TRITAX BIG BOX

Tritax Big Box REIT plc Annual Report 2017

Fulfilling structural change

CONTENTS

TRITAX BIG BOX

Tritax Big Box is the UK's leading investment company focused on larger scale logistics real estate. These properties are critically important to our Customers helping them to deliver their long-term business strategies by improving operational efficiency, providing cost savings and fulfilling fast growing e-commerce sales.

Strong demand and limited supply, both occupationally and for investment stock, make Big Box logistics one of the most exciting asset classes in UK real estate. We invest in and actively manage existing income-producing assets, land suitable for Big Box development and pre-let forward funded developments.

We have assembled and created a UK portfolio unmatched in quality. Our Customers include some of the biggest names in retail, logistics, consumer products and automotive, and we look to build long-term and mutually beneficial relationships with them to enhance their businesses and ours.

Our 'core-plus' strategy is supported by high-quality income which underpins our desire to deliver secure, attractive and growing dividends for our Shareholders and we seek to apply sector-leading expertise to deliver total return outperformance.

TRITAX BIG BOX AT A GLANCE

A compelling business

Our strengths, coupled with the highly attractive dynamics of our market, make us a compelling business for the long term.

1. An attractive market benefitting from structural change

Big Boxes are critical in fulfilling the changing needs of consumers. They generate cost savings and efficiencies needed to deal with the growth of e-commerce and complexities of the omni-channel supply chain. A supply and demand imbalance favouring owners of logistics assets creates powerful features in our market, including longer term leases and the potential for attractive rental growth.

See **Our Market**, pages 24-31 for more.

In 2016, Amazon took the largest annual volume of logistics floorspace for a single occupier on record

See **Our Market**, page 28 for more.

2. We selectively acquire and manage some of the UK's best logistics assets

We were first movers in this subsector and our dedication to it differentiates us from our peers. We continue to strengthen a portfolio which we believe is one of the best in the UK quoted real estate sector, including outstanding assets and institutional-grade Customers.

See **Our Portfolio**, pages 10-11 and the **Manager's Report**, pages 36-61 for more.

3. Our competitive advantage

Tritax Management LLP is our Investment Manager. We benefit significantly from the Manager's expertise, knowledge and specialist subsector focus, to help us buy off market at attractive prices and asset manage to deliver outperformance.

See **Our Business Model**, pages 32-33 for more.

4. Delivering attractive returns for Shareholders

Long leases, growing rental income, increasing economies of scale and a largely fixed cost base allow us to offer transparent, secure and rising dividends. Tenant and investor demand for Big Boxes, plus our asset management programme, also help to protect and grow capital values.

See the **Chairman's Statement**, pages 6-7 and the **Manager's Report**, pages 36-61 for more.

5. Well positioned for further success

Our market is performing well, with strong fundamentals and offers continued attractions. Via a strong pipeline we see further opportunities to broaden the portfolio, supporting our dividend growth and total return ambitions.

See **The Year in Brief**, pages 8-9 and the **Manager's Report**, pages 36-61 for more.

2017 HIGHLIGHTS

Financial

6.40p
Dividend per share
(2016: 6.20p)
+3.2%

142.24p
EPRA NAV
(2016: 129.00p)
+10.3%

15.2%
Total return
(2016: 9.6%)
+58.3%

6.37p
Adjusted earnings per share
(2016: 6.51p)
-2.2%

£2.61bn
Portfolio value
(2016: £1.89bn)
+38.1%

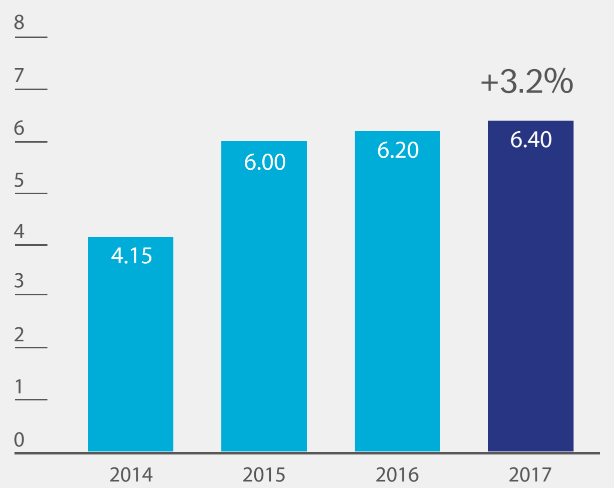
£247.80m
Profit before tax
(2016: £91.90m)
+169.6%

£2.03bn
Market capitalisation
(2016: £1.54bn)
+31.8%

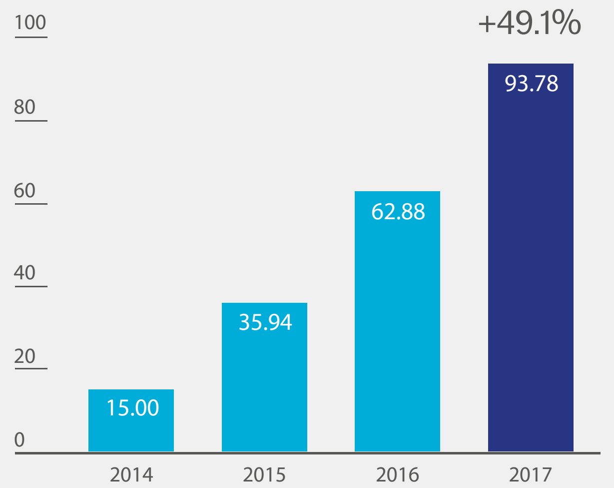
£350m
Equity raised
(2016: £550m)

£940m
Diversified borrowings arranged
(2016: £72m)

Dividend declared per share (p)
6.40p
(+0.20p)



Operating profit before changes in fair value of investment properties (£m)
£93.78m
(+£30.90m)



Operational

+11
Big Box assets acquired
(Aggregate purchase price: £434.99m)

+114 acres
Prime strategic land
(Littlebrook, Dartford)

13.9yrs
Portfolio WAULT
(Against a target of 12yrs)

22.7m sq ft[1]
Portfolio 100% let or pre-let
(2016: 18.2m sq ft)

5.7%[1] NIY
Portfolio average net initial yield at purchase
(Year-end valuation of 4.6%)

93%
Assets acquired off market in 2017

Post balance sheet activity

6.70p
2018 target dividend per share
(2017: 6.40p)
+4.7%

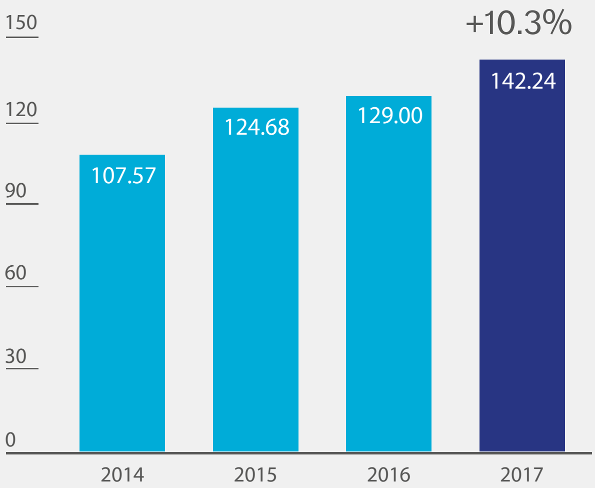
+3
Big Box assets acquired
(Aggregate purchase price: £139.81m)

+1
Conditional exchange
(Forward funded development)

EPRA NAV per share (p)

142.24p
(+13.2p)

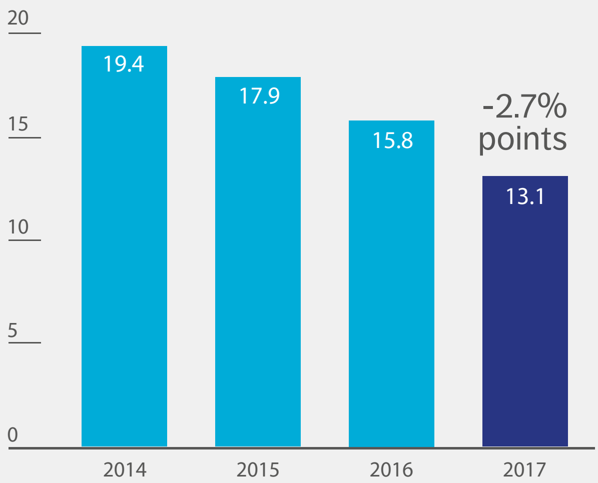
+10.3%



EPRA cost ratio (%)

13.1%

-2.7% points



1 Includes all 46 assets held at 31 December 2017; excludes Littlebrook, Dartford strategic land.

CHAIRMAN'S STATEMENT

The Group once again performed strongly in 2017, our shares delivering a Total Shareholder Return (TSR) of 12.3%. We continued to add high-quality assets to the portfolio and put in place the equity and debt financing to support our continued growth, in a market which remains compelling.

We acquired 11 investment assets during the year plus a strategic land site, at a combined price of £497.45 million (excluding purchase costs). These further diversified the portfolio by geography and building size, added new Customers and increased the number of income producing assets to 46 (plus 114 acres of strategic land at Dartford) as at the year end. These were independently valued at £2.61 billion; the like-for-like valuation uplift was 8.72%.

The Manager used its outstanding network and market intelligence to source 93% of these investments by value off market. The Manager also continued to exercise robust capital discipline to ensure that we bought assets at attractive prices. In addition to acquiring further Foundation assets (comprising 59% of purchases by value), we also took the opportunity to purchase higher yielding Value Add and Growth Covenant assets, with a view to using the Manager's asset management skills to enhance value.

During 2017, we completed four further forward funded pre-let developments, taking the total to nine and making us one of the most active development funders in the subsector. In 2016, Shareholders approved an amendment to the Investment Policy to allow us to buy strategic land. We were therefore pleased to complete contracts in September 2017 to purchase 114 acres of prime land at Dartford, in order to provide further high-quality investments over the next few years, at an attractive yield on cost. We will continue to control risk by only developing buildings on a pre-let basis.

As described on pages 50-55, our asset management programme delivered a number of successes, including a 96,476 sq ft extension of the Rolls-Royce Motor Cars facilities at Bognor Regis, a lease extension for New Look in Newcastle-under-Lyme and a pleasing rent review uplift for our property leased to Marks & Spencer at Castle Donington.

Share issuance

Shareholders continued to support our growth plans through an oversubscribed £350 million equity raise in May 2017. The level of demand reflected the increased attractions, in uncertain times, of a prime portfolio which delivers low-risk and growing income from our excellent Customers.

As envisaged, we successfully invested the equity proceeds within six months. The requirement to exercise patience and only pursue the right deals meant many of the transactions completed towards the end of the six-month period, resulting in an element of cash drag on our earnings (see below). The share issue also broadened our share register, through selective targeting of new long-term investors in the UK and internationally. Our rising market capitalisation, which stood at approximately £2.0 billion as at 31 December 2017, has helped increase our liquidity, which averaged approximately £4.0 million per day during the year.

Debt financing

The evolution of our debt platform was an important feature of the year. In December 2017 we issued £500 million of senior unsecured loan notes, representing our first bond issue. At the same time, we agreed a £350 million unsecured revolving credit facility (RCF) and repaid the majority of our secured debt; in doing so we avoided any early repayment charges. The bond issue has opened up substantial pools of liquidity and was delivered with an investment-grade credit rating of Baa1 (stable outlook). With the potential for rising interest rates we decided to refinance before the year end, which now seems well-timed.

Our ability to secure attractive debt reflects the Group's quality, increasing maturity and scale and supports our growth ambitions. The majority of our interest costs are now fixed, underpinning the security of our increasing revenues.

Operating from a largely unsecured debt platform gives us greater operational flexibility and speed of execution. We have also substantially increased our average debt maturity, which now stands at just under nine years, as well as broadening our range of lenders.

At the year end our LTV was 27%. We maintain our medium term target of 35% when fully invested and geared, against a ceiling of 40%.

Financial results

The Group's financial performance was strong in 2017. Operating profit before changes in the fair value of investment properties

increased by 49.1% to £93.78 million. Our Adjusted earnings per share (EPS) were 6.37 pence (2016: 6.51 pence), which substantially covered our dividends declared in respect of the period of 6.40 pence. The EPRA net asset value per share was 142.24 pence, up 13.24 pence or 10.3% versus 31 December 2016. Total Shareholder Return was 12.3%.

Continued cost discipline and economies of scale have helped us reduce our EPRA cost ratio to 13.1%, (2016 15.8%). This low and transparent cost base continues to compare favourably with our peers, offering good value to our Shareholders.

Dividends

The Company switched to quarterly dividend payments from the start of 2017, recognising the value to Shareholders of regular cash income.

During the year, we declared and paid three quarterly dividends of 1.60 pence per share each, in respect of 2017. On 7 March 2018, we declared a fourth quarterly dividend of 1.60 pence per share, for the three months to 31 December 2017. This will be paid on 29 March 2018, to Shareholders on the register at 16 March 2018. Total dividends declared in respect of the year therefore totalled 6.40 pence, in line with our target.

For 2018, we are targeting a progressive total dividend of 6.70 pence per share, an increase of 4.7% over 2017, supported by anticipated growth in our income (the Estimated Rental Value (ERV) of our portfolio is 7.4% higher than our passing rental income).

Board and governance

Stephen Smith resigned as a Non-Executive Director in June 2017 and the Board thanks him for his contribution. Following Stephen's departure, Susanne Given became Chair of the Management Engagement Committee and was also appointed to the Nomination Committee. In September 2017, we were pleased to announce the appointment of Aubrey Adams as a Non-Executive Director and member of the Audit Committee. Aubrey has almost 40 years' experience and knowledge at board level in the real estate industry.

The Manager

The Board believes that the Manager continues to deliver strong performance, whilst investing in talent and resource which will benefit the Group. Of particular note, the Manager appointed Sally Bruer as Head of Research and Charlie Withers as Director of Development.

The Manager is the Company's Authorised Investment Fund Manager, under the Alternative Investment Fund Managers Directive (AIFMD). To comply with the European Securities and Markets Authority's guidance on performing delegated investment management functions the Company has delegated authority to the Manager to, among other things, conduct portfolio management and risk management services on its behalf. As a result, the Manager will make final investment or divestment decisions, with the Board continuing to play an important role by offering advice on potential transactions and monitoring compliance with our Investment Policy.

Outlook

We have a sector-leading portfolio of UK Big Box assets that are benefiting from structural change driven by increasing e-commerce penetration, and the operational and financial benefits which they can provide to our Customers. The fundamentals of our market remain positive and are largely unaffected by current geopolitical and economic uncertainties. Despite the uncertainties it brings, Brexit may provide a silver lining, since with increased border controls our Customers will require more warehousing domestically, further supporting our business case.

Through the Manager's excellent relationships, we see opportunities to acquire high-quality assets and forward-funded developments to further diversify our portfolio. The continued imbalance between occupational supply and demand means that we expect rental growth and values to remain robust in 2018. The assets we acquired towards the end of 2017 will add to our rental income in 2018. Coupled with our largely fixed cost base, this will contribute to earnings growth and support our progressive dividend target of 6.70 pence for 2018.

Richard Jewson Chairman
7 March 2018

THE YEAR IN BRIEF

A year of robust delivery

Including the 114 acres of development land at Littlebrook, Dartford, we made 12 acquisitions during 2017. In doing so we have diversified the portfolio by geography and Customer and ensured that the quality of what we had is not diluted, but enhanced. Our average acquisition yield and WAULT have been protected, as has the quality of new additions.

