 2018	216.8	(2.0)	492.2	707.0
Cash flows from financing activities:				
Bank borrowings advanced	180.3	–	–	180.3
Bank borrowings repaid	(69.3)	–	–	(69.3)
Interest rate cap premium paid	–	(4.5)	–	(4.5)
Loan arrangement fees paid	(0.8)	–	(0.4)	(1.2)
Non-cash movements:				
Change in creditors for loan arrangement fees payable	0.2	–	0.2	0.4
Amortisation of loan arrangement fees	0.7	–	0.7	1.4
Fair value movement	–	1.2	–	1.2
<b>Balance on 31 December 2018</b>	<b>327.9</b>	<b>(5.3)</b>	<b>492.7</b>	<b>815.3</b>

### 33. Capital commitments

The Group had capital commitments of £129.9 million in relation to its Forward Funded Pre-let Development assets, asset management initiatives and commitments under development land, outstanding as at 31 December 2019 (31 December 2018: £371.1 million). All commitments fall due within one year from the date of this report.

### 34. Subsequent events

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

# Company Statement of Financial Position

As at 31 December 2019

Company Registration Number: 08215888

	Note	At 31 December 2019 £m	At 31 December 2018 £m
<b>Non-current assets</b>			
Investment in subsidiaries	5	<b>1,973.9</b>	1,319.3
<b>Total non-current assets</b>		<b>1,973.9</b>	1,319.3
<b>Current assets</b>			
Rent and other receivables	6	<b>976.5</b>	946.8
Cash held at bank	7	<b>3.4</b>	9.6
<b>Total current assets</b>		<b>979.9</b>	956.4
<b>Total assets</b>		<b>2,953.8</b>	2,275.7
<b>Current liabilities</b>			
Trade and other payables	8	<b>(13.7)</b>	(10.7)
Loans from Group companies		<b>(58.7)</b>	(58.8)
<b>Total current liabilities</b>		<b>(72.4)</b>	(69.5)
<b>Non-current liabilities</b>			
Loan notes	9	<b>(891.5)</b>	(492.7)
<b>Total non-current liabilities</b>		<b>(891.5)</b>	(492.7)
<b>Total liabilities</b>		<b>(963.9)</b>	(562.2)
<b>Total net assets</b>		<b>1,989.9</b>	1,713.5
<b>Equity</b>			
Share capital	10	<b>17.1</b>	14.8
Share premium reserve		<b>446.7</b>	153.6
Capital reduction reserve		<b>1,188.1</b>	1,304.4
Retained earnings		<b>338.0</b>	240.7
<b>Total equity</b>		<b>1,989.9</b>	1,713.5

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 31 December 2019 amounted to £97.3 million (31 December 2018: £82.2 million).

These financial statements were approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

**Sir Richard Jewson KCVO, JP**  
Chairman

# Company Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Undistributable reserves		Distributable reserves		Total £m
		Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	
1 January 2019		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>240.7</b>	<b>1,713.5</b>
Net profit for the year		-	-	-	<b>97.3</b>	<b>97.3</b>
		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>338.0</b>	<b>1,810.8</b>
<b>Contributions and distributions</b>						
Shares issued in relation to further equity issue	10	<b>1.9</b>	<b>248.1</b>	-	-	<b>250.0</b>
Shares issued in relation to equity consideration	10	<b>0.4</b>	<b>51.9</b>	-	-	<b>52.3</b>
Share issue costs		-	<b>(6.9)</b>	-	-	<b>(6.9)</b>
Share-based payments		-	-	-	<b>2.3</b>	<b>2.3</b>
Transfer of share-based payments to liabilities to reflect settlement		-	-	-	<b>(2.3)</b>	<b>(2.3)</b>
Dividends paid	4	-	-	<b>(116.3)</b>	-	<b>(116.3)</b>
<b>31 December 2019</b>		<b>17.1</b>	<b>446.7</b>	<b>1,188.1</b>	<b>338.0</b>	<b>1,989.9</b>
1 January 2018		13.7	932.4	467.9	158.5	1,572.5
Net profit for the year		-	-	-	82.2	82.2
		13.7	932.4	467.9	240.7	1,654.7
<b>Contributions and distributions</b>						
Cancellation of share premium account		-	(932.4)	932.4	-	-
Shares issued in relation to further equity issue	10	1.1	154.4	-	-	155.5
Share issue expenses in relation to equity issue		-	(2.6)	-	-	(2.6)
Shares issued in relation to management contract		-	1.8	-	-	1.8
Share-based payments		-	-	-	2.0	2.0
Transfer of share-based payments to liabilities to reflect settlement		-	-	-	(2.0)	(2.0)
Dividends paid	4	-	-	(95.9)	-	(95.9)
<b>31 December 2018</b>		<b>14.8</b>	<b>153.6</b>	<b>1,304.4</b>	<b>240.7</b>	<b>1,713.5</b>

# Notes to the Company Accounts

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

### Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of Tritax Big Box REIT plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share-based payments;
- Financial instruments; and
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

### Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of accounting

These financial statements have been presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and policies in the United Kingdom ("UK GAAP").

### Currency

The Company financial statements are presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest 0.1 million (£m), except where otherwise indicated.

### Other income

Other income represents dividend income which has been declared by its subsidiaries and is recognised when it is received.

### Dividends payable for Shareholders

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at an Annual General Meeting.