17 January
Achieved practical completion of the forward funded development at Knottingley, pre-let to TJX UK (trading as T.K. Maxx)

22 February
Acquired a forward funded investment in a new distribution centre in Didcot, Oxfordshire for £29.24m, pre-let to Hachette UK Ltd

14 July
Achieved practical completion of the seventh forward funded development at Wolverhampton, pre-let to Gestamp Tallent Ltd

21 July
Achieved practical completion of the eighth forward funded development at Didcot, Oxfordshire pre-let to Hachette UK Ltd

24 July
Exchanged conditional contracts to purchase a 114-acre prime development site at Littlebrook, Dartford, for £62.50m

7 September
Acquired the Royal Mail distribution facility at Atherstone, Warwickshire, for £32.68m

12 September
Aubrey Adams was appointed as a Non-Executive Director and became a member of the Audit Committee

20 November
Acquired a regional distribution centre for £23.61m at Carlisle Lake District Airport, Cumbria, let to Stobart Group Limited

20 November
Acquired the Harlow logistics Hub at Harlow, let to Wincanton Holdings Ltd and Industrial Tool Services (ITS) for £40.40m

23 November
Announced proposed £1.5bn Euro Medium Term Note Programme (EMTN) to be listed on the ISE, Credit Rating, Publication of a Base Listing Particulars and announced credit rating by Moody's of Baa1

1 December
Priced £500m of senior unsecured notes under the EMTN Programme and announced a new unsecured £350m revolving credit facility. This funded the repayment of the existing £550m secured syndicated facility and two bilateral facilities with Landesbank Hessen-Thüringen Girozentrale ("Helaba") totalling £18.6m

15 December
Agreed terms to extend the maturity on its existing £50.87m loan facility with Helaba. Secured on the Ocado distribution warehouse at Erith; the facility has been extended from July 2023 to July 2025

1.55p

1.60p

£350m

1 March
Agreed a new fixed-rate, 10-year term loan facility of £90m with PGIM Real Estate Finance

7 March
Declared an interim dividend of 1.55p per share, in respect of the three months to 31 December 2016

24 April
Declared an interim dividend of 1.60p per share, in respect of the three months to 31 March 2017

11 May
Raised gross proceeds of £350m through the issue of 257,352,941 shares at a price of 136p per share

1.60p

13 July
Declared an interim dividend of 1.60p per share for the three months ending 30 June 2017

9 June
Acquired a distribution facility let to Morrisons, near Birmingham, West Midlands for £92.33m

17 May
Acquired distribution facility let to Unilever, near Doncaster, South Yorkshire for £20.90m

1.60p

26 September
Achieved practical completion of the Company's ninth forward funded development at Fradley, pre-let to Screwfix Direct Ltd

2 October
Acquired the Royal Mail distribution facility at Daventry International Rail Freight Terminal, Northamptonshire for £48.82m

12 October
Declared an interim dividend of 1.60p per share, in respect of the three months to 30 September 2017

20 November
Acquired a national distribution and production facility at Worksop, Nottinghamshire for £20.25m, let to Cerealto (UK) Ltd

25 October
Acquired two interconnected buildings in Stoke-on-Trent, Staffordshire let to Dunelm (Soft Furnishings) Ltd, for £42.10m

25 October
Acquired a national distribution centre in Stoke-on-Trent, Staffordshire, for £36.40m, let to Marks & Spencer plc

28 December
Acquired a national distribution facility at Cannock, Staffordshire for £44.25m, which is operated and let to Unilever

OUR PORTFOLIO

Dedicated to high-quality, well located Big Boxes

Since our IPO in December 2013, we have rapidly built a unique portfolio of modern assets, in prime locations, which are fully let on long leases to investment-grade Customers with upward-only rent reviews.

The portfolio is well diversified by customer, geography and asset size, which helps to reduce our risk. Together, we believe these factors give us one of the highest-quality portfolios in the UK quoted real estate sector, underpinning our objective of delivering low-risk and growing income.

The size of the portfolio continues to generate economies of scale benefits as well as other advantages for us, such as generating our own rental evidence from within the portfolio and the ability to perform asset management initiatives with one customer across multiple assets.

£2.61bn
Portfolio value

13.9yrs[1,2]
Portfolio WAULT
(increasing to 14.7 years as at the date of this report)

5.7% NIY[1]
Portfolio average net initial purchase yield
(since December 2013)

£125.95m
Contracted rental income

82%
Portfolio acquired off market
(since December 2013)

100%[1]
Let or pre-let

1 Excludes strategic land at Littlebrook, Dartford.
2 Includes full rental penalty payment until the end of the lease term at Unilever, Doncaster.

Portfolio by investment pillar
- Foundation asset
- Value Add asset
- Growth Covenant asset

Pre-let forward funded developments

Land
- Littlebrook, South East London

Key
- Major port
- Major M and A roads

Our five largest tenants by contracted rent roll (%)

Morrisons	8.6%
Tesco	6.9%
Marks & Spencer	5.4%
Argos[3]	4.9%
Ocado	4.4%
Total of rent roll	**30.2%**

Sainsbury's	M&S	TESCO	next	Morrisons	DHL
1	2, 43	3, 4, 12, 21	5	6, 40	7, 8
WOLSELEY	Rolls-Royce	The Range	KUEHNE+NAGEL	L'OREAL	ocado
9	10	11	13	14	15
brakes	Argos	B&Q	NEW LOOK	Nice-Pak International	Dunelm
16, 26	17, 27	18	19	20	22, 44
HOWDENS	TK maxx	MATALAN	Dixons Carphone	Gestamp	Kellogg's
23, 36*, 37*	24	25	28	29	30
amazon	euro car parts	Whirlpool	co op	SCREWFIX	hachette UK
31	32	33	34	35	38
Unilever	Royal Mail	CEREALTO	Stobart Group	Wincanton / Tool Services	ao.com
39, 48	41, 42	45	46	47	49

* The assets numbered 36, 37 and 49 relate to the conditional exchange of Howdens units II and III at Warth Park, Raunds and AO World, Crewe. The acquisitions of these assets were completed in January 2018 and the assets are excluded from the portfolio information on page 48.

The logos above represent either the tenant, guarantor, parent or brand name. Trade marks appearing in this page are the property of their respective owners.

For a full list of tenants see the Manager's Report, page 48

3 Excludes lease exposure to Sainsbury's covenant.

Well loca

Goods inwards
Cargo ships are responsible for c.65% (by value)* of goods imported into the UK. Big Boxes serve as the breakdown point for bulk palleted deliveries and so are often port-centric in their location focus.

Geographic coverage
Occupiers create webbed frameworks of logistics warehouses, the locations of which are focused on their markets: a combination of smaller urban warehouses, store stock replenishment or e-commerce fulfilment. The objective is to maximise geographic coverage and minimise overlap.

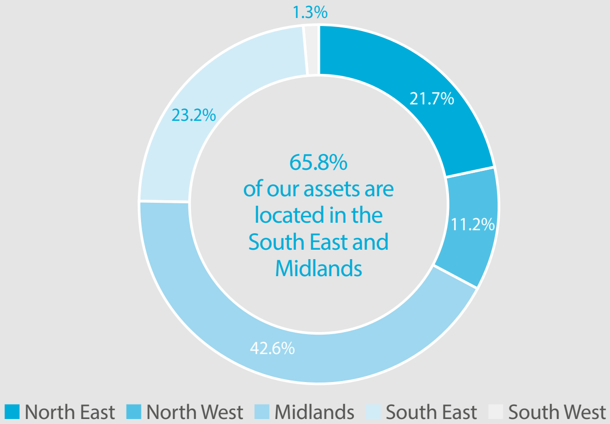
Regional model
Central models have given way to RDCs, away from urban areas but with the ability to deliver efficiently into several major towns and cities – being closer to the markets they serve increases speed and reliability of deliveries. Such locations are invariably also cheaper operationally.

Staffing up
Bigger buildings need more staff (see right), so availability of labour is important to the choice of location.

* The value of goods passing through UK ports, MDS Transmodal, 2016.

Route to market
Big Boxes need to be located close to motorways or major A roads, ideally those which do not suffer significant traffic congestion.

A well diversified portfolio with good geographic spread. By value, 65.8% are located in the highly sought after areas of the South East and Midlands.



Source: Tritax


ted

Supply control

Speculative development is very rare for buildings over 500,000 sq ft which require larger sites in locations not previously designated for employment uses, so land supply is constrained. This makes Big Boxes less easily reproduced in the same location unless master-planned over many years.

Transitioning

Retailers are adapting to falling high street sales and growing e-commerce volumes. This transitioning is most efficiently done under the single roof of a larger building where both store and doorstep deliveries can be managed.

Benefits within

Organically grown, poorly managed and disparate networks are being consolidated into efficient logistics centres with staff facilities, improved stock controls, and higher quality management and training.

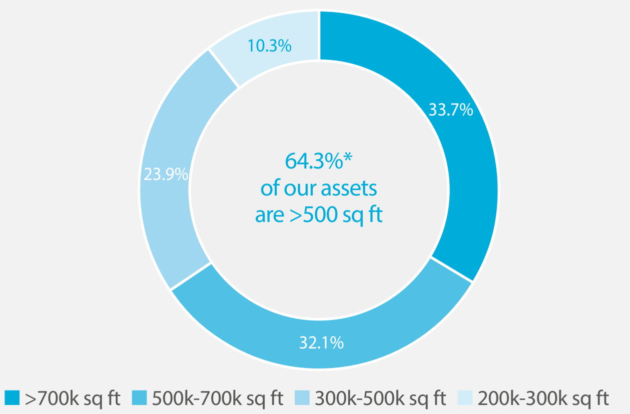
The only way is up

Rents are paid on a ground floor basis but buildings have grown in height, delivering flexibility via full height racking or mezzanine floors. This dramatically reduces the effective cost of the operational area and allows occupiers to adapt operations as their businesses change.

Big numbers

Big Boxes require lots of staff to operate them and fulfil orders, even if the building benefits from Automation. Some multi-level facilities employ as many as 7,000 peak-time staff.

Our portfolio is truly 'Big Box', with approximately 90.9% of our buildings over 300,000 sq ft and 64.3% over 500,000 sq ft.



* Measured by floor area Source: Tritax


XJ
XH

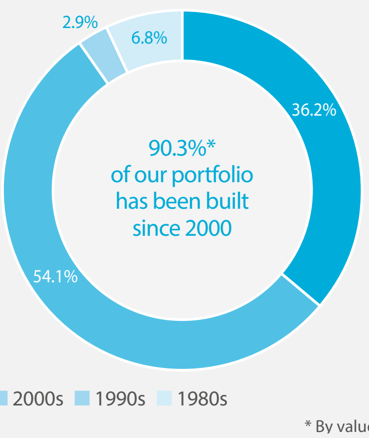
Efficient
Recently constructed buildings are better insulated, have improved fire control systems and increasingly benefit from sustainability measures such as solar panels or wind turbines which assist with occupier CSR.

All mod-cons
State-of-the-art buildings often have higher floor loading capacities, can be provisioned with large power consumption capabilities (and generators for resilience) to cope with automation and high-speed internet access for e-commerce fulfilment.

Resilient
In the event of a vacancy, high-quality and well located real-estate is likely to let quicker, potentially to a higher calibre occupier and at a higher rent.

Growth
Modern Big Boxes are located where occupiers want to be and they attract higher rents than their outmoded counterparts because they are more valuable and deliver cost saving benefits to the occupier that older, smaller buildings cannot. Consequently, they provide greater opportunity to capture attractive rental growth.

Our portfolio is perhaps the most modern of any listed real estate company, with 90.3% of our portfolio having been constructed since 2000.



* By value Source: Tritax

Modern

Hi-tech

Evolution
The way we shop has undergone structural change. The high street is becoming a showroom, offering more variety but stocking less. Big Boxes are increasingly the retail units of the future, concurrently handling large volumes of complex omni-channel 'real-time' orders and returns.

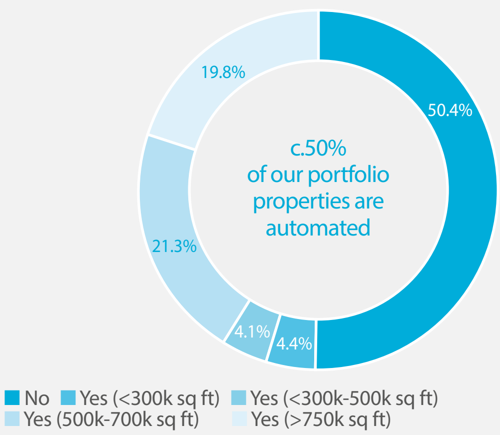
Commitment
Internet sales and ever-quicker delivery times require automation and this is expensive; it can eclipse the cost of the building housing it. This encourages tenants to sign long-term leases to protect their investment.

Size matters
High levels of automation are usually only found in larger logistics buildings. The combination of technology and size can deliver economies of scale and cost saving benefits to occupiers.

Tech
Conveyors, sortation systems, wall climbers and robotics are used for the stocking and retrieval of products. R-FID technology allows products to be tracked from production to consumer and prevents cross-contamination.

Information is power
Spending habits and online surfing histories provide important data for retailers, which enables them to target sales and predict future demand trends, increasing accuracy.

Automation is more prevalent in larger buildings. By value, c.50% of our portfolio properties are automated.



Source: Tritax

Secure

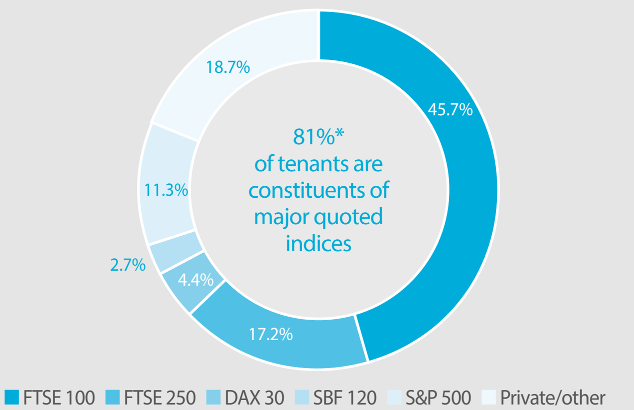
Quality
The quality of our real estate assets intrinsically provides resilience. Coupled with the longevity of income and calibre of our Customers and rental income they provide, we believe that our portfolio is well placed to withstand property market volatility.

Longevity
As at 31 December 2017 the portfolio's WAULT stood at 13.9 years. A low 9.5% of our leases are due to expire within the next five years and 41.3% of our rents do not expire for more than 15 years, providing the Group with excellent long-term income security. This represents 75% of our portfolio being invested into Foundation Assets.

Diversity
Our assets are let to 36 different Customers, with seven new Customers added during 2017.

Transparency
33.1% of our income is subject to either fixed or collared inflation linked rental uplifts, providing guaranteed minimum levels of rental growth to support our progressive dividend growth aspirations.

Our customer base is high-calibre, with some of the UK and world's leading brands represented. 81% are members of the major stock market indices in the UK, Europe and USA.



* By value Source: Tritax

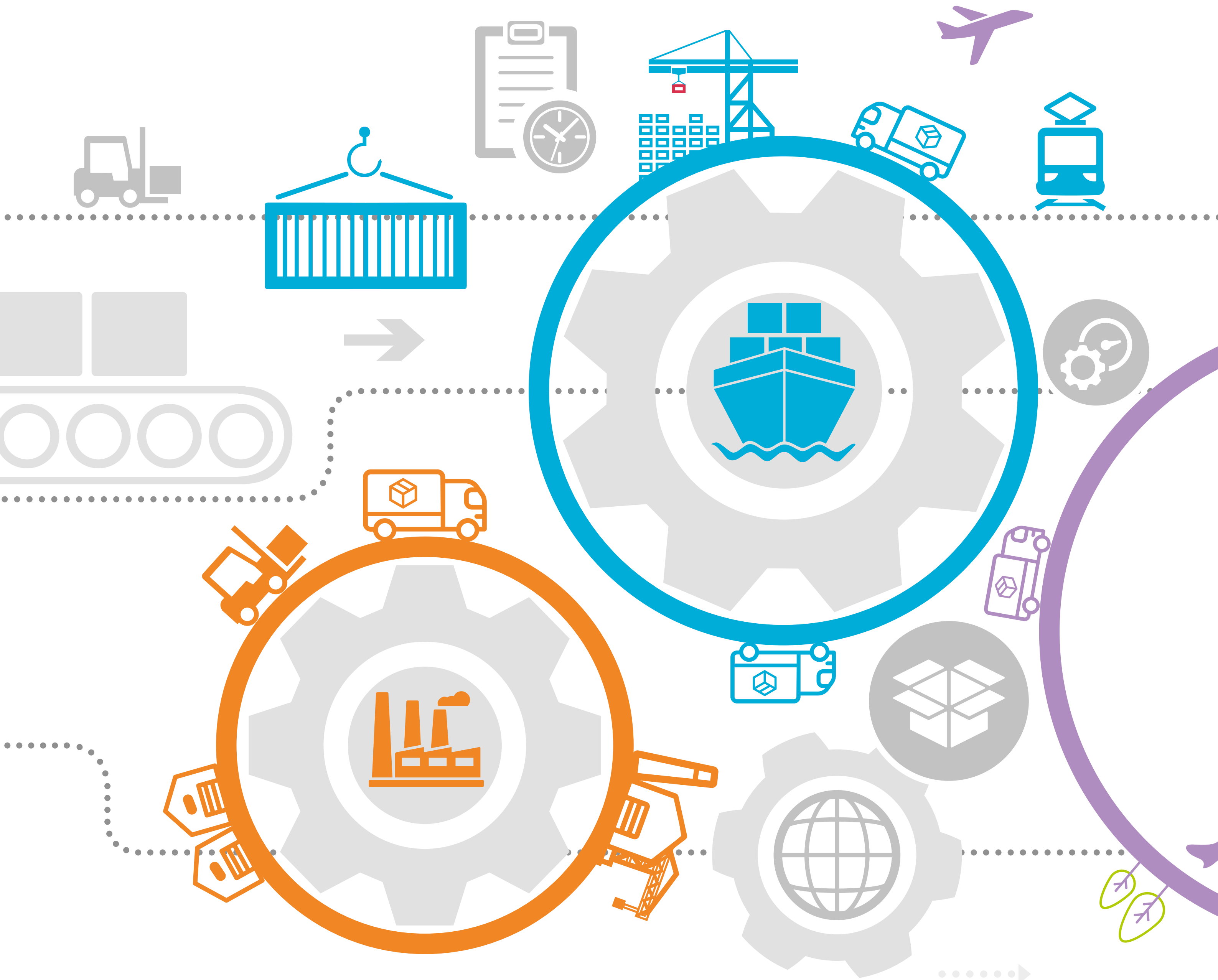

M&S
Streamlined to sAve fuel
The Plan A
way to cut carbon emissions
Streamlin
219
220

OUR MARKET

We believe that the Big Box logistics sector remains one of the most exciting asset classes in the UK property market. In this section, we explain why Big Boxes are so important to UK logistics and why the fundamentals of the market continue to be attractive.