#### 1.1. Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Company Balance Sheet at fair value with changes in fair value recognised in the profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

##### *Amortised cost*

These assets arise principally from the provision of goods and services to Customers (such as trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, 12-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise rent and other receivables and cash and cash equivalents in the Company Balance Sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

##### *Investments in subsidiaries*

The investments in subsidiary companies are included in the Company's Balance Sheet at cost less provision for impairment.

##### *Share-based payments*

The expense relating to share-based payments is accrued over the year in which the service is received and is measured at the fair value of those services received. The extent to which the expense is not settled at the reporting period end is recognised as a liability as any shares outstanding remain contingently issuable. Contingently issuable shares are treated as dilutive to the extent that, based on market factors prevalent at the reporting year-end, the shares would be issuable.

## Notes to the Company Accounts continued

### 1. Accounting policies continued

#### Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

### 2. Standards issued and effective from 1 January 2019

#### IFRS 16: Leases

The Company does not hold any material operating or leasehold agreements as lessee. The impact of IFRS 16 has been assessed and considered to be immaterial.

### 3. Taxation

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
UK corporation tax	–	–

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2019.

### 4. Dividends paid

For detail of dividends paid by the Company during the year, refer to note 14 of the Group's financial statements.

### 5. Investment in subsidiaries

	Shares £m	Loan £m	Total £m
As at 1 January 2019	1,319.3	–	1,319.3
Increase in investments via share purchase	654.6	–	654.6
<b>As at 31 December 2019</b>	<b>1,973.9</b>	<b>–</b>	<b>1,973.9</b>
As at 1 January 2018	1,028.2	–	1,028.2
Increase in investments via share purchase	291.1	–	291.1
<b>As at 31 December 2018</b>	<b>1,319.3</b>	<b>–</b>	<b>1,319.3</b>

The Company has the following subsidiary undertakings as at 31 December 2019:

	Principal activity	Country of incorporation	Ownership %
TBBR Holdings 1 Limited	Investment holding company	Jersey	100%*
TBBR Holdings 2 Limited	Investment holding company	Jersey	100%
Baljean Properties Limited	Property investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment holding company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment holding company	Jersey	100%
The Sherburn RDC Unit Trust	Property investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property investment	UK <sup>1</sup>	100%
Tritax Acquisition 4 Limited	Property investment	Jersey	100%
Tritax Acquisition 5 Limited	Property investment	Jersey	100%
Sonoma Ventures Limited	Property investment	BVI	100%
Tritax Ripon Limited	Property investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment holding company	UK <sup>1</sup>	100%*
Tritax Acquisition 8 Limited	Property investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment holding company	UK <sup>1</sup>	100%*
Tritax Acquisition 9 Limited	Property investment	Jersey	100%
Tritax Acquisition 10 Limited	Property investment	Jersey	100%
Tritax Acquisition 11 Limited	Property investment	Jersey	100%
Tritax Acquisition 12 Limited	Property investment	Jersey	100%
Tritax Acquisition 13 Limited	Property investment	Jersey	100%
Tritax Acquisition 14 Limited	Property investment	Jersey	100%
Tritax Worksop Limited	Property investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment holding company	UK <sup>1</sup>	100%*
Tritax Acquisition 16 Limited	Property investment	Jersey	100%
Tritax Acquisition 17 Limited	Property investment	Jersey	100%
Tritax Acquisition 18 Limited	Property investment	Jersey	100%
Tritax Harlow Limited	Property investment	Guernsey	100%
Tritax Lymedale Limited	Property investment	Guernsey	100%
Tritax Acquisition 21 Limited	Property investment	Jersey	100%
Tritax Acquisition 22 Limited	Property investment	Jersey	100%
Tritax Acquisition 23 Limited	Property investment	Jersey	100%
Tritax Acquisition 24 Limited	Property investment	Jersey	100%
Tritax Knowsley Limited	Property investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property investment	BVI	100%
Tritax Acquisition 28 Limited	Property investment	Jersey	100%
Tritax Peterborough Limited	Property investment	Jersey	100%