Our market drivers

Demand for Big Boxes comes from three main sources: conventional and online retailers, third-party logistics companies (3PLs), and other companies such as manufacturers. They need Big Boxes for two primary reasons: to improve their operational efficiency (see page 26) and to meet the requirements of a fast-evolving retail market, in particular to fulfil e-commerce sales, which are growing relentlessly (see page 24).



The challenge of maximising operational efficiency

Over time, supply chains have evolved in response to commercial trends and pressures. The initial driver for change to UK supply chains was the transition towards the majority of production being outsourced to overseas low-cost economies, which has resulted in a significant increase in bulk imports. Prior to this, logistics frameworks were fragmented with domestically manufactured products held in numerous, small and geographically dispersed retail storerooms or manufacturing premises.

A centralised framework began to evolve in which a single large-scale building could accommodate the 'breakdown' of goods imported in bulk, and then hold the finished goods for efficient distribution across the UK to other parts of the supply chain.

In more recent years, against the backdrop of uncompromising global competition, weaker economic growth and rising domestic inflation, companies have again recognised the importance of optimising supply chains to meet demand and maintain a competitive advantage.

Companies across all sectors are recognising the need for substantial investment into national and regional logistics frameworks that optimise staff and stock management, offer flexibility, economies of scale and low cost of use, with a view to increasing margins and protecting profits, whilst improving the quality of their commercial offering.

The evolution of the retail landscape

The inexorable rise of e-commerce

E-commerce sales in the UK have grown rapidly in recent years. As a relatively small and densely populated nation, the UK is the most advanced e-commerce market in the world with UK households spending more online than in any other country.

In addition to pure online retailers, growth is being driven by the expansion of omni-channel retailing. This reflects consumers' desires to interact with retailers in different ways at different points in their transactions. To survive, retailers must now offer physical, online and mobile stores, apps and telephone sales.

Omni-channel retailing has made for a more competitive and fast-moving battleground for retailers. It has disrupted their real estate portfolios and revolutionised their logistics platforms as they face the complexity and expense of ensuring stock availability and fulfilment capacity is flexibly deployed into any channel as dictated by customer demand.

Unprecedented surges in demand

Challenges faced by retailers are being further exacerbated by changing consumer shopping habits, which require their logistics and distribution networks to accommodate unprecedented surges in demand. Whether seasonally driven, such as public holidays and Christmas, promotionally led such as 'Black Friday' or unexpected celebrity endorsements, the challenges of these demand peaks are being intensified by the share of sales coming via e-commerce.

In 2017 Black Friday online retail sales totalled £1.39 billion, 9% ahead of the original forecast of growth for the day, with John Lewis, for example, reporting Black Friday 2017 as "one of its most successful days" during which it had its busiest ever single hour of online trading.

Meeting consumer expectations

Another major change is the shift in power from retailers to customers, who have become increasingly demanding. Today's consumers are savvy, fickle, informed and impatient – they expect to receive their orders wherever and however they want.

To keep pace with changing customer expectations and competitive dynamics, retailers must speed up the time to market, reduce inefficiencies and errors, while managing profitability, customer service and reputational risk. A few years ago, four or five days delivery would have been the norm, today many are increasingly offering same-day delivery, with industry disrupters such as Amazon already offering a two-hour service for a limited product range.

This is particularly important in grocery shopping, where Mintel reports that 53% of British online grocery shopping customers want same-day delivery, encouraging Tesco and Marks & Spencer to trial one-hour delivery for selected food items in 2017 as well as Sainsbury's trialling 30-minute Click & Collect.

The challenge of reverse logistics

As online sales have increased, so has the amount of product being returned, with estimates suggesting that nearly a quarter of online purchases are being returned. This represents a growing cost of doing business and presents significant logistical challenges to companies involved in the storage, sale and distribution of goods, through often complex domestic and international supply chains.

It's estimated that to 'pick and deliver' an order costs between £3 and £10 per item, but due to the increased processing, handling and repackaging it can cost double or treble that amount to be returned and restocked. The *Financial Times* reports that returned parcels could cost retailers as much as £60 billion a year, c.£20 billion of which relates to internet sales.

Retailers must therefore develop cost effective reverse logistics strategies, in order to minimise the impact on profitability, reputation and market share.

The pressure on margins

Major and fast-paced changes in the retail sector, the unknown impact of Brexit, the living wage and exchange rate fluctuations are all applying cost pressure to retailers. At the same time, the continued growth in 'pureplays' (such as Amazon, Asos and AO.com) is also applying pressure to the price retailers can offer consumers to remain competitive.

Firstly, omni-channel retailers must cut costs by re-calibrating their property portfolios. To make the most of their expensive high street store space, they are carrying less depth of stock in-store and are focusing more on the consumer experience, increasingly offering a broader product line which in turn applies more pressure to the speed and reliability of restocking. At the same time, consumers are increasingly favouring smaller convenience stores for food shopping. These stores generally have very limited storage capacity.

To remain competitive retailers need to invest in logistics space that provides a more cost effective, flexible, agile storage solution as well as supply chain capabilities that help support greater control of stock and ensure efficient and reliable ways of fulfilling customer demand whether in store or online.

Technology drives the pace of change

E-commerce in the UK is supported by ubiquitous access to Wi-Fi and smartphones, and widespread availability of 4G. The Centre for Retail Research reports that many retailers now see 70-80% of website browsing on mobile devices. Spending on mobile devices is lower, but initial research reports indicate that mobile-commerce increased significantly in 2017, totalling 50% of online retail sales. Mobile use is higher among younger people, with research by Mintel showing, for example, that 48% of millennials in the UK have bought fashion items on their smartphones.

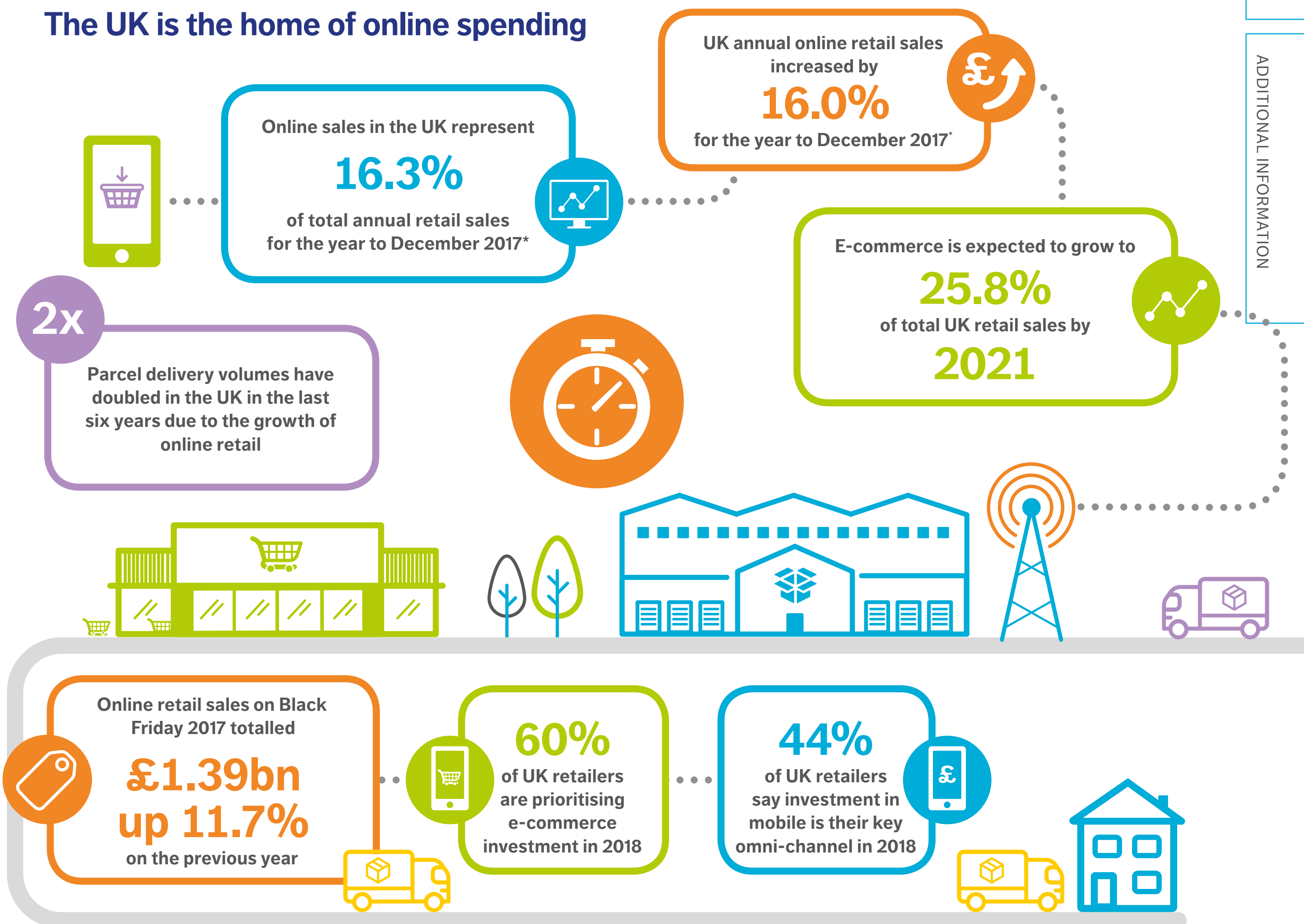
Technology is also creating new distribution channels. Amazon's Dash service, for instance, allows consumers to order specific products just by pressing a button. Another example is smart appliances such as washing machines will be able to reorder detergents automatically before they run out.

Capitalising on invaluable data and analytics

In its purest form, data can help improve customer satisfaction and increase retailer profitability. In this age of modern retailing, information collection and analysis, in the form of customer insight has become an increasingly important means by which retailers can gain a competitive advantage and plays a critical role in any successful e-commerce operation.

Bar code scanning at store tills provides sales data and can trigger automatic re-stocking, and the same principles apply to online sales. Cookies, collected when consumers surf the internet, provide additional intelligence which allows retailers to know what is being bought by whom, where and when, as well as providing trending data that allows them to forecast more accurately changes in fashion, so they can order product lines that are more likely to sell, reducing the amount of product that needs to be discounted.

The UK is the home of online spending



* Source: Office for National Statistics

New generation logistics at the core of modern life

The emergence of Big Boxes

In a time of economic and geopolitical uncertainty, companies which want to survive and thrive are increasingly turning to Big Boxes to enhance their efficiency and respond to the changing retail landscape. The Big Box subsector has emerged mainly in the last 10 years, with these large, often technologically sophisticated and highly efficient properties offering previously unavailable economies of scale, low cost of use and flexibility.

Big Boxes are cost effective and optimise efficiency

Big Boxes allow companies to centralise previously dispersed distribution formats, by providing the nucleus for distribution to other parts of the supply chain or directly to consumers. These networks may be organised at a national level, but traffic congestion and the need to deliver quickly and reliably to any location mean that most major occupiers now prefer to use Big Boxes as regional distribution centres.

Big Boxes' strategic locations add to their efficiency. They are close to major roads and motorways and often near to airports, sea ports or rail freight hubs. This allows efficient stocking and onward distribution. The properties also tend to be located in areas with good workforce availability, helping occupiers to manage their employment costs.

Low-bay buildings are typically used for food distribution. For non-food distribution, the flexibility of a tall building can allow for high racking and/or mezzanine floors, which can double or even triple the operational space. This makes Big Boxes more attractive to tenants, not least because rents are generally paid on the ground floor area only. Consequently, the cost per square foot on an overall basis has fallen for many occupiers of modern buildings.

Online has created visibility over 100% of the product line, meaning that any customer can choose to purchase any product that a retailer has to offer, wherever they live in the UK. Previously a retailer may have only stocked say, 50%, of their product line in a particular regional location. In just a few years the internet has therefore presented a problem where some retailers have needed to more than double their regional stock capacity.

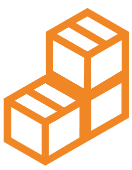
3x

as much Big Box space is required for

online fulfilment

compared with store-based fulfilment

Source: Addleshaw Goddard



The scale of Big Boxes means that unlike smaller buildings, they can act as the breakdown point for goods imported in bulk containers. The buildings can also hold all of a company's product lines, whatever their size or shape or how quickly they turn over. This makes Big Boxes ideal for handling both store and e-commerce distribution (sometimes via urban logistics warehouses). The size of the buildings also means that occupiers can adjust for demand or supply disruptions, or fluctuations between store and e-commerce sales, far more easily than using smaller, separate single-focus warehouses.

In addition to downstream fulfilment, Big Boxes can handle returns allowing products to be efficiently restocked. The importance of data to successful e-commerce operations means that Big Boxes dedicated to e-commerce increasingly also house the retailer's data and intelligence centres.

To drive efficiency, technological advances are resulting in Big Boxes becoming smarter. Occupiers increasingly invest in advanced systems that allow them to stock automatically and rapidly retrieve products, so they can operate on a just-in-time basis. So called 'four-dimensional automation can pick complex online deliveries in the most efficient order possible. When customised to work with state-of-the-art robotics, such technology currently drives efficiency savings of up to 20%. The tenant will typically own the fit-out and its capital investment can be substantial, sometimes eclipsing the value of the investment.

Big Boxes are a strategic necessity

Land constraints have given rise to a scarcity of new and modern buildings available to let. Additionally, a desire for high levels of labour capture in appropriate locations and a tenant's inward investment by way of automation, mean that they are willing to sign long leases and increase the potential for renewal at lease expiry. These characteristics make the subsector more resilient to economic downturns and should mean there is scope for significant rental growth over long periods.

Big Boxes are multi-functional:

As the complexities of manufacturing and multi-channel retail grow, retailers are combining the control point for multiple functions within Big Boxes.

Big Boxes can:

- regionally **centralise previously dispersed distribution**
- help optimise **staff and stock management** and expand product ranges
- provide the **breakdown point** for goods imported in bulk
- house **highly sophisticated and valuable technology** – which drives efficiency
- **hold the finished goods** for distribution to other parts of the supply chain
- be **quasi-retail outlets** – distributing finished goods directly to consumers, while also dealing with other channels such as click & collect
- reliably and more quickly **fulfil store replenishment**
- accommodate **dedicated returns sections** as e-commerce
- support retailers through **peak demand periods and supply disruptions**
- increasingly house occupiers' **data centres** which provide intelligence integral to securing a competitive advantage.

The growth in e-commerce – the growth in Big Boxes:

Total annual online retail sales in the UK grew by 16.0% to the end of December 2017 and now account for 16.3% of total retail sales. By 2021, e-commerce is expected to account for more than 25% of total retail sales. This growth in online retail has driven and continues to drive the demand for logistics properties.