## 5. Investment in subsidiaries continued

	Principal activity	Country of incorporation	Ownership %
Tritax Littlebrook 2 Limited	Property investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property investment	Jersey	100%
Tritax Atherstone (UK) Limited	Property investment	UK <sup>1</sup>	100%
Tritax Stoke DC1&2 Limited	Investment holding company	Jersey	100%*
Tritax Stoke DC3 Limited	Investment holding company	Jersey	100%*
Tritax Holdings CL Debt Limited	Investment holding company	Jersey	100%*
Tritax Portbury Limited	Property investment	Jersey	100%
Tritax Newark Limited	Property investment	Jersey	100%
Tritax Carlisle Limited	Investment holding company	Jersey	100%*
Tritax Worksop 18 Limited	Property investment	Jersey	100%*
Tritax Stoke Management Limited	Management company	UK <sup>1</sup>	100%
Tritax Holdings PGIM Debt Limited	Investment holding company	Jersey	100%*
Tritax Merlin 310 Trafford Park Limited	Property investment	Jersey	100%*
Tritax West Thurrock Limited	Property investment	Jersey	100%
Tritax Tamworth Limited	Property investment	Jersey	100%
Tritax Acquisition 34 Limited	Property investment	Jersey	100%
Tritax Acquisition 35 Limited	Property investment	Jersey	100%
Tritax Acquisition 36 Limited	Property investment	Jersey	100%*
Tritax Acquisition 37 Limited	Property investment	Jersey	100%*
Tritax Acquisition 38 Limited	Property investment	Jersey	100%*
Tritax Acquisition 39 Limited	Property investment	Jersey	100%*
Tritax Acquisition 40 Limited	Property investment	Jersey	100%*
Tritax Acquisition 41 Limited	Property investment	Jersey	100%*
Tritax Littlebrook 1 Limited	Property investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property investment	Jersey	100%
Tritax Atherstone Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 42 Limited	Property investment	Jersey	100%*
Tritax Acquisition 43 Limited	Property investment	Jersey	100%*
Tritax Carlisle UK Limited	Investment holding company	UK <sup>1</sup>	100%
Tritax Edinburgh Way Harlow Limited	Property investment	Jersey	100%*
Tritax Crewe Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 44 Limited	Property investment	Jersey	100%*
Tritax Acquisition 45 Limited	Property investment	Jersey	100%*
Tritax Acquisition 46 Limited	Property investment	Jersey	100%*
Tritax Acquisition 47 Limited	Property investment	Jersey	100%*
Tritax Acquisition 48 Limited	Property investment	Jersey	100%*
Tritax Symmetry Limited <sup>#</sup>	Investment holding company	Jersey	100%*
db Symmetry Group Ltd <sup>#</sup>	Investment holding company	UK <sup>2</sup>	100%
db Symmetry Ltd <sup>#</sup>	Investment holding company	UK <sup>2</sup>	100%
Tritax Symmetry (BVI) Ltd (formerly known as db Symmetry (BVI) Ltd)	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Holdings (Biggleswade) Co Ltd (formerly known as db Symmetry Holdings (Biggleswade) Co Ltd) <sup>#</sup>	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Biggleswade) Co Ltd (formerly known as db Symmetry Properties (Biggleswade) Co Ltd) <sup>#</sup>	Property investment	British Virgin Islands	100%
Tritax Symmetry Holdings (Blyth) Co Ltd (formerly known as db Symmetry Holdings (Blyth) Co Ltd) <sup>#</sup>	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Blyth) Co. Ltd (formerly known as db Symmetry Properties (Blyth) Co. Ltd) <sup>#</sup>	Property investment	British Virgin Islands	100%
Tritax Symmetry Holdings (Middlewich) Co. Ltd (formerly known as db Symmetry Holdings (Middlewich) Co. Ltd) <sup>#</sup>	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Middlewich) Co. Ltd (formerly known as db Symmetry Properties (Middlewich) Co. Ltd) <sup>#</sup>	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Development (Blyth) UK Ltd (formerly known as db Symmetry Development (Blyth) UK Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry Development (Biggleswade) UK Ltd (formerly known as db Symmetry Development (Biggleswade) UK Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry Ardley Limited (formerly known as db Symmetry Ardley Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Bicester 2 Limited (formerly known as db Symmetry Bicester Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Flore Ltd (formerly known as db Symmetry Flore Jersey Limited) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Rugby South Ltd (formerly known as db Symmetry Rugby South Jersey Limited) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry St Helens Ltd (formerly known as db Symmetry St Helens Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Wigan Ltd (formerly known as db Symmetry Wigan Jersey Limited) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Oxford North Ltd (formerly known as db Symmetry Oxford North Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%

## Notes to the Company Accounts continued

### 5. Investment in subsidiaries continued

	Principal activity	Country of incorporation	Ownership %
Tritax Symmetry Northampton Ltd (formerly known as db Symmetry Northampton Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Huyton Ltd (formerly known as db Symmetry Huyton Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry South Elmsall Ltd (formerly known as db Symmetry South Elmsall Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry (Goole) Ltd (formerly known as db Symmetry (Goole) Limited) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Midlands) Ltd (formerly known as db Symmetry (Midlands) Ltd) <sup>#</sup>	Investment holding company	UK <sup>2</sup>	100%
Tritax Symmetry (Aston Clinton) Ltd (formerly known as db Symmetry (Aston Clinton) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry Leicester South Ltd (formerly known as db Symmetry Whetstone Jersey Ltd) <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry Gloucester Ltd <sup>#</sup>	Property investment	Jersey	100%
Tritax Symmetry (Speke) Ltd (formerly known as db Symmetry (Speke) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Barwell) Ltd (formerly known as db Symmetry (Barwell) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Rugby) Ltd (formerly known as db Symmetry (Rugby) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Hinckley) Ltd (formerly known as db Symmetry (Hinckley) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Darlington) Ltd (formerly known as db Symmetry (Darlington) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Blyth) Ltd (formerly known as db Symmetry (Blyth) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Bicester Reid) Ltd (formerly known as db Symmetry (Bicester Reid) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Wigan) Ltd (formerly known as db Symmetry (Wigan) Ltd) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
db Symmetry North Ltd <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Land) LLP (formerly known as db Symmetry (Land) LLP) <sup>#</sup>	Investment holding company	UK <sup>2</sup>	100%
Tritax Symmetry (Kettering) LLP (formerly known as db Symmetry (Kettering) LLP) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Lutterworth) LLP (formerly known as db Symmetry (Lutterworth) LLP) <sup>#</sup>	Property investment	UK <sup>2</sup>	100%
Tritax Symmetry (Northampton) LLP (formerly known as db Symmetry (Northampton) LLP) <sup>#</sup>	Investment holding company	UK <sup>2</sup>	100%
Symmetry Park Darlington Management Company Ltd <sup>#</sup>	Management company	UK <sup>2</sup>	100%
Symmetry Park Aston Clinton Management Company Limited <sup>#</sup>	Management company	UK <sup>2</sup>	100%

\* These are direct subsidiaries of the Company.

# These are new investments of the Company in the year.

The registered addresses for subsidiaries across the Group are consistent based on their country of incorporation and are as follows:

Jersey entities: 13-14 Esplanade, St Helier, Jersey JE1 1EE

Guernsey entities: PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

Isle of Man entities: 33-37 Athol Street, Douglas, Isle of Man IM1 1LB

BVI entities: Jayla Place, Wickhams Cay 1, PO Box 3190, Road Town, Tortola, BVI VG1110

UK<sup>1</sup> entities: 3rd Floor, 6 Duke Street St James's, London SW1Y 6BN

UK<sup>2</sup> entities: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA

The Company also has interests in the following joint arrangements as at 31 December 2019:

	Principal activity	Country of incorporation	Ownership %
Symmetry Park Doncaster Management Company Limited <sup>#</sup>	Management company	UK <sup>2</sup>	50%
Symmetry Park Bicester Management Company Limited <sup>#</sup>	Management company	UK <sup>2</sup>	33%

# These are new investments of the Company in the year.

All of the companies registered offshore are managed onshore and are UK residents for UK corporation purposes, save for the Sherburn Unit Trust.

### 6. Rent and other receivables

	31 December 2019 £m	31 December 2018 £m
Amounts receivable from Group companies	973.6	943.6
Prepayments	0.1	2.1
Other receivables	2.8	1.1
	<b>976.5</b>	946.8

All amounts fall due for repayment within one year. The loans to Group companies are repayable on demand with no fixed repayment date. Interest is charged between 0-10% (2018: 0%).

### 7. Cash held at bank

	31 December 2019 £m	31 December 2018 £m
Cash held at bank	3.4	9.6

## 8. Trade and other payables

	31 December 2019 £m	31 December 2018 £m
Trade and other payables	4.0	3.3
Accruals	9.7	7.4
	<b>13.7</b>	10.7

## 9. Loan notes

	31 December 2019 £m	31 December 2018 £m
<b>Bonds</b>		
2.625% Bonds 2026	249.2	249.1
3.125% Bonds 2031	247.1	246.8
2.860% USPP 2028	250.0	–
2.980% USPP 2030	150.0	–
Less: unamortised costs on loan notes	(4.8)	(3.2)
Non-current liabilities: net borrowings	<b>891.5</b>	492.7

	31 December 2019 £m	31 December 2018 £m
<b>Maturity of loan notes</b>		
Repayable between one and two years	–	–
Repayable between two and five years	–	–
Repayable in over five years	896.3	495.9
	<b>896.3</b>	495.9

The Company signed a private placement of £400 million new senior unsecured loan notes with a number of new institutional investors (the "Loan Notes") on 4 December 2018. The Loan Notes comprised two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years. The funds were drawn on 28 February 2019.

## 10. Equity reserves

Refer to note 28 of the Group's financial statements.

## 11. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

For all other related party transactions make reference to note 31 of the Group's financial statements.

## 12. Directors' remuneration

Refer to note 9 of the Group's financial statements.

## 13. Subsequent events

Refer to note 34 of the Group's financial statements.

# Notes to the EPRA and Other Key Performance Indicators

## 1. EPRA earnings per share

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total comprehensive income (attributable to Shareholders)	141.2	252.6
Adjustments to remove:		
Changes in fair value of Investment properties	(54.5)	(163.0)
Changes in fair value of interest rate derivatives	5.2	1.2
Gain on bargain purchase and impairment of intangible and other property assets	(7.2)	–
Costs associated with a business combination	4.2	1.0
<b>Profits to calculate EPRA earnings per share</b>	<b>88.9</b>	91.8
Add back: Changes in fair value of contingent consideration payable	0.5	–
<b>Profits to calculate EPRA diluted earnings per share</b>	<b>89.4</b>	91.8
Weighted average number of Ordinary Shares	<b>1,681,525,273</b>	1,440,012,547
<b>EPRA earnings per share – basic</b>	<b>5.29p</b>	6.37p
Dilutive shares to be issued	<b>8,520,625</b>	–
<b>EPRA earnings per share – diluted</b>	<b>5.29p</b>	6.37p

## 2. EPRA NAV per share

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Net assets at end of period	2,561.2	2,240.9
Adjustments to calculate EPRA NAV:		
Changes in fair value of interest rate derivatives – 2019	5.2	–
Changes in fair value of interest rate derivatives – 2018	1.2	1.2
Changes in fair value of interest rate derivatives – 2017	(0.7)	(0.7)
Changes in fair value of interest rate derivatives – 2016	7.1	7.1
Changes in fair value of interest rate derivatives – 2015	2.0	2.0
Changes in fair value of interest rate derivatives – 2014	2.6	2.6
<b>EPRA net assets</b>	<b>2,578.6</b>	2,253.1
Shares in issue at 31 December 2019	<b>1,706,974,948</b>	1,474,233,401
Dilutive shares in issue	–	–
<b>Dilutive EPRA NAV per share</b>	<b>151.06p</b>	152.83p

## 3. EPRA NNAV

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
EPRA net assets	2,578.6	2,253.1
Include:		
Fair value of financial instruments	(17.4)	(12.2)
Fair value of debt <sup>1</sup>	(53.0)	16.8
<b>EPRA NNAV</b>	<b>2,508.2</b>	2,257.7
Shares in issue at 31 December 2018	<b>1,706,974,948</b>	1,474,233,401
Dilutive shares in issue	–	–
<b>EPRA NNAV per share</b>	<b>146.94p</b>	153.14p

<sup>1</sup> Difference between interest-bearing loans and borrowings included in Balance Sheet at amortised cost, and the fair value of interest bearing loans and borrowings.