Industrial and logistics space taken up by online retailers*:

2008-2009	2016-2017*	An increase of
1.47m sq ft	12.23m sq ft	+731%

*To start of December 2017
Source: Savills

Structural trends continue to drive performance

Supply and demand fundamentals remain undisturbed

As described on pages 23-26 the factors influencing occupational demand are deep-rooted and we expect this to remain so for the next few years. The strength of demand has ensured that the limited supply of buildings being produced has been let quickly, and this has led to a continued shortage of completed Big Boxes available to let.

2016 was a record year for occupational take-up. More particularly, larger scale Big Boxes continued to increase their influence on lettings activity. This was aided by Amazon which leased the largest annual volume of space for a single occupier on record.

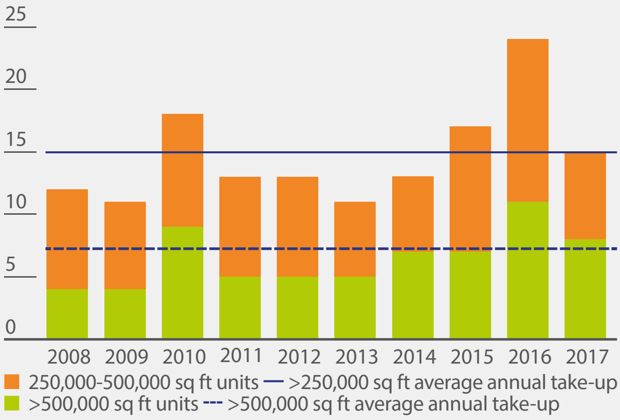
Relative to the exceptional volumes of the previous year, 2017 take-up (250,000+ sq ft buildings) was significantly reduced at 15.1 million sq ft, although this remained just above the 10-year average. The lower level was largely accounted for by Amazon's reduced activity, fewer available speculative developments (because much of the potential product had been pre-let the previous year) and the fact that many occupiers – particularly those acquiring larger, more complicated facilities – took longer to conclude occupational transactions and this resulted in several lettings rolling over into 2018.

Take-up records the amount of space being let and so can provide a guide as to levels of demand. A fall in take-up, however, does not necessarily mean that demand has reduced, because take-up can be constrained by a shortage of available supply, leaving an overhang of unfulfilled demand, as has been the case in recent years. We expect the continued supply-side shortage of larger scale buildings to constrain take-up levels in the next few years.

There has been a strong start to 2018. Within the first six weeks of the year almost 3 million sq ft (250,000+ sq ft buildings) was let and, although notoriously difficult to quantify, occupier enquiries remain high. This indicates that we should continue to see healthy levels of demand with several property agencies predicting that take-up in 2018 will exceed that recorded last year.

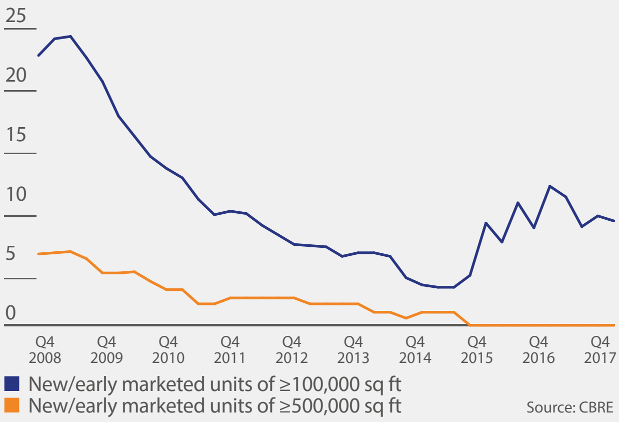
Building size distinction is important when analyzing market data. The availability of completed new, well located and available to let Big Boxes remains low. As at the year end across the UK there was nearly 9 million sq ft of logistics buildings available in the size category 100,000-500,000 sq ft; this was 64% down on Q1 2009 (see graph 2). Of the 9 million sq ft, 5 million sq ft related to buildings of 100,00-200,000 sq ft and 1.8 million sq ft was in the 200,000-300,000 sq ft category.

1. Occupational take-up by size band (>250,000 sq ft units)
(million sq ft)



Source: Gerald Eve and Tritax

2. Availability of new/early marketed floorspace (>100,000+ sq ft units and 500,000+ sq ft units)
(million sq ft)



Source: CBRE

Following the recession, as demand increased and available to let stock reduced, developers responded by nearly quadrupling the 100,000-500,000 sq ft supply band in c.18 months but the supply response for 500,000+ sq ft buildings was zero over the same period. We believe that this signals stronger attributes for larger buildings.

Two refurbished buildings came to the market in 2017 in the 400,000-500,000 sq ft category. As at 31 December 2017, there was only one used (refurbished) building and no new completed buildings of more than 500,000 sq ft available to let. Since then one further used (un-refurbished) and one new building became available – the new building was believed by the market to have been under offer at the year end and this may remain the case, but until clarified it will be treated as available.

Suitable land which can accommodate Big Boxes is scarce in key locations. The process of bringing forward land capable of delivering one or more Big Boxes can take many years. Typically, suitable locations will be on agricultural land not zoned for employment uses. If this hurdle can be overcome, the land needs to be zoned for B8 distribution, following which the developer will seek to secure outline, and finally detailed, planning consent. The scale of Big Boxes and the extent of traffic movements they generate can present planning challenges. In addition, Big Boxes require a large pool of suitable labour in the local area (some buildings can employ as many as 7,000 employees during peak periods) and have substantial power and infrastructure requirements, adding further complexity to site identification and delivery. Savills estimates that a fully automated warehouse can require as much power as 10,000 three-bed homes, severely restricting the number of suitable sites.

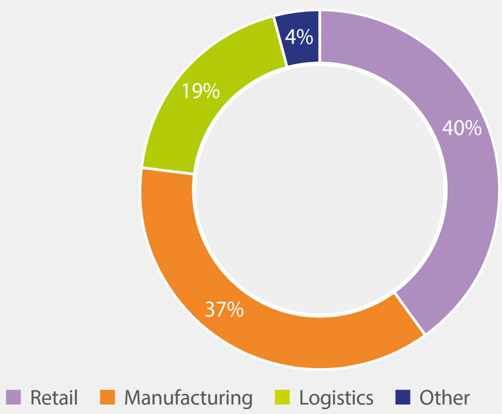
Big Box supply, therefore, remains very thin and this is expected to remain the case for some time. Most developers in the UK are not prepared to speculatively develop very large logistics buildings. Why? Because the years and costs incurred to achieve planning and prepare the site can be significant and the additional cost of constructing the building can run to several tens of millions of pounds. There is also a risk that potential occupiers want different-sized buildings and there are many other variables. For the developer, there is far less risk in waiting and constructing a building following a pre-let; noting that construction times are swift for Big Boxes – typically six to nine months. The level of occupier demand means developers can de-risk their development by agreeing a pre-let with a tenant. Building-to-suit on a pre-let basis creates opportunities for investors, such as us, to forward fund these developments and obtain brand new assets on long leases to high-quality tenants.

3. Occupational take-up in 2017 of assets >500,000 sq ft

7.7 million sq ft
Take-up of assets >500,000 sq ft

+18%
higher than the 10-year average and the third highest total take-up for this size of Big Box in the past decade

4. Occupational take-up by sector in 2017 (Grade A >250,000+ sq ft)



Source: Tritax

Rental growth

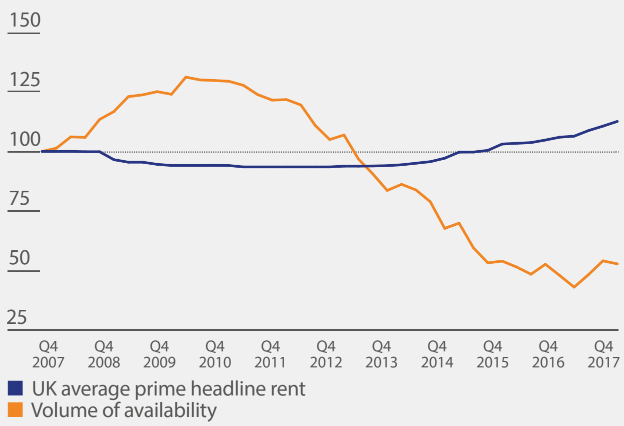
As take-up reduced the availability of warehouses following the recession, rents stabilised around mid-2010 and began to rise in early 2013 (see graph 5). Nonetheless, rents only recovered to their 2008 levels at the beginning of 2015. This is important, because for five yearly open market rent reviews, occurring in-say-2017, the first half of the review period saw no growth. This has the effect of suppressing the level of uplift achieved at recent market rent reviews, but as time passes, and assuming rents continue to rise, there will be a full five year backward looking trend of growth to underpin stronger rent review results for landlords. At the year end, rents were approximately 13% higher than the levels achieved in 2008, all of which has been delivered since 2015.

Typically, the UK is analysed regionally for rents. When viewing rental tone, it is important to recognise that rents do not rise on a regular curve. It might appear that rental growth in a particular regional market has stalled but this could be because of restrictions on the availability of suitable sites – then when a site is deliverable the rent can jump. It is necessary, therefore, to look at the broader regional trends over several years and to understand the reasons for the movement, or lack thereof, in each regional market. For instance, in East and West Midlands and Yorkshire & North East rental growth in 2016 was +4.0%, +2.4% and +10.0% respectively, whereas each recorded zero headline growth in 2017. The prime headline rent is typically achieved by the letting of a single building at a new record level. The fact that a higher level of prime rent has not been achieved since does not negate the potential for lower rented properties to have delivered rental growth.

Ongoing constraints in supply, coupled with continued strong occupier demand, have combined to deliver attractive levels of rental growth in recent years. Rising labour and construction costs (partly from imported inflation following the referendum vote) are also feeding into rents. Competition for alternative land uses, particularly housing, have increased land prices within and on the fringe of urban environments.

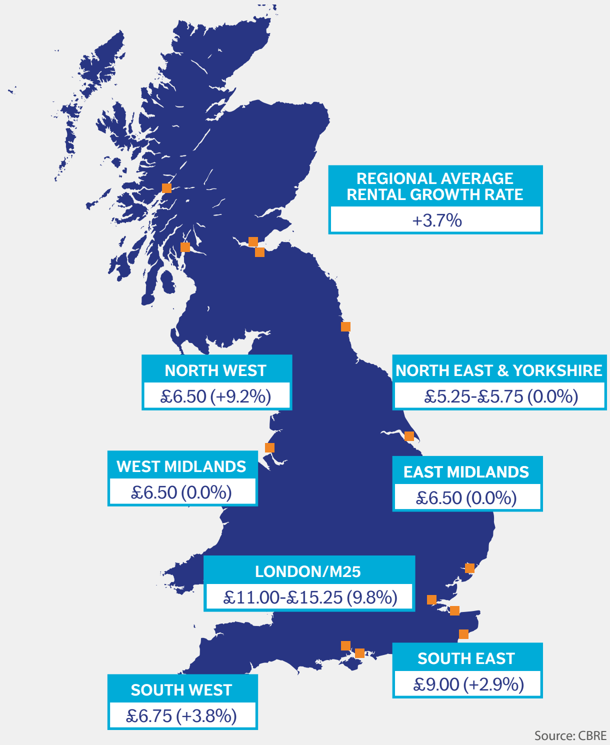
The transition of sales from the high street to Big Boxes is delivering cost savings because rents, staff and operational costs are lower, particularly where occupiers utilise the volume of high bay warehousing to reduce the effective cost per sq ft. This explains why there has been little resistance to significant levels of rental growth in the Big Box market and why we expect rents to continue their upward trend in the near to medium term. Rental growth forecasts from CBRE suggest an average annual rental growth rate of 4.25% pa for the next four years.

5. Rental growth versus availability (Q4 2007 = 100)



Source: Gerald Eve

6. UK prime logistics headline rent (per sq ft) and 2017 annual growth



Source: CBRE

Strengthening investment values

Occupier demand for Big Boxes influences investment demand. Investors are drawn by the attractions of modern assets, producing secure and growing rental incomes, from well respected tenants with strong balance sheets. Both UK and international investors are active in the market, with the latter typically looking for larger lot sizes and assets that offer capital preservation.

Despite the significant hardening of logistics yields in recent years, they continued to compress during 2017 as institutional property funds reweighted sector allocations in favour of industrial and logistics assets. Overseas investment into the UK remains strong, despite the prospect of Brexit and partly because the devaluation of the pound has made UK investments look comparatively cheap for overseas money. We expect further value growth in 2018 but at a slower rate, partly due to lower-end yield resistance and also as a result of rental growth continuing, but at more sustainable levels.

Although yields have hardened, investors can still source attractive assets at prices that represent good value. Property yields remain well above the cost of debt, maintaining a positive yield gap and a sizeable premium to 10-year gilts.

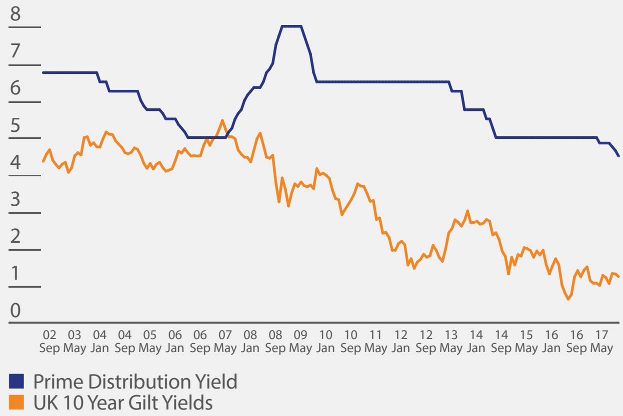
The Big Box logistics sector remains in its infancy

The growth of e-commerce and search for economies of scale, cost savings and efficiencies have placed the UK at the forefront of the world in terms of the development of Big Box logistics. Yet as a property sector we believe it remains in its infancy, with many still seeking to secure the buildings they desire.

UK online spending grew 12% in 2017[1] and is expected to continue at similar levels over the next few years. Despite this growth, e-commerce still only represents about 18%[2] of retail sales, suggesting that the capacity for growth is substantial, particularly when some retailers envisage a time when their online sales will eclipse those of the high street. Part of the success of e-commerce has been the ability of retailers and logistics companies to react to and satisfy their ever-demanding consumers with faster, more reliable deliveries – achieving this requires a framework of well located modern logistics facilities.

Such longer-term demand drivers, coupled with supply and demand imbalances both occupationally and within the investment market, suggest that property values in this subsector are likely to remain robust, at least on a relative basis, for some time to come.

7. Prime distribution vs gilt yields (%)



Source: CBRE

1 Source: IMRG Capgemini e-Retail Sales Index. Based on average year-on-year UK online retail sales for each month from January 2017 to December 2017
2 Source: Office for National Statistics. Based on internet sales as a percentage of total retail sales for the month of December 2017

OUR BUSINESS MODEL

We own and manage high-quality Big Box logistics assets across the UK, using the Manager's experience and expertise to assemble and grow a well diversified portfolio, while prudently applying leverage to increase returns.

The value we add

Sourcing investments

The starting point for value creation is sourcing our investments. This relies on the Manager's extensive agency, developer and tenant contacts, built up over many years. The Manager also develops relationships with asset owners, learning of their triggers to sell. These relationships and knowledge allow us to source most investments off market, so we can buy at attractive prices. In a market where personnel changes are common, the consistency of the Manager's team helps us to maintain our relationships and work on longer-term deals.

The Manager's expertise enables us to move fast, rapidly assessing opportunities, making decisions, performing thorough due diligence and completing transactions. We have never withdrawn a contract after agreeing terms and believe that our reputation is unrivalled in our market. This speed and certainty of execution makes us the obvious choice for asset owners looking to sell Big Boxes and can help us achieve better prices.

Buying and selling for value

We have a clear Investment Policy (see page 34) but we are also pragmatic. We may buy smaller assets in locations where larger ones are not available, helping us to diversify by geography and building size and spreading lot-size risk. We may also buy assets with shorter leases, where we see an opportunity to add value such as by regearing the lease or reletting. Creating value requires capital discipline and patience, and we discount numerous opportunities that do not offer value for money or meet our stringent criteria.