#### 4. EPRA net initial yield (NIY) and EPRA “topped up” NIY

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Investment property – wholly owned	3,511.9	3,418.2
Less: development properties	(297.2)	(730.0)
Completed property portfolio	3,214.7	2,688.2
Allowance for estimated purchasers’ costs	218.0	182.3
Gross up completed property portfolio valuation (B)	3,432.7	2,870.5
Annualised passing rental income	166.6	161.1
Less: contracted rental income in respect of development properties	(13.9)	(31.2)
Property outgoings	(0.1)	(1.1)
Less: contracted rent under rent free period	(3.6)	(3.5)
Annualised net rents (A)	149.0	125.3
Contractual increases for fixed uplifts	8.8	8.9
Topped up annualised net rents (C)	157.8	134.2
<b>EPRA net initial yield (A/B)</b>	<b>4.34%</b>	4.37%
<b>EPRA topped up net initial yield (C/B)</b>	<b>4.60%</b>	4.68%

#### 5. EPRA Vacancy Rate

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Annualised estimated rental value of vacant premises	2.0	–
Portfolio estimated rental value <sup>1</sup>	165.2	152.7
<b>EPRA vacancy rate</b>	<b>1.22%</b>	0.0%

<sup>1</sup> Excludes land held for development.

#### 6. EPRA Cost Ratio

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Property operating costs	0.1	1.1
Administration expenses	21.7	18.1
Service charge costs recovered through rents but not separately invoiced	–	(0.9)
Total costs including and excluding vacant property costs (A)/(B)	21.8	18.3
Gross rental income – per IFRS	144.4	133.9
Less: Service charge cost components of gross rental income	–	(0.9)
Gross rental income (C)	144.4	133.0
<b>Total EPRA cost ratio (including and excluding vacant property costs)</b>	<b>15.1%</b>	13.7%

#### 7. Total return

	Year ended 31 December 2019	Year ended 31 December 2018
Opening EPRA NAV	152.83p	142.24p
Closing EPRA NAV	151.06p	152.83p
Change in EPRA NAV	(1.79p)	10.59p
Dividends paid	6.81p	6.63p
Total growth in EPRA NAV plus dividends paid	5.04p	17.22p
<b>Total return</b>	<b>3.30%</b>	12.11%
One-off transactional costs	3.83p	–
<b>Total return excluding one-off transactional costs</b>	<b>5.80%</b>	12.11%

#### 8. Total expense ratio

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total operating costs	21.8	18.3
Average net assets over the period	2,519.7	2,093.9
<b>Total expense ratio</b>	<b>0.87%</b>	0.87%

# Five Year Summary

## Group Statement of Comprehensive Income

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Gross rental income	144.4	133.9	108.0	74.7	43.7
Service charge income	4.1	3.9	2.9	2.2	1.4
Service charge expense	(4.2)	(5.0)	(3.0)	(2.3)	(1.4)
<b>Net rental income</b>	<b>144.3</b>	132.8	107.9	74.6	43.7
Other operating income	4.1	–	–	–	–
Administrative and other expenses	(21.7)	(18.1)	(14.1)	(11.7)	(7.8)
Acquisition-related costs	(4.2)	(1.0)	–	–	–
<b>Operating profit before changes in fair value of Investment properties, share of profit from joint ventures and share-based payment charges</b>	<b>122.5</b>	113.7	93.8	62.9	35.9
Impairment of intangible and other property assets	(0.6)	–	–	–	–
Share-based payment charge	(3.3)	–	–	–	–
Changes in fair value of contingent consideration payable	(0.5)	–	–	–	–
Changes in fair value of Investment properties	54.5	163.0	176.0	47.5	106.8
Gain on bargain purchase	7.8	–	–	–	–
<b>Operating profit</b>	<b>180.4</b>	276.7	269.8	110.4	142.7
Finance income	0.4	0.2	0.4	0.2	0.3
Finance expense	(34.4)	(23.1)	(20.3)	(11.6)	(7.0)
Changes in fair value of interest rate derivatives	(5.2)	(1.2)	(2.1)	(7.1)	(2.0)
<b>Profit before taxation</b>	<b>141.2</b>	252.6	247.8	91.9	134.0
<b>Tax on profit for the period</b>	<b>–</b>	–	–	–	–
<b>Profit and total comprehensive income</b>	<b>141.2</b>	252.6	247.8	91.9	134.0
<b>Earnings per share – basic</b>	<b>8.40p</b>	17.54p	19.54p	10.52p	21.56p
<b>Earnings per share – diluted</b>	<b>8.38p</b>	17.54p	19.53p	10.51p	21.54p