The inputs to our business model

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

Financial capital

We are funded by Shareholders' equity, third-party debt and recycled funds

Relationships

We build mutually beneficial relationships with our Customers and draw on the Manager's extensive contacts with key players across the subsector

Physical assets

We have an outstanding portfolio of UK Big Box logistics assets, as well as strategically located land for pre-let development

Human capital

We have an experienced Board of Directors and a Manager with a high-calibre, consistent, knowledgeable and forward-thinking team

The Manager provides expertise in assembling a high-quality, diversified and low-risk portfolio, as well as relationship building, buying for value and speed and certainty of execution

Our intention is to hold most assets for the long term but we may sell if we have unlocked value and delivered the asset's business plan, and we have the potential to reinvest the proceeds in a more attractive opportunity.

Funding developments

The Manager's relationships with developers enables us to invest in forward funded developments, through which we fund the construction of a Big Box which has been pre-let to a specific Customer. This results in lower transaction costs and enables us to source brand new buildings for institutional tenants on long leases.

We can also acquire land which is suitable for pre-let forward funded developments. We do not invest in any speculative developments (ie those which are not pre-let).

Asset management

The assets we buy are usually strategically important to our Customers. We work with them to maximise their operational effectiveness, for example by extending buildings or adding mezzanine floors. This encourages them to sign longer leases, increasing our revenue security and capital values. Whilst recognising that only a limited part of our portfolio is categorised as Value Add assets within our investment pillars, where we buy properties with the potential to add value, we look to turn them into Foundation assets through asset management.

Delivering returns

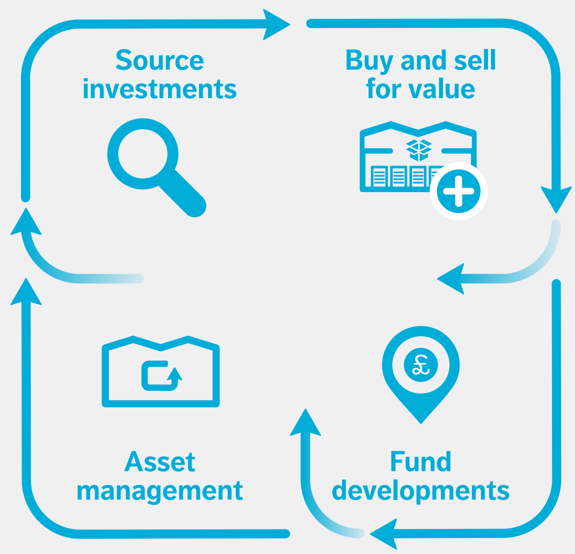
By acquiring high-quality properties with excellent tenants and carefully managing our assets, we aim to deliver a robust, low-risk and growing rental stream, which supports a progressive target dividend. Our asset selection and management add value to our investments, allowing Shareholders to benefit from attractive total returns.

As our portfolio grows, we benefit from economies of scale, increased diversification by geography, tenant and building size, a larger list of contacts and a deeper pool of available capital, helping us to source further investments off market. 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 tenant.

Buying assets directly incurs total costs of approximately 6.78%, of which SDLT is approximately 5.00%. Standard sale costs are c.1.75%. This means that frictional costs – the total standard costs of selling an asset and reinvesting the proceeds – are c.8.53%. Our actual transaction costs are typically lower, as where possible we reduce SDLT by buying the special purpose vehicle which owns the asset. Even so, frictional costs influence investment returns, particularly in times of lower capital growth. Our portfolio is weighted towards Foundation assets because they do not need to be regularly traded. This reduces our frictional costs, which supports our returns.

In addition, 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. We also pay dividends that qualify as a property income distribution (PID) where possible, which offers tax advantages for certain UK investors.

The value we add



The outputs from our business model

Our business model primarily creates value for our Shareholders and Customers.

For Shareholders

We aim to deliver an attractive total return to Shareholders, underpinned by progressive annual dividends and net asset value growth.

We are targeting:

6.7 pence
annual dividend for 2018, up 4.7% on 2017

9%+ per annum
a total return over the medium term

For Customers

Our Customers benefit from occupying Big Box logistics assets which are strategically important to their businesses, helping them to achieve cost savings and economies of scale, and to fulfil their rapidly growing e-commerce businesses.

OUR STRATEGY AND OBJECTIVES

Our Investment Policy

Our Investment Policy is to acquire assets that:

- are let or pre-let, as we will not invest in speculative developments and will only forward fund investments where a tenant is already contracted;
- have 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 unexpired lease length on purchase typically of at least 12 years, to provide long-term and secure income flows; and
- ideally 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 assets.

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.

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. This will allow us to assemble suitable sites for pre-let forward funded developments. We will only proceed with constructing a new Big Box after it has been pre-let to an appropriate customer. Aggregate land purchases are subject to a limit of 10% of our NAV, calculated at the point of investment.

Our acquisition focus

The assets we acquire typically fall under one or more of our four investment pillars:

FOUNDATION

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. 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

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 assets are usually highly re-lettable.

GROWTH COVENANT

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.

STRATEGIC LAND

These are opportunities in strategic land which we will invest in with a view to securing pre-let forward funded developments. The land we acquire will usually have the benefit of outline B8 planning consent over at least part of the site in order to minimise risk. This approach allows us to own the ultimate investments in locations which might otherwise attract yields lower than we want to pay. It can also deliver enhanced returns whilst controlling risk by avoiding speculative development. Aggregate land purchases, including costs associated with site preparation, are limited to 10% of net asset value calculated at the point of purchase.

Our objectives

Our objectives reflect our aim of creating value for Shareholders, and assume we are fully invested and geared:

Dividends†

For 2018, we are targeting a total dividend of 6.70 pence per share, with the aim of continued progressive dividend growth thereafter.

Total return

Our investment objective is to deliver a total return of 9%+ per annum over the medium term. This reflects the dividends paid plus growth in net asset value.

† The target dividend is a target and not a profit forecast. There can be no assurances that the target will be met and it should not be taken as an indication of the Company's expected or actual future results.

Our operational strategy

To help us deliver long-term and sustainable returns to our Shareholders, we focus on the following strategic areas:

STRATEGIC AREA	IMPLEMENTATION AND BENEFITS
Manager Contract with a Manager who has a knowledgeable and talented team, committed to delivering value to shareholders.	The Manager has a team dedicated to running the Group, comprising highly experienced and qualified people with a track record of success. We also benefit from the skills and experience of the Manager's other employees, including the market knowledge they gain from working on other investment businesses and the cost efficiencies of utilising some of them part-time. See **The Manager**, pages 62-63.
Customers Develop and maintain a deep understanding of the businesses that operate in our market in order to create long-term partnerships.	Building relationships with Customers enables us to work with them to deliver asset management initiatives that meet their business objectives and unlock value for us. Letting several properties to one customer also creates opportunities for mutually beneficial cross-fertilisation, for example by limiting rent increases on one property in return for extending the lease term on another, while still enhancing the value of our portfolio. See **Asset Management**, pages 50-55.
Operational excellence Rigorously control costs and deliver operational efficiencies, without compromising growth or reputation.	We have a simple and transparent operating cost base, which largely comprises the investment management fee, the Directors' fees, and accounting, audit, legal, valuation, compliance and regulatory fees. This helps us to focus on efficiency and achieve one of the lowest EPRA cost ratios in our peer group. See **Financial Performance**, pages 56-61. Our success in building the portfolio, through an average of approximately one acquisition per month since listing, also demonstrates the quality and efficiency of the Manager's operations and its team. See **The Year in Brief**, pages 8-9.
Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	The Group is financed through equity and debt. Using debt can increase Shareholder returns and allows us to further diversify our portfolio. Looking forward, we aim to minimise cash drag by temporarily repaying any sums drawn under our new revolving credit facility with any new equity capital raised. We are targeting an LTV over the medium term of 35%, which we believe is conservative given the quality of our investments. See **Manager's Report**, pages 36-61.
Corporate responsibility Strive to meet our corporate responsibilities towards society and the environment, in every part of our business.	As an externally managed business without any employees, the Group's opportunities to make a significant impact in this area are limited. Even so, we aim to work responsibly, including buying buildings with A, B or C Energy Performance Certificate ratings where possible and working with tenants to help them achieve their sustainability goals. See **Responsible Business**, pages 72-75.

MANAGER'S REPORT

The Group delivered a strong performance in 2017 with a total return of 15.2%. It was a busy year, with 11 assets purchased improving diversification and positioning the portfolio for further growth.

In this report, we provide a detailed analysis of the portfolio, describe the progress the Group has made with its pre-let forward funded developments and asset acquisitions in 2017, set out the achievements of the Group's asset management programme in the year, and explain the Group's financial performance and position.

Delivering the investment strategy

During the year, the Group added 11 assets (see page 42), ending the year with 46 assets plus 114 acres of strategic land.

As described on page 34, the Group's investment strategy focuses on four investment pillars.

Our portfolio by investment pillar (by valuation)

Core low risk income

Foundation assets, 75%

Sainsbury's Sherburn-in-Elmet
M&S Castle Donington
Morrisons Sittingbourne
Rolls-Royce Motor Cars Bognor Regis
The Range Doncaster
Kuehne+Nagel Derby
L'Oréal Manchester
Ocado Erith
B&Q Worksop
Argos Heywood
Brake Bros Harlow
Tesco Goole
Dunelm Stoke-on-Trent
T.K. Maxx Wakefield
Howdens I Raunds
Brake Bros Bristol
Argos Burton-upon-Trent
Dixons Carphone Newark
Gestamp Wolverhampton
Amazon Peterborough
Co-op Thurrock
Euro Car Parts Tamworth
Screwfix Litchfield
Hachette Didcot
Unilever Doncaster
Morrisons Birmingham
Royal Mail Atherstone
Royal Mail Daventry
Eddie Stobart Carlisle
Unilever Cannock

Potential opportunities to enhance value

Value Add assets, 17%

Tesco Chesterfield
Tesco Didcot
Next Doncaster
Wolseley Ripon
DHL Skelmersdale
DHL Langley Mill
Tesco Middleton
Kellogg's Manchester
Whirlpool Raunds
Dunelm Stoke-on-Trent
M&S Stoke-on-Trent
ITS/Wincanton Harlow

Growth Covenant assets, 6%

New Look Newcastle-under-Lyme
Nice-Pak Wigan
Matalan Knowsley
Cerealto Worksop

Strategic Land, 2%

Littlebrook Dartford

Our investment pillar by weighted average lease term (WAULT)

Foundation assets	Value Add assets	Growth Covenant assets
15.9yrs	4.7yrs	19.8yrs

Foundation assets provide the core, low-risk income and made up 75% of the year-end portfolio by value. Value Add and Growth Covenant assets made up 17% and 6% of the portfolio respectively and provide opportunities for value enhancement through asset management. The remaining 2% by value is strategic land, providing us with the opportunity to create enhanced capital returns by securing pre-lets before commencing developments and benefiting from an attractive yield on cost. These descriptions serve as a guide, but they are not exclusive. For instance, significant value-enhancing opportunities also exist within our Foundation assets.

2017 was another highly successful year for the Group, as we continued to source attractive assets for its portfolio, raised further equity and debt finance to support its growth, and delivered the dividend and total return targets.

Disciplined capital allocation

Capital discipline and patience are required to deliver value at the point of acquisition and thorough due diligence is needed to ensure quality. Growth in the portfolio has been supported by raising equity, at issue prices which have been consistently accretive to both the previous raise and NAV per share at the time of issue, and attractively priced debt financing (see page 58). This availability of capital, matched against a consistent high-quality pipeline of investment opportunities sourced via our industry contacts, allows us to act quickly in acquiring attractive assets for the Group. As a result, of the assets we acquired in 2017:

- 93% by value were off-market; and
- the average net initial purchase yield to the Company was 5.5%.

Capital growth

The portfolio was independently valued by CBRE as at 31 December 2017 at £2.61 billion (31 December 2016: £1.89 billion) ('market value' or 'fair value' under IFRS 13) in accordance with the RICS valuation – global standards 2017. This represents the aggregate of individual property values with no premium discount being applied for a collective portfolio.

Like-for-like valuation growth (on 35 assets) was 8.72% or £165.06 million. During the year the Group acquired the strategic land at Littlebrook plus 11 income producing assets for an aggregate price of £497.45 million. Acquisition costs on these assets represented an attractive level of only 3.7% (compared to standard costs of 6.8%) due to the lower costs associated with acquiring corporate vehicles and forward funded pre-let developments. At the year end these 12 acquisitions were valued at £548.54 million, representing an increase of £51.09 million or 10.3% excluding purchase costs. Combined with the standing portfolio the total capital growth was therefore £216.14 million or 9.0% excluding purchase costs.

Building a diversified portfolio

Occupational supply and demand is most favourable for landlords of strategically located, large and modern Big Boxes. These assets offer the potential for strong rental growth and tend to be highly attractive to new tenants, if they became available to let.

Recognising the large average financial lot size of our investments, growth of the portfolio has been an important factor in providing geographic risk diversification across key logistics locations in England. The properties are generally modern, with 90% having been built since 2000, ensuring they remain efficient and fit for purpose as customers' needs evolve. The Group's assets are true Big Boxes, with 64% of the portfolio comprising buildings of 500,000 sq ft or more. As discussed in the Our Market section, these larger logistics facilities are the hardest to replicate and this has prevented an oversupply of development in this subsector of the market.

Delivering secure income

The Group's portfolio produces a diversified, robust and long-term income stream, secured by some of the UK's strongest omni-channel retailers, and a range of top-quality manufacturers and logistics companies.

The Group's assets are let to 36 different Customers, with seven new Customers added during 2017. The Customer base is high-calibre, with 81% of Customers (or their parent companies) being members of major stock market indices in the UK, Europe and USA.

As at 31 December 2017 the portfolio's WAULT stood at 13.9 years (increasing to 14.7 years as at the date of this Report including assets exchanged but not completed post period), ahead of the Group's target of over 12 years. As at period end, 41% of leases do not expire for at least 15 years and just 10% of rents are due to expire within the next five years.

Analysis by investment pillar further highlights the strength of the portfolio, with the Group's core Foundation assets having a WAULT which substantially exceeds the portfolio average.

Well positioned for income growth

The timing of rent reviews over the next few years supports the Group's ambition to deliver income growth, thereby underpinning its progressive dividend policy. Rent reviews typically take place every five years but the Group also benefits from some annual fixed and inflation linked reviews. Through careful selection we have ensured a balance in the timing of the Group's rent reviews, which provides the opportunity to grow rental income each year.

As at 31 December 2017, the Group's annualised rental income was £125.95 million, up 26% over the previous year.

This compares with the Estimated Rental Value (ERV) of £135.22 million, assessed by the Group's independent valuer, CBRE. This represents a potential rental reversion of approximately 7.4%, which is the amount the rent would increase if all properties in the portfolio were subject to rent reviews as at 31 December 2017 and were settled at CBRE's ERVs. The like-for-like ERV growth was 3.8% over 12 months.

Of the contracted rent roll as at the year end (including rents due under agreements for lease from forward funded developments), the breakdown of rent reviews by type was as follows:

Open market rent reviews: 40% These track the rents achieved on new lettings and rent reviews of comparable properties in the market, offering the potential to capture the recent and continued healthy rental growth in the Big Box logistics market.

Fixed uplift rent reviews: 14% Fixed rent reviews provide certainty of income growth, at either 2% pa (one lease) or 3% pa (four leases). By income, 63% of these leases have five yearly reviews and 37% are reviewed annually (provide rental increases each year).

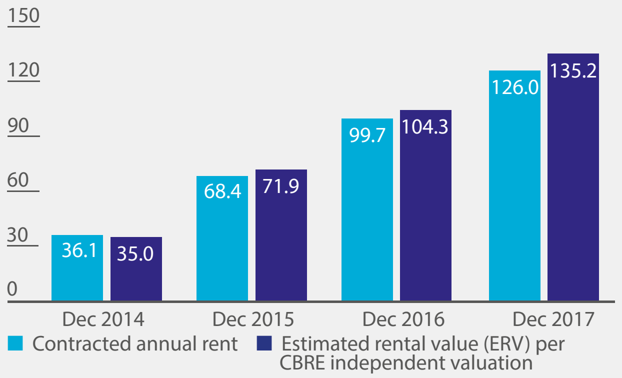
RPI/CPI linked: 37% These provide inflation protection. All but two of these in our portfolio are the more attractive RPI linked variant. All are subject to caps (maximum 5% pa). Over £24.3 million of our inflation linked income is also collared (benefits from minimum uplifts). Of the 15 inflation indexed leases, 11 are reviewed five yearly and four are reviewed annually (provide rental increased each year).