## Group Statement of Financial Position

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
<b>Non-current assets</b>					
Intangible assets	2.3	–	–	–	–
Investment property	3,541.2	3,038.3	2,599.2	1,803.1	1,157.9
Investment in land options	226.0	–	–	–	–
Investment in joint ventures	30.1	–	–	–	–
Other property assets	13.9	–	–	–	–
Interest rate derivatives	1.3	5.2	2.0	3.2	8.6
<b>Total non-current assets</b>	<b>3,814.8</b>	3,043.5	2,601.2	1,806.3	1,166.5
<b>Current assets</b>					
Rent and other receivables	25.7	42.3	10.2	9.2	19.7
Cash at bank	21.4	48.3	78.1	170.7	68.6
<b>Total current assets</b>	<b>47.1</b>	90.6	88.3	179.9	88.3
<b>Total assets</b>	<b>3,861.9</b>	3,134.1	2,689.5	1,986.1	1,254.8
<b>Current liabilities</b>					
Deferred rental income	(35.3)	(30.2)	(27.6)	(19.5)	(11.8)
Trade and other payables	(76.1)	(42.5)	(23.4)	(18.6)	(24.3)
Tax liabilities	(18.7)	–	–	–	–
<b>Total current liabilities</b>	<b>(130.1)</b>	(72.7)	(51.0)	(38.1)	(36.1)
<b>Non-current liabilities</b>					
Bank borrowings	(256.2)	(327.8)	(216.8)	(533.5)	(377.6)
Loan notes	(891.5)	(492.7)	(492.2)	–	–
Amounts due to third parties	(22.9)	–	–	–	–
<b>Total non-current liabilities</b>	<b>(1,170.6)</b>	(820.5)	(709.0)	(533.5)	(377.6)
<b>Total liabilities</b>	<b>(1,300.7)</b>	(893.2)	(760.0)	(571.6)	(413.7)
<b>Total net assets</b>	<b>2,561.2</b>	2,240.9	1,929.5	1,414.5	841.1
<b>Equity</b>					
Share capital	17.1	14.8	13.7	11.1	6.8
Share premium reserve	446.7	153.6	932.4	589.4	52.7
Capital reduction reserve	1,188.1	1,304.4	467.9	546.3	605.8
Retained earnings	909.3	768.1	515.5	267.7	175.8
<b>Total equity</b>	<b>2,561.2</b>	2,240.9	1,929.5	1,414.5	841.1
<b>Net asset value per share – basic</b>	<b>150.04p</b>	152.00p	141.50p	128.00p	124.09p
<b>Net asset value per share – diluted</b>	<b>150.04p</b>	152.00p	141.44p	127.93p	124.01p
<b>EPRA net asset value per share – diluted</b>	<b>151.06p</b>	152.83p	142.24p	129.00p	124.68p

# Glossary of Terms

## **“Adjusted Earnings”**

Post-tax earnings attributable to Shareholders, adjusted to include licence fees receivable on Forward Funded Development assets and adjusts for other earnings not supported by cash flows. “Adjusted Earnings per share” or “Adjusted EPS” on a per share basis.

## **“B and C Shares”**

The B and C Shares in Tritax Symmetry issued to the Symmetry Management Shareholders.

## **“Big Box”**

A “Big Box” property or asset refers to a specific subsegment of the logistics sector of the real estate market, relating to very large logistics warehouses (each with typically over 500,000 sq ft of floor area) with the primary function of holding and distributing finished goods, either downstream in the supply chain or direct to consumers, and typically having the following characteristics: generally a modern constructed building with eaves height exceeding 12 metres; let on long leases with institutional-grade tenants; with regular, upward-only rental reviews; having a prime geographical position to allow both efficient stocking (generally with close links to sea ports or rail freight hubs) and efficient downstream distribution; and increasingly with sophisticated automation systems or a highly bespoke fit out.

## **“Board”**

The Directors of the Company.

## **“BREEAM”**

The Building Research Establishment Environmental Assessment Method certification of an asset’s environmental, social and economic sustainability performance, using globally recognised standards.

## **“Company”**

Tritax Big Box REIT plc (company number 08215888).

## **“CPI”**

Consumer Price Index, a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care as calculated on a monthly basis by the Office of National Statistics.

## **“Current development pipeline”**

Assets that are in the course of construction or assets for which we have made a construction commitment.

## **“CVA”**

A company voluntary liquidation, a legally binding agreement between a business and its creditors which sets out a debt repayment plan and enables a viable business to avoid insolvency.

## **“db Symmetry”**

db Symmetry Group Ltd and db symmetry BVI Limited, together with their subsidiary undertakings and joint venture interests, which were acquired by the Group in February 2019.

## **“Directors”**

The directors of the Company as of the date of this report being Sir Richard Jewson, Aubrey Adams, Susanne Given, Alastair Hughes, Richard Laing and Karen Whitworth.

## **“Development Management Agreement” or “DMA”**

An agreement between the Group and a developer setting out the terms in respect of the development of an asset. In particular, the development of the Symmetry Portfolio is the subject of a DMA between Tritax Symmetry and Symmetry ManCo.

## **“Development portfolio” or “Development assets”**

The Group’s Development portfolio comprises its property assets which are not Investment assets, including land, options over land as well as any assets under construction on a speculative basis.

## **“EPC rating”**

A review of a property’s energy efficiency.

## **“EPRA”**

European Public Real Estate Association.