Hybrid: 9% Hybrid rent reviews can be an amalgam of the above, for instance to the higher of open market rents or RPI (potentially subject to a cap and collar). Such arrangements provide the Group with enhanced income growth potential.

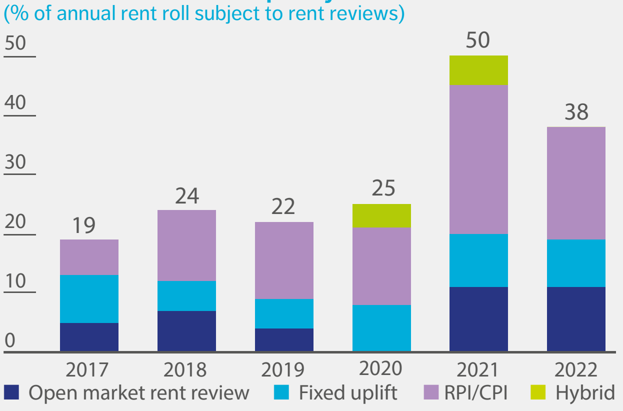
Combining the fixed uplifts together with inflation linked leases that benefit from a collar, it is notable that 33% of the Group's rental income is subject to guaranteed increases over a five year time horizon (assuming no vacancies from lease default or following lease expiry).

In 2017, 15.0% of the Group's rental income was subject to rent review (see Asset management, pages 50-55). In 2018, a further 23.8% is subject to review.

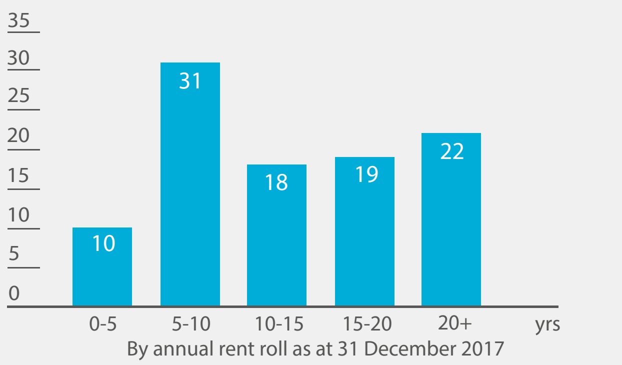
Rental income growth and the revisionary nature of the portfolio (£m)



Portfolio rent review frequency
(% of annual rent roll subject to rent reviews)



Portfolio rent roll expiry (%)



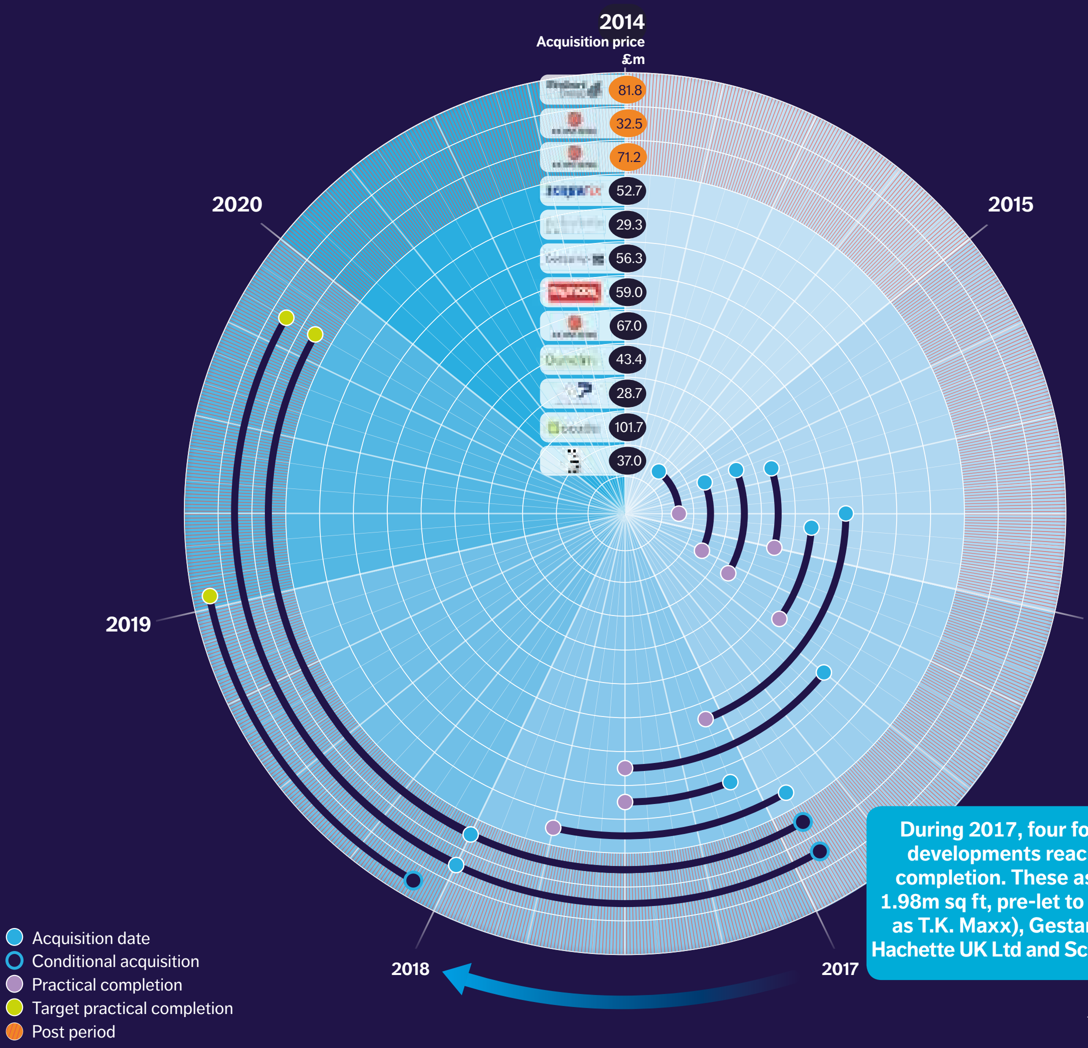
Enhancing returns through pre-let developments

We use our knowledge and expertise to enable the Group to forward fund pre-let developments with a developer. This allows the Group to acquire prime assets at a discount to the price of a let and standing asset, with the potential to capture much of the financial benefit of development, without taking on the level of risk associated with speculative development. The Group never undertakes speculative development (ie construction of a building without a tenant pre-lease).

In aggregate, the Group has successfully completed nine forward funded pre-let developments between its IPO and 31 December 2017, all of which were broadly on time and to budget. These nine assets had an average purchase yield of 5.5% and an initial weighted average unexpired term at the point of completion of 21.0 years. This compares to CBRE's publically available data stating the average purchase yield for a strong covenant on a 15 year term as 4.5% as at 31 December 2017.

Pre-let forward funded portfolio

+9	5.5%	+21.2%	21yrs
completed developments totalling >4.5m sq ft	average purchase yield for the nine completed assets	uplift on acquisition price*	weighted average term at completion



During 2017, four forward funded developments reached practical completion. These assets, totalling 1.98m sq ft, pre-let to TJX UK (trading as T.K. Maxx), Gestamp Tellant Ltd, Hachette UK Ltd and Screwfix Direct Ltd.

* 31 December 2017

Post period pre-let development acquisitions

In December 2016, the Company announced that it had exchanged contracts (conditional on receiving planning consent) to provide forward funding for the development of two new distribution warehouses at Warth Park, Raunds, pre-let under two separate 30 year leases to Howdens Joinery Group Plc ('Howdens').

Our acquisition of the land and commencement of the development were delayed due to a prolonged challenge to the planning consent which was resolved in favour of the Group and our development partner, Roxhill, in early 2018. Following this the Group completed contracts for the site acquisition and forward funding for the development and site works are now underway.

The investment price was amended to £103.7 million, to reflect a longer construction period due to the delayed planning consent and revised construction programme. Completion of construction is expected by winter 2019.

Since the year end the Company also exchanged contracts, conditional on receiving full planning consent, to provide forward funding for the development of a new regional distribution centre at Midlands Logistic Park, Corby. The development is pre-let to Eddie Stobart Limited, with a guarantee from ESLL Group Limited, for a 20 year term from completion of the development. Completion of construction is due by January 2019. The investment price is £81.8 million.

Capturing the development land opportunity

In May 2016, Shareholders approved an amendment to the Company's investment policy. This allows the Company to purchase land and options over land, with the intention of entering into agreements to forward fund pre-let Big Box developments. The investment policy does not allow any speculative development of buildings.

This is a natural evolution of the Company's strategy, allowing it to secure a pipeline of best-in-class assets in the strongest locations. Forward funding these pre-let developments will enable the Company to acquire them at an attractive yield on cost, particularly when compared to the investment yield for completed assets in comparable locations. The Company can therefore enhance returns for Shareholders, while avoiding the risks associated with speculative developments.

The Company has already begun to implement its revised investment policy and, following, an extensive 12-month UK-wide search which saw it reject numerous sites, the Company purchased c.114 acres of prime development land at Littlebrook, Dartford, in September 2017 (see page 74).

The Company is now actively considering other land opportunities, on sites ranging in size from 50-200 acres in a number of locations.

The Group's acquisition strategy in action

The Group acquired 11 investment assets during the year for an aggregate acquisition price of £434.99 million, further diversifying the portfolio by size and geography. We have also broadened the Group's range of Customers and strengthened relationships with a number of existing Customers by acquiring more assets that they occupy. As in previous years, we continued to source these investments at attractive yields, with 93% acquired off market. For the 11 assets acquired, the average NIY was an attractive 5.5%; this yield supports the Group's ability to grow the dividend in 2018. Of the 11 purchases, six were corporate acquisitions and one was forward funded. This significantly reduced the associated transaction costs, enhancing the day one running yield.

Patience and discipline are key to investing for value, and we only proceed with purchases at the right quality and price. We also constantly review the market, as well as broader economic and political conditions, so we can adjust the allocation of capital between the Group's four investment pillars: Foundation, Value Add, Growth Covenant and Strategic Land.

In 2016, we had prioritised Foundation assets, which provide the Group's core income. In 2017, while most of the acquisitions were Foundation assets, we also considered that it was the right time to acquire some Value Add and Growth Covenant assets. With tenant demand remaining high and Big Boxes in short supply, we are excited by the opportunities these assets provide to create value and convert them into Foundation assets through asset management.

Value Add assets tend to be smaller lot sizes, as this reduces risk. While they also, by definition, have shorter leases, the overall WAULT of the 11 assets which the Group bought in 2017 is 11.4 years, closely aligned with the Group's average target of over 12 years. When buying assets with shorter income, quality remains key. We target modern assets with strong fundamentals, in the right locations.

In addition, the Group exchanged conditional contracts to purchase a c.114-acre development site at Littlebrook, Dartford for £62.5 million. More information can be found on pages 44-45.

James Dunlop Partner, Investment Director

The Group's acquisitions in 2017

+10
Big Boxes assets
Ten standing assets, with an aggregate purchase price of £405.8m

+114 acres
Prime strategic land
at Littlebrook, Dartford

5.5% NIY
Average NIY
at acquisition of the 11 Big Boxes acquired

93%
Of assets acquired off market

+1
Big Box asset
One pre-let forward funded development, with an acquisition price of £29.2m

4.43 m sq ft
Logistics space
across the 11 assets acquired

11.4yrs
WAULT
The 11 acquisitions had a WAULT of 11.4 years at acquisition

Standing investments acquired 2017

Unilever
Doncaster
South Yorkshire

Acquired: May 2017
Acquisition price: £20.90 million
Net initial yield: 5.6%
Gross internal area: c.262,885 sq ft
Eaves height: c.11 and 26 metres
Built: 2002
Lease expiry: May 2032
On/off market: Off market

- Located on Trax Park, close to the M18, A1(M) and M1, with good access to the ports of Hull and Grimsby, and adjacent to Doncaster Rail Freight Terminal.
- This high specification facility was purpose built for Unilever and fitted out to include a high level of automation.
- New 15 year lease; five yearly upward only rent reviews, to RPI collared at 1.5% and capped at 3.5% pa, annually compounded. Tenant break option at years 10 and 12 subject to a full rental penalty to the end of the lease term.

Royal Mail
Atherstone
Warwickshire

Acquired: September 2017
Acquisition price: £32.68 million
Net initial yield: 6.1%
Gross internal area: c.395,111 sq ft
Eaves height: c.9 to 10 metres
Built: 1973-1995
Lease expiry: September 2027
On/off market: Off market

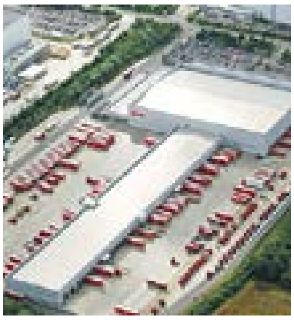
- Located 21 miles north-east of Birmingham with excellent connectivity, the property is let to Royal Mail Group Limited, the main subsidiary of Royal Mail plc.
- The property benefits from significant capital investment and a low site cover of 35%.
- Acquired with a c.10 year unexpired lease; five yearly upward only open market rent reviews, the next due in September 2021.

Morrisons
Birmingham
West Midlands

Acquired: June 2017
Acquisition price: £92.33 million
Net initial yield: 5.3%
Gross internal area: c.814,329 sq ft
Eaves height: c.16.5 metres
Built: 2012
Lease expiry: May 2038
On/off market: Off market

- Located on Birch Coppice Business Park, close to J.10 of the M42. The facility was purpose built for Ocado (the sub-tenant) with multiple mezzanine floors, high levels of automation and a low site cover of c.23%.
- Acquired with a c.21 year unexpired lease; annual upward only rent reviews to CPI, capped at 3.5% pa.

Royal Mail
Daventry International
Rail Freight Terminal
(DIRFT), Northamptonshire



Acquired: October 2017
Acquisition price: £48.82 million
Net initial yield: 5.0%
Gross internal area: c.264,802 sq ft
Eaves height: c.7-13 metres
Built: 2003
Lease expiry: August 2023
On/off market: Off market

- Situated at DIRFT (Daventry International Rail Freight Terminal) on J.18 of the M1, this high-specification 24/7 parcel delivery hub benefits from a very low site cover of c.18%.
- Acquired with a c.6 year unexpired lease; annual upward only rent reviews to RPI capped at 3% pa, the next due in August 2018.

Investment pillars:
Foundation Value Add Growth Covenant Strategic Land

Standing investments acquired 2017

Marks & Spencer
Stoke-on-Trent
Staffordshire

Acquired: October 2017
Acquisition price: £36.40 million
Net initial yield: 5.4%
Gross internal area: c.382,594 sq ft
Eaves height: c.12 metres
Built: 2008
Lease expiry: May 2026
On/off market: Off market

- Located adjacent to the Group's Dunelm property (see below) and in a core logistics location close to the M6, the property is one of M&S's five national distribution centres for general merchandise and is fully fitted out for the tenant's occupation.
- Acquired with a c.8.5 year lease subject to a tenant break option or a five yearly upward only open market rent review in 2021.

Cerealto (UK)
Worksop
Nottinghamshire

Acquired: November 2017
Acquisition price: £20.25 million
Net initial yield: 6.6%
Gross internal area: c.330,807 sq ft
Eaves height: c.12 metres
Built: 2007
Lease expiry: September 2035
On/off market: Off market

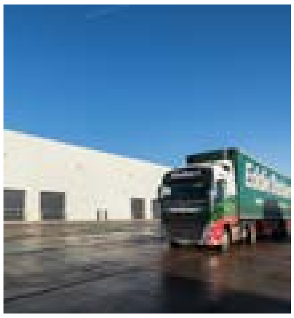
- Located at Dukeries Industrial Estate, which has easy access to both the M1 and A1.
- The Cerealto lease is guaranteed by Grupo Siro Corporativo SL, a global private label food manufacturer.
- Acquired with a c.18 year lease; fixed rental uplift due in September 2020 with five yearly upward only open market reviews thereafter.

Dunelm
Stoke-on-Trent
Staffordshire

Acquired: October 2017
Acquisition price: £42.10 million
Net initial yield: 5.4%
Gross internal area: c.503,389 sq ft (in two buildings)
Eaves height: c.12 metres
Built: 2004 and 2010
Lease expiry: August 2020
On/off market: Off market

- Located adjacent to the Group's M&S property (see above) comprising two interconnected sortation and distribution buildings that work in conjunction with the nearby Dunelm National Distribution Centre at Sideway, which is also owned by the Company.
- Acquired with two coterminous leases of c.3 years unexpired without further rent review.

Stobart Group
Carlisle Lake District
Airport, Cumbria



Acquired: November 2017
Acquisition price: £23.61 million
Net initial yield: 5.3%
Gross internal area: c.314,981 sq ft
Eaves height: c.12.5 metres
Built: 2015
Lease expiry: February 2038
On/off market: Off market

- Located at Carlisle's Lake District Airport, close to the M6.
- This modern facility was acquired with a c.18 year unexpired lease; five yearly upward only rent reviews to RPI, collared at 1.0% and capped at 3.5% pa, annually compounded. The next review is due in February 2021.

Standing investments acquired 2017

Wincanton and ITS
Harlow
Essex

Acquired: November 2017
Acquisition price: £44.40 million
Net initial yield: 6.2%
Gross internal area: c.390,092 sq ft
Eaves height: c.11.5 metres
Built: 2008
Lease expiries: ITS, November 2031; Wincanton, February 2022
On/off market: Off market

- This high specification facility is strategically positioned close to the M11, the M25 and Central London.
- Let under two leases to Wincanton (61% of rent) and Industrial Tool Supplies (ITS) (39% of rent).
- Acquired with a c.4.5 year unexpired lease to Wincanton (no further rent review) and a c.14 year unexpired lease (tenant break option in 2026) to ITS, subject to annual upward only rent reviews to RPI collared at 1% and capped at 2% pa.

Unilever
Cannock
Staffordshire

Acquired: December 2017
Acquisition price: £44.25 million
Net initial yield: 5.0%
Gross internal area: c.541,157 sq ft
Eaves height: c.10 to 28 metres
Built: 2005, extended 2012
Lease expiry: December 2027
On/off market: Off market

- Situated in a core Midlands location, close to the M6 and access to the wider motorway network.
- The property was purpose built for Unilever and is highly automated.
- Acquired with a new 10 year lease, subject to a five yearly upward only rent review to RPI, collared at 1.5% and capped at 3.5% pa, compounded annually.

Pre-let forward funded development acquired in 2017

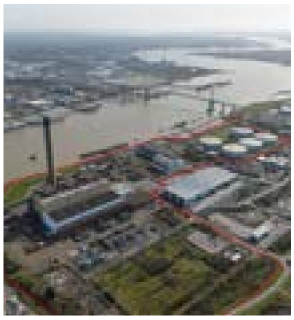
Hachette
Didcot
Oxfordshire

Acquired: February 2017
Acquisition price: £29.24 million
Net initial yield: 5.8%
Gross internal area: c.243,409 sq ft
Eaves height: 20 metres
Built: Completed July 2017
Lease expiry: July 2032
On/off market: Selectively marketed

- A forward funded development (now completed) of a new high specification and automated global distribution centre.
- Situated in a core South East logistics location close to the M4, M40 and A34.
- Acquired with a new 15 year lease, subject to five yearly upward only open market rent reviews. During construction the Group received an income return from the developer equivalent to the lease rent.

Strategic land acquired in 2017

Littlebrook
Dartford
South East London



Acquired: July 2017
Acquisition price: £62.5 million
Site area: 114 acres of prime strategic land

- The site occupies a core location within London's M25 orbital motorway (J.1A) adjacent to the Dartford Thames River Crossing. It provides the opportunity for the efficient distribution of goods across the densely populated areas of London and the Home Counties.
- Working alongside one of the UK's leading specialist logistics developers, Bericote Properties, the Company aims to deliver one of London's largest Big Box logistics parks.

Investment pillars:
■ Foundation ■ Value Add ■ Growth Covenant ■ Strategic Land

Littlebrook, Dartford – project update

Within two weeks of completing the purchase, phased demolition began of the former power station and associated infrastructure. The first c.54 acres will be ready for development during autumn/winter 2018. The final phase of demolition is projected to finish in late 2020, with the current National Grid electricity substation being relocated and decommissioned by 2025.

Part of the site already benefits from c.488,006 sq ft of planning consent for storage and distribution use. Planning discussions are ongoing with the local authority for consolidation of the existing consents, to ensure that a pre-let vertical build can start promptly on phase one. Separate discussions are under way to progress planning for the remainder of the site.

The scheme is not being actively marketed until the planning discussions are advanced, but despite this, an encouraging level of occupational requirements have been received or identified. Construction of new buildings will only begin on a pre-let basis, and is expected to start towards the end of 2018/early 2019.

Looking forward

The sector continues to benefit from strong demand, as occupiers invest in their logistics and e-commerce supply chains, which in turn leads to significant investment demand. We therefore expect some further yield compression in 2018, supporting capital values.

While the market is competitive, we see opportunities to acquire high-quality standing assets, forward funded pre-let developments and strategic land, to further diversify the Group's portfolio. We have identified a pipeline of potential purchases and since the year end we have already completed three acquisitions, including the two Howdens assets the Group conditionally acquired at the end of 2016 along with the investment asset in Crewe, guaranteed by AO World Plc. We have also exchanged conditionally on one forward funded development asset, pre-let to Eddie Stobart in Corby.

Having refinanced the Group's secured debt in December 2017 with a bond issue and a new revolving credit facility (see page 58), we will be able to finance acquisitions more efficiently, while remaining prudently within the Group's 40% LTV target (although we are likely to be operating with an LTV target of 35% in the short to medium term). This would enable us to subsequently raise further equity, to provide headroom for further acquisitions. This approach will minimise cash drag, while giving investors greater certainty about the assets they are funding.

Post period-end acquisitions

Following the period end, the Group acquired three assets, two forward funded developments pre-let to Howdens and one standing investment let to AO World. The Group also conditionally exchanged on a forward funding in Corby, pre-let to Eddie Stobart Ltd. Combined, the two pre-let forward funded developments total 2.2 million sq ft of new Big Box logistics space, with an unexpired lease term of 24 years (including the developers licence fee during construction). These four investments have a total acquisition price of £221.6 million, reflecting an purchase yield of 5.1% net initial yield.

Howdens, II & III
Raunds
Northamptonshire

Acquired: January 2018
Acquisition price: £103.7 million
Net initial yield: 5.0%
Gross internal area: 657,000 sq ft & 300,000 sq ft
Eaves height: c.15 metres
Built: Expected winter 2019
Lease expiries: Expected September 2049
On/off market: Off market

AO World
Crewe
Cheshire

Acquired: January 2018
Acquisition price: £36.1 million
Net initial yield: 5.4%
Gross internal area: 387,541 sq ft
Eaves height: 12.5 metres
Built: 2006
Lease expiries: November 2026
On/off market: Off market

Eddie Stobart
Corby
Northamptonshire

Acquired: February 2018
Acquisition price: £81.8 million
Net initial yield: 5.0%
Gross internal area: 844,000 sq ft
Eaves height: 18 metres
Built: Expected January 2019
Lease expiries: Expected January 2038
On/off market: Off market

Why London needs a large-scale Big Box logistics park inside the M25

"Currently, Littlebrook is the only site available within the M25 that can potentially accommodate logistics warehouses in excess of 450,000 sq ft."

London is a thriving city

London's population is forecast to increase to 10 million by 2031, and average spending is expected to grow at 3% pa over the next five years. As a result, it is estimated that retailers alone will require approximately 3 million sq ft per annum of additional logistics space in London, of which c.1.3 million sq ft per annum just from online retailers. This is in addition to the demand expected from other, non-retail companies seeking more efficient light industrial and distribution space.

A scarce commodity

Suitable development land within central London and the South East is extremely limited due to pressures from alternative uses, as a growing population places ever greater demands on land. Between 2001 and 2015 approximately 3,225 acres of industrial land has been lost to alternative uses. Soaring demand for space, coupled with an acute shortage of land available for development, has resulted in London and the South East becoming the most constrained market in the UK, with grade A availability levels reducing by 50% since Q1 2016[1].

A growth story

Occupier demand is high, yet the UKs densely populated capital suffers from an acute shortage of modern facilities from which to distribute goods. Logistics property located in and around London has recently been one of the strongest performing sectors of the UK property market. London prime logistics headline rents have seen an average uplift of more than 50% over the five years to December 2017, with the East London area recording one of the highest levels of rental growth at nearly 60%[2].

These characteristics are compelling for those investing in prime logistics assets. London has witnessed yields compress from 4.87% to 4.41% during 2017[3]. Logistics land prices in the capital have hit an all-time high, with a developer reported to have paid over £3 million per acre in February 2018 for a 16.75-acre site at Elstree.

1 Source: Savills, London & South East 100,000 sq ft + units
2 Source: CBRE
3 Source: Gerald Eve, London 50,000 sq ft + units

Summary of the portfolio

The table below summarises the Group's portfolio at the year end. Assets are listed in the order the Group acquired them.

TENANT	LOCATION	MONTH OF ACQUISITION	NET PURCHASE PRICE £M	PURCHASE NIY %	SIZE SQ FT ¥	NEXT RENT REVIEW DATE
Sainsbury's Supermarket Ltd	Leeds	Dec 2013	48.75	6.7	571,522	May 2018
Marks & Spencer plc	Castle Donington	Dec 2013	82.58	5.2	906,240	Dec 2021
Tesco Stores Ltd	Chesterfield	Mar 2014	28.64	6.6	501,751	N/A
Tesco Stores Ltd [1]	Didcot	Apr 2014	27.20	6.9	288,295	Aug 2019
Next Group plc	Doncaster	Jun 2014	60.00	6.1	755,055	Mar 2018
Wm Morrison Supermarkets Ltd	Sittingbourne	Jun 2014	97.80	5.2	919,443	Jun 2018
DHL Supply Chain Ltd	Langley Mill	Aug 2014	17.53	6.5	255,680	Aug 2019
DHL Supply Chain Ltd	Skelmersdale	Aug 2014	28.87	6.5	470,385	Aug 2019
Wolseley UK Ltd	Ripon	Aug 2014	12.24	6.7	221,763	Sep 2021
Rolls-Royce Motor Cars Ltd	Bognor Regis	Oct 2014	36.98	6.3	410,095	Sep 2020
CDS (Superstores International) Ltd (trading as The Range)	Thorne	Nov 2014	48.50	6.1	750,431	Oct 2022
Tesco Stores Ltd	Middleton	Dec 2014	22.45	8.3	302,111	Dec 2017
Kuehne+Nagel Ltd [2]	Derby	Dec 2014	29.27	6.0	343,248	Apr 2022
L'Oréal (UK) Ltd	Manchester	Dec 2014	25.83	7.1	315,118	Aug 2018
Argos Ltd	Heywood	Apr 2015	34.10	5.3	495,441	Mar 2018
B&Q plc	Worksop	Apr 2015	89.75	5.1	880,175	Nov 2021
New Look Retailers Ltd	Newcastle-under-Lyme	May 2015	30.05	5.9	398,618	Apr 2022
Nice-Pak International Ltd	Wigan	May 2015	28.66	6.4	399,519	May 2021
Ocado Holdings Limited [3]	Erith	May 2015	101.73	5.3	563,912	Apr 2021
Brake Bros Ltd	Harlow	Jun 2015	37.18	5.0	276,213	Jul 2019
Tesco Stores Ltd	Goole	Jun 2015	47.10	5.7	711,933	Oct 2022
Dunelm (Soft Furnishings) Ltd	Stoke-on-Trent	Jun 2015	43.43	5.5	526,953	Feb 2021
TJX UK (trading as T.K. MAXX)	Knottingley	Sep 2015	59.00	5.3	640,759	Jan 2022
Howden Joinery Group plc	Raunds	Oct 2015	67.00	5.0	658,971	Jul 2021
Matalan Retail Ltd	Knowsley	Dec 2015	42.38	6.3	578,127	Oct 2021
Brake Bros Ltd	Bristol	Mar 2016	25.20	5.2	250,763	Mar 2021
Argos Ltd [4]	Burton-on-Trent	Mar 2016	74.65	5.6	653,670	Feb 2018
DSG Retail Ltd	Newark	May 2016	77.30	5.9	725,799	Mar 2021
Gestamp Talent Ltd [5]	Wolverhampton	Aug 2016	56.30	5.1	545,998	Jul 2021
Kellogg Company of Great Britain Limited	Manchester	Aug 2016	23.50	5.9	311,602	N/A
Amazon UK Services Ltd [6]	Peterborough	Aug 2016	42.90	5.6	549,788	Apr 2020
Euro Car Parts Ltd	Birmingham	Oct 2016	80.14	5.0	780,977	Jan 2021
Whirlpool UK Appliances Ltd	Raunds	Oct 2016	35.35	6.6	473,263	N/A
The Co-operative Group Ltd	Thurrock	Oct 2016	56.50	5.5	322,684	Dec 2020
Screwfix Direct Ltd	Fradley	Dec 2016	52.70	5.5	553,276	Oct 2022
Hachette UK Ltd	Didcot	Feb 2017	29.24	5.8	243,409	Jul 2022
Unilever UK Ltd	Doncaster	May 2017	20.90	5.6	262,885	May 2022
Wm Morrison Supermarkets Ltd	Birmingham	Jun 2017	92.33	5.3	814,329	May 2018
Royal Mail Group Ltd	Atherstone	Sep 2017	32.68	6.1	395,111	Sep 2021
Royal Mail Group Ltd	Daventry	Oct 2017	48.82	5.0	264,802	Aug 2018
Dunelm (Soft Furnishings) Ltd	Stoke-on-Trent	Oct 2017	42.10	5.4	503,389	N/A
Marks & Spencer plc	Stoke-on-Trent	Oct 2017	36.40	5.4	382,594	May 2021
Cerealto (UK) Ltd [7]	Worksop	Nov 2017	20.25	6.6	330,807	Dec 2020
Stobart Group Limited	Carlisle	Nov 2017	23.61	5.3	314,981	Feb 2021
Industrial Tool Supplies (London) Ltd & Wincanton Holdings Ltd	Harlow	Nov 2017	44.40	6.2	390,092	Nov 2018
Unilever UK Ltd	Cannock	Dec 2017	44.25	5.0	541,157	Dec 2022
Littlebrook Strategic Land	Dartford	Jul 2017	62.50	N/A	N/A	N/A
Total for assets completed at 31/12/17			**2,169.04**	**5.70**	**22,753,134**	
Post period end						
Howdens Joinery Group plc ‡	Raunds	Jan 2018	71.20	5.00	657,000	Sep 2024
Howdens Joinery Group plc ‡	Raunds	Jan 2018	32.50	5.00	300,000	Sep 2024
Expert Logistics Ltd [8] (trading as AO.com)	Crewe	Jan 2018	36.10	5.40	387,.541	Apr 2021
Eddie Stobart Limited [9#$] (conditional on planning)	Corby	Feb 2018	81.80	5.00	844,000	Jan 2024

1 Guaranteed by Tesco Plc
2 Guaranteed by Hays Plc
3 Guaranteed by Ocado Group plc
4 Guaranteed by Experian Finance plc
5 Guaranteed by Gestamp Automoción SA
6 Guaranteed by Amazon EU Sarl
7 Guaranteed by Grupo Siro Corporativo SL
8 Guaranteed by AO World Plc
9 Guaranteed by ESLL Group Limited

* Now unconditional post period end
^ Weighted portfolio purchase yield excludes Littlebrook Strategic Land
‡ Estimated target practical completion date of September 2019
$ Estimated target practical completion date of January 2019
¥ CBRE measured floor area
Conditionally exchanged

Our asset management strategy in action

The Group's asset management strategy focuses on creating value throughout an asset's lifecycle.

The potential to protect and enhance income and capital value is a key consideration when we source assets for the Group. We categorise the Group's assets into one of four investment pillars (see page 34) and develop business plans for each. There are opportunities to add value to assets across all four of the investment pillars but particularly for Value Add assets, which comprised 17.2% of the Group's portfolio at the year end. These are typically let to financially sound Customers and offer the potential to use asset management to enhance capital value and, for some assets, turn them into Foundation assets.

We look to use our industry and market expertise and strong relationships with the Group's Customers to grow and improve the quality of its income streams. This can include: negotiating rent reviews, lease extensions, refurbishment, agreeing new lettings, enhancing the building or extending it, either within the existing site or by acquiring adjacent land. Such initiatives can improve the customer's efficiency and reduce operating costs as well as helping customers to meet their environmental and social responsibility obligations, such as by installing renewable energy systems.