## **“EPRA Earnings”**

Earnings from operational activities (which excludes the licence fees receivable on our Forward Funded Development assets).

## **“EPRA NAV” or “EPRA Net Asset Value”**

The Basic Net Asset Value adjusted to meet EPRA Best Practices Recommendations Guidelines (2016) requirements by excluding the impact of any fair value adjustments to debt and related derivatives and other adjustments and reflecting the diluted number of Ordinary Shares in issue.

## **“EPRA Triple Net Asset Value (NNNAV)”**

EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.

## **“EPRA Net Initial Yield (NIY)”**

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser’s costs.

## **“EPRA ‘Topped-Up’ NIY”**

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).

## **“EPRA Vacancy”**

Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.

## **“EPRA Cost Ratio”**

Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

## **“Estimated cost to completion”**

Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

## **“Estimated rental value” or “ERV”**

The estimated annual market rental value of lettable space as determined biannually by the Group’s valuers. This will normally be different from the rent being paid.

## **“FCA”**

The United Kingdom Financial Conduct Authority (or any successor entity or entities).

## **“Forward Funded Development”**

Where the Company invests in an asset which is either ready for, or in the course of, construction, pre-let to an acceptable counterparty. In such circumstances, the Company seeks to negotiate the receipt of immediate income from the asset, such that the developer is paying the Company a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease. Expert developers are appointed to run the development process.

## **“Foundation asset”**

Foundation assets provide the core, low-risk income that underpins our business. They are usually let on long leases to customers with excellent covenant strength. These buildings are commonly new or modern and in prime locations, and the leases have regular upward-only rent reviews, often either fixed or linked to Inflation Indices.

## **“FRI Lease”**

Full Repairing and Insuring Lease. During the lease term tenant is responsible for all repairs and decoration to the property, inside and out. And the building insurance premium is recoverable from the tenant.

## **“Future development pipeline”**

The Group’s land bank for future development typically controlled under option agreements which do not form part of the Current or Near Term development pipeline.

## **“Gearing”**

Net borrowings divided by total shareholders’ equity excluding intangible assets and deferred tax provision.



**“GIA”**

Under the RICS Code of Measuring Practice (6th Edition) the Gross Internal Area (GIA) is the basis of measurement for valuation of industrial buildings (including ancillary offices) and warehouses. The area of a building measured to the internal face of the perimeter walls at each floor level (including the thickness of any internal walls). All references to building sizes in this document are to the GIA.

**“GAV”**

The Group's gross asset value.

**“Global Real Estate Sustainability Benchmark (GRESB) Assessment”**

GRESB assesses the ESG performance of real estate and infrastructure portfolios and assets worldwide, providing standardised and validated data to the capital markets.

**“Gross rental income”**

Contracted rental income recognised in the period, in the income statement, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight-line basis over the lease term.

**“Group” or “REIT Group”**

The Company and all of its subsidiary undertakings.

**“Growth Covenant asset”**

Growth Covenant assets are fundamentally sound assets in good locations, let to customers we perceive to be undervalued at the point of purchase and who have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects. These assets offer value enhancement through yield compression.

**“IMA”**

**The Investment Management Agreement between the Manager and the Company.**

**“Investment portfolio” or “Investment assets”**

The Group's Investment Portfolio comprises let or pre-let (in the case of Forward Funded Developments) assets which are income generating, as well as any speculative development assets which have reached practical completion but remain unlet.

**“Investment property”**

Completed land and buildings held for rental income return and/or capital appreciation.

**“Land asset”**

Opportunities identified in land which the Manager believes will enable the Company to secure, typically, pre-let Forward Funded Developments in locations which might otherwise attract lower yields than the Company would want to pay, delivering enhanced returns but controlling risk.

**“LIBOR”**

London Interbank Offered Rate.

**“Link” or “Link Asset Services”**

A trading name of Link Market Services Limited (company number 2605568).

**“Listing Rules”**

The listing rules made by the Financial Conduct Authority under section 73A of FSMA.

**“Loan Notes”**

The loan notes issued by the Company on 4 December 2018.

**“Loan to Value (LTV)”**

The proportion of our gross asset value that is funded by borrowings.

**“London Stock Exchange”**

London Stock Exchange plc.

**“Manager”**

Tritax Management LLP (partnership number 0C326500).

**“Minimum Energy Efficiency Standards (MEES)”**

The legal standard for minimum energy efficiency which applies to rented commercial buildings as regulated by the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.

**“Near-term development pipeline”**

Sites which have either received planning consent or sites where planning applications have been submitted prior to the year end.

**“Net equivalent yield”**

The internal rate of return from an Investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

**“Net initial yield”**

The annual rent from a property divided by the combined total of its acquisition price and expenses.

**“Net rental income”**

Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

**“Net zero carbon”**

Highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset.

**“Non-PID Dividend”**

A dividend received by a shareholder of the principal company that is not a PID.

**“Ordinary Shares”**

Ordinary Shares of £0.01 each in the capital of the Company.

**“Passing rent”**

The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV). Excludes rental income where a rent-free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

**“PID” or “Property income distribution”**

A dividend received by a shareholder of the principal company in respect of profits and gains of the Property Rental Business of the UK resident members of the REIT group or in respect of the profits or gains of a non-UK resident member of the REIT group insofar as they derive from their UK Property Rental Business.

**“Portfolio”**

The overall portfolio of the Company including both the Investment and Development portfolios.

**“Portfolio Value”**

The value of the Portfolio which, as well as the Group's standing assets, includes capital commitments on Forward Funded Developments, Land Assets held at cost, the Group's share of joint venture assets and other property assets.

**“Pre-let”**

A lease signed with a customer prior to commencement of a development.

**“REIT”**

A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications.

**“Rent roll”**

See “Passing rent”.

**“RPI”**

Retail price index, an inflationary indicator that measures the change in the cost of a fixed basket of retail goods as calculated on a monthly basis by the Office of National Statistics.

**“SDLT”**

Stamp Duty Land Tax – the tax imposed by the UK Government on the purchase of land and properties with values over a certain threshold.

## Glossary of terms continued

### **“Shareholders”**

The holders of Ordinary Shares.

### **“Speculative development”**

Where a development has commenced prior to a lease agreement being signed in relation to that development.

### **“sq ft”**

Square foot or square feet, as the context may require.

### **“Symmetry Management Shareholders”**

The holders of B and C Shares in Tritax Symmetry.

### **“Symmetry ManCo”**

db Symmetry Management Limited, a private limited company incorporated in England and Wales (registered number 11685402) which has an exclusive development management agreement with Tritax Symmetry to manage the development of the Tritax Symmetry Portfolio.

### **“Topped up net initial yield”**

Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent-free period at the valuation date thereby providing the Group with income during the rent-free period. This is in accordance with EPRA's Best Practices Recommendations.

### **“Total Expense Ratio” or “TER”**

The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.

### **“Total Return”**

Net total return, being the percentage change in EPRA NAV over the relevant period plus dividends paid.

### **“Total Shareholder Return”**

A measure of the return based upon share price movement over the period and assuming reinvestment of dividends.

### **“Tritax Symmetry”**

Tritax Symmetry Limited, a limited company incorporated in Jersey (registered number 127784).

### **“Tritax Symmetry Portfolio”**

The portfolio of assets held through Tritax Symmetry following the acquisition of db Symmetry in February 2019, including land, options over land and a number of assets under development.

### **“UK AIFMD Rules”**

The laws, rules and regulations implementing AIFMD in the UK, including without limitation, the Alternative Investment Fund Managers Regulations 2013 and the Investment Funds sourcebook of the FCA.

### **“Value Add asset”**

These assets are typically let to customers with good covenants and offer the chance to grow the assets' capital value or rental income, through lease engineering or physical improvements to the property. We do this using our asset management capabilities and understanding of customer requirements. These are usually highly re-lettable. It also includes assets developed on a speculative basis which have reached practical completion but remain unlet at the period end.

### **“WAULT” or “Weighted Average Unexpired Lease Term”**

The income for each property applied to the remaining life for an individual property or the lease and expressed as a portfolio average in years. In respect of Forward Funded Developments, the unexpired term from lease start date.

### **“Yield on cost”**

The expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let or actual rental value for completed developments or those pre-let, as appropriate, divided by the estimated or actual total costs of the development.

## **Cautionary Statement**

This Annual Report and the Tritax Big Box REIT plc website may contain certain 'forward-looking statements' with respect to Tritax Big Box REIT plc's ("Company") financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Company operates. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Company operates; changes in the legal, regulatory and competition frameworks in which the Company operates; changes in the markets from which the Company raises finance; the impact of legal or other proceedings against or which affect the Company; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates. Any forward-looking statements made in this Annual Report or Tritax Big Box REIT plc website, or made subsequently, which are attributable to the Company, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements. Nothing in this Annual Report or the Tritax Big Box REIT plc website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

# Company Information

Company Registration Number: 08215888  
Incorporated in the United Kingdom

## Directors, Management and Advisers

### Directors

**Sir Richard Jewson** KCVO, JP  
Non-Executive Chairman

**Aubrey Adams** OBE, FCA, FRICS  
Senior Independent Director

**Susanne Given**  
Non-Executive Director

**Alastair Hughes** FRICS  
Non-Executive Director

**Richard Laing** FCA  
Non-Executive Director

**Karen Whitworth** ACA  
Non-Executive Director

### Registered office

3rd Floor  
6 Duke Street St James's  
London  
SW1Y 6BN

### Manager

**Tritax Management LLP**  
3rd Floor  
6 Duke Street St James's  
London  
SW1Y 6BN

### Joint Financial Adviser

**Akur Limited**  
66 St James's Street  
London  
SW1A 1NE

### Joint Financial Adviser and Corporate Broker

**Jefferies International Limited**  
100 Bishopsgate  
London  
EC2N 4JL

### Legal Advisers to the Company

as to English law  
**Taylor Wessing LLP**  
5 New Street Square  
London  
EC4A 3TW

### Auditor

**BDO LLP**  
55 Baker Street  
London  
W1U 7EU

### Company Secretary

**Tritax Management LLP**  
3rd Floor  
6 Duke Street St James's  
London  
SW1Y 6BN

### Registrar

**Computershare Investor Services PLC**  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### Administrator

**Link Asset Services**  
Beaufort House  
51 New North Road  
Exeter  
EX4 4EP

### Depository

**Langham Hall UK Depository LLP**  
8th Floor  
1 Fleet Place  
London  
EC4M 7RA

### Valuers

**CBRE Limited**  
Henrietta House  
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