A diverse property portfolio with numerous small or multi-tenanted assets can provide multiple opportunities for asset management annually, but each will have only a small financial impact on the portfolio. The Group's portfolio continues to develop in number, now with 46 large income producing assets. With larger assets the frequency of opportunities to create value though asset management are fewer, but the impact of each can be greater.

Through regularly meeting with our Customers either individually or at a range of industry focused events, hosted or attended by the Manager, we have developed strong relationships with key individuals. These discussions can result in further engagement and opportunities as highlighted in this report.

During 2017 we successfully extended three leases for two of our assets and documented rent reviews on seven of our properties. We also completed two development extensions for Rolls-Royce Motor Cars and commenced a building extension for New Look at Newcastle-Under-Lyme. In addition we completed an option agreement over 46.5 acres of land adjoining one of the Group's existing assets.

Petrina Austin Partner, Head of Asset Management and Sustainability

The Group's asset management highlights in 2017

15.0%
Rent roll
Subject to review

+2.43%
Annual equivalent increase to the passing rental income

+3
Lease extensions

+7
Rent reviews
settled across 3.7 m sq ft

+c175,000 sq ft
of physical extensions to existing facilities

A strong foundation

The key to unlocking value through asset management is owning well located, modern, fit-for-purpose buildings that tenants want to occupy and which are strategically important to their business. In such circumstances they will be committed to the asset.

Financially strong occupiers will often make significant investment in the property and continue to do so throughout the life of the lease. Changes which benefit the tenant can often also provide opportunities for the landlord to benefit from capital value growth, through funding initiatives such as mezzanine floors or solar panels.

Our customer led approach

Our aim is to be an occupier's landlord of choice for their distribution property network. A key part of our approach is to develop strong relationships with our Customers, so that we understand their requirements and future objectives. Our Customers are highly valued since the success of their business can directly correlate with value and generates property opportunities for us.

We proactively assist occupiers considering future space or network reviews, orchestrating technical advice so as to develop a 'partnership' approach in their evolving decisions. In order to acquire a balanced understanding, we seek to acquire a wide contact base within our Customers' companies beyond simply the main property contacts, extending to the logistics and operations directors, who often drive the internal strategy. We work closely with them to better understand their challenges and unlock opportunities through the most efficient application of their operational real estate.

Aside from engaging with our occupiers, we keep abreast of advancements within the logistics and distribution sector by attending industry events and meeting with companies developing systems and equipment which could benefit our Customers, such as evolving automation and robotics.

Protecting value

We regularly review the financial status of our Customers, as well as those of potential new occupiers. This includes monitoring their trading results and statements and analysing the corporate strategies disclosed in their annual reports, which could identify property opportunities. Where appropriate, we negotiate a guarantee from the parent company of a tenant to strengthen the financial covenant of the lessee.

We look to future-proof our assets, maintaining versatility so they can be adapted to future uses and methods of fulfilment. This includes identifying opportunities both within our ownership and adjacent land. An example of this is the completion of an option agreement in November 2017, covering 46.5 acres in Newark, adjoining the Groups' DSG, Newark asset.

Our proactive asset management approach

Cohesive business plans
Asset management plans and risk assessments are developed on an asset by asset basis

Tenant covenant analysis
Key to risk management and transaction due diligence

Sector specialism
Unique knowledge and sector insight – understanding UK Big Boxes

Diligent asset monitoring
Risk analysis at property level prepared annually and 'health-checked' monthly

A relationship based approach
Regular meetings and relationship building with local and national customer contacts – fundamental to creating asset management opportunities

Dedicated in-house teams
A team based approach – combining a dedicated internal property management and development resource

Valuable market intelligence
Extensive network of key relationships with agents, consultants and in-house research ensuring up-to-date market intelligence

Capturing reliable and balanced income growth

The timing of rent review events over the next few years supports the Group's ambition to deliver income growth, thereby underpinning our progressive dividend policy. Rent reviews typically take place every five years but the Group also benefits from some annual reviews.

Through careful selection we have ensured a balance in the timing of our rent reviews which provides the opportunity to grow our rental income each year. In 2017, 15.0% of the rent roll was subject to a review.

Since the start of the year, we have settled seven rent reviews across 3.73 million sq ft of the portfolio, adding £1.40 million to the annual rent roll. This equates to an annual equivalent increase to the passing rental income across these seven assets of 2.43%.

At the year end, the breakdown of rent reviews by type, calculated as a percentage of contracted rental income, was:

Open market rent reviews: 40% These track the rents achieved on new lettings and rent reviews of comparable properties in the market, offering the potential to capture the recent and continued healthy rental growth of Big Box logistics.

Fixed uplift rent reviews: 14% Fixed rent reviews provide certainty of income growth. At either 2% pa (one lease) or 3% pa (four leases). By income, 63% of these leases have five yearly reviews and 37% are reviewed annually (provide rental increases each year).

RPI/CPI linked: 37% Provide inflation protection. All but two of these in our portfolio are the more attractive RPI linked variant. All are subject to caps (maximum 5% pa). Over £24.3 million of our inflation linked income is also collared (benefits from minimum uplifts). Of the 15 inflation indexed leases, 11 are reviewed five yearly and four are reviewed annually (provide rental increases each year).

Hybrid: 9% Hybrid rent reviews can be an amalgam of the above, for instance to the higher of open market rents or RPI (potentially subject to a cap and collar). Such arrangements provide the Group with enhanced income growth potential.

Annual inflation indexed rent reviews:

Morrison's, Sittingbourne: An annual rent review linked to RPI (capped at 2.00%) was reviewed effective from June 2017, at an uplift of 2.00% pa, resulting in an increase of £111,316 pa to the passing rent.

Annual fixed rent reviews:

Argos, Burton-on-Trent: The 3% pa annual rent increase was applied in February 2017, reflecting an uplift to passing rent of £124,107 pa.

L'Oréal (UK) Limited, Trafford Park: The 3% pa annual rent review was applied in September 2017, resulting in an uplift to the passing rent of £61,975 pa.

Hybrid rent reviews:

The Co-operative Group, Thurrock: The Company owns a warehouse and adjacent trailer park let under two separate leases. The warehouse is reviewed five yearly to the greater of passing rent, open-market rent or £2,597,604 pa, plus 10% ancillary income for fit-out. The new review was agreed in June 2017, effective from December 2015 at £2,857,364 pa, reflecting an increase of 10.41%. The next rent review on the trailer park lease will be in May 2018.

Marks & Spencer, Castle Donington: The five yearly open market rent is subject to increases of 1.5% minimum and 2.5% maximum pa compound. The rent review was settled in April 2017 effective from December 2016 at the maximum increase of 2.5% pa reflecting an overall increase of 13.1%.

Five yearly open-market rent reviews:

New Look, Stoke-on-Trent: The rent review was settled in September 2017, effective from April 2017 reflecting an increase of 12.3%.

Wolseley, Ripon: This asset is reviewed to open market rent. The rent review was settled in November 2017, effective from September 2016, reflecting an increase of 6.6%.

Four open market rent reviews remain unsettled and under negotiation as at the period end.

Improving property and enhancing value

When acquiring assets for the Group, one of our key considerations is the potential to implement physical improvements that can protect and enhance capital value while potentially also growing income. We typically acquire assets that are well configured with low site cover to allow for future occupational flexibility, since we understand that a Customer may need to extend an existing building or alter the layout of a facility as operational requirements evolve.

Through our in-house specialist knowledge and experience in this sector, we can often suggest practical solutions. The aim of such initiatives is not only to grow our income, but also to ensure that our property assets are resilient and can adapt or evolve to meet the future demands of supply chain distribution across the UK.

During 2017, the Group agreed two building extension projects, which will add a total of c.174,510 sq ft of new space to our existing assets in Bognor Regis and Newcastle-under-Lyme. Following a seven month construction project, completing in October 2017, Rolls-Royce took occupation of two building extensions for a combined 96,476 sq ft (see case study page 54).

Works are progressing to extend our New Look Big Box in Newcastle-under-Lyme. This initiative will extend the facility by c.78,034 sq ft. The tenant intends to commit significant capital expenditure to automate and fit out the building.

As part of our asset management strategy we also incorporate responsible business initiatives by encouraging our Customers to make environmental enhancements. Highly mechanised buildings and those with mezzanine floors can be energy hungry given the scale of heating, lighting and power requirements. By using biomass heating systems, wind turbines or roof-mounted solar panels such as those we installed on The Range asset in Thorne, we can improve a property's EPC rating as well as reduce the tenant's operational costs and support their sustainability commitments. As with the asset improvements noted above, by funding these works, we can improve the quality of the property and also generate additional income for the Company (see Responsible Business pages 72-75).

Lengthening income

Physical enhancements, such as constructing an extension or improving the specification of a building, can allow us to commit capital expenditure in return for not only a higher rent, but also a lengthening of the lease term, thereby protecting longevity of income and/or increasing capital values.

The two previously mentioned extension projects will result in an increase to the unexpired lease terms of the assets, further demonstrating the asset's strategic importance and Customer commitment each property:

Rolls-Royce Big Box, Bognor Regis: Both leases were extended by an additional 12 months as part of the property extension negotiation.

New Look Big Box, Newcastle-under-Lyme: The lease was extended by 12 years as part of the property extension negotiation.

Subsequent to implementing this asset management initiative, New Look announced challenging trading conditions, which they intend to address by rationalising their store portfolio. The building is critical to New Look's supply chain operation, being one of only two UK facilities which service their UK and European business, fulfilling both store replenishment and e-commerce orders. At the period end New Look's rent exposure reflected 1.6% of the total portfolio income.

Executing our asset management strategy

We use our in-house expertise, strong relationships and sector knowledge to turn Value Add acquisitions into Foundation assets.

Value Add assets

- Usually benefit from attractive running yields.
- Typically occupy strong locations with good infrastructure connectivity.
- Can have shorter unexpired lease terms, presenting opportunity for extending the lease or re-letting.
- If property fundamentals are sound, there is the potential to use expertise/relationships to convert Value Add assets into Foundation assets.

Foundation assets

- Foundation assets provide the backbone of our longer-term income.
- By creating a Foundation asset from a Value Add asset, we can deliver capital value growth without incurring the significant transactional (frictional) costs associated with selling an asset and re-deploying proceeds into an alternative Foundation asset.
- Extending a lease term in this way helps to protect our portfolio WAULT.

Rolls-Royce Big Box, Bognor Regis

In October 2014, the Group acquired the forward funded development of a 313,220 sq ft technology and logistics centre at Bognor Regis, pre-let to Rolls-Royce Motor Cars Ltd ("RRMC"), for an investment price of £37 million. This warehouse and distribution centre is strategically situated for RRMC, eight miles from its historic home, headquarters and principal UK assembly plant at Goodwood, West Sussex. Built on an 18.95 acre site, this facility had the potential for future expansion within the curtilage of the site.

In August 2016, just 11 months after practical completion of the construction of the original two buildings, we agreed to fund enhancement works to extend both buildings. This expansion coincided with the launch of the new Rolls-Royce Cullinan. Construction began in April 2017 with RRMC taking occupation of the extension soon after practical completion in autumn 2017.

The initiative:

- To increase the combined floor area by 96,875 sq ft to accommodate the growing requirements of our customer.

The financials:

- Capital commitment: £8.9 million.
- Yield on cost of 8% against the increased rent of £704,281 pa.

The outcome:

- Increased the Income: Rent reviews remain at 3% pa fixed (realised five yearly), applied to the enlarged floor area of 410,075 sq ft.
- Extended the income: Increased the lease term adding a further year to each building lease, extending the unexpired lease term to c.9.5 years.
- Increased capital values: This asset management initiative has delivered a capital profit of £2.1 million.

Post-period events

Following the period end, the following asset management initiatives were completed:

Tesco Big Box, Chesterfield: The Group purchased this asset in 2014 at an attractive yield and categorised it as Value Add due to the short period to lease expiry. In February 2018 we received notification of the Arbitrator's direction in relation to the outstanding open market rent review as at 28 May 2015. This award confirmed an uplift of the passing rent to £2,100,000 from £1,999,804. In the summer of 2016, Tesco announced its intention to vacate the property at Chesterfield. We viewed the prospect of a potential refurbishment and re-letting with optimism, given the location, building size and configuration in the context of an occupational market bereft of vacant properties of this type readily available to let.

We have conditionally exchanged contracts to accept a surrender of the lease, from Tesco without premium, with completion expected by the end of April 2018. We have subsequently entered into a 12 month licence with a high-quality and well known occupier to cover rent and all non-recoverable property costs, whilst the occupier strategy is finalised.

Looking forward

Continuing to develop our Customer relationships, growing our understanding of their businesses and integrating the Group's properties as key assets in their supply chain operations is a strategic priority.

We will continue to keep abreast of advances in technology based applications for warehouse management processes and systems, identifying where the Company's Customers may benefit. We must also be live to threats and how best to insulate the Company and assist our Customers with any challenges that they face.

The Group's financial strategy in action

For 2017, the Group had a dividend target of 6.40 pence per share and a total return target of at least 9%. We also stated that we would explore opportunities to bring in longer and alternative sources of debt financing, without compromising the Group's investment objectives.

The Group met its dividend target by declaring the final quarterly dividend on 7 March 2018, taking the aggregate dividends declared to 6.40 pence per share for 2017. The total dividend was substantially covered by the Group's Adjusted earnings which were 6.37 pence per share. In May 2017, we successfully raised an additional £350 million of equity to further grow the Company and diversify its assets. We successfully deployed the equity within six months, as planned. Our patient search for the right investments at attractive prices meant, however, that the majority of the equity was invested towards the end of that period. Which had a consequential impact on our Adjusted earnings.

Strong NAV growth, of 13.24p or 10.2% over 2016, was underpinned by the continued investment supply and demand imbalance for prime logistics assets; the weight of global money looking to invest in the subsector was particularly strong during the second half of the year. Coupled with the dividend, this NAV growth resulted in a total return of 15.2%, comfortably ahead of target.

One of the most significant events of the year was the strengthening of the Group's capital structure. In December 2017, the Group issued its debut, unsecured, dual-tranche loan notes totalling £500 million and with an average term of 11.5 years. At the same time, we raised £350 million of debt via an unsecured corporate revolving credit facility. Combined, these allowed us to refinance the majority of the Group's secured debt and move forwards with largely unsecured debt, providing a flexible platform to support future growth. As a result, the Group's average maturity profile nearly doubled, to 8.9 years (from 4.5 years at the point of refinance). Entry into the public bond market opens the Company up to an increased pool of liquidity which further diversifies our borrowing and will help to support future growth.

Frankie Whitehead Head of Finance

The Group's financial highlights in 2017

6.40p
Dividend per share
In line with target

15.2%
Total return
Compared with the medium-term target of 9%+ pa

£2.61bn
Portfolio value
Increase of 38% over 2016 (including all forward funded commitments)

13.1%
EPRA cost ratio
Declined from 15.8% in 2016

6.37p
Adjusted earnings per share
Dividends substantially covered by Adjusted earnings per share

142.24p
EPRA NAV per share
Increased by 13.24p or 10.3%

26.8%
Loan to value
With a further £340 million of debt commitments undrawn

Financial results

Net rental income grew by £33.35 million, to £107.94 million (2016: £74.59 million), reflecting the positive impact of the investment activity throughout the year as well as the contribution from four forward funded developments that completed during the period.

The continued growth in the portfolio increased the Group's contracted rent roll to £125.95 million across 46 assets (2016: £99.66 million across 35 assets), as at 31 December 2017.

The portfolio's strong rental income with upward-only rent reviews generated growth of £1.40 million to headline rents across the seven rent reviews settled in the year, of which three were annual reviews and four were five yearly reviews. Details of the individual reviews settled can be found on page 52 within Asset Management.

Operating profit before changes in the fair value of investment properties, as reported under IFRS, grew by 49.1% to £93.78 million (2016: £62.88 million). Along with the growth in net rental income, administrative expenses have continued to fall on a relative basis, achieved through the ratcheted investment manager fee and further cost controls. The Group's low and predominantly fixed overhead base translates into an EPRA cost ratio of 13.1% for the year (2016: 15.8%). This continues to compare favourably with our peer group.

A gain of £175.98 million (2016: £47.5 million) on revaluation of the Group's investment properties was recognised in the year. This was calculated after accounting for all costs associated with asset purchases during 2017.

Net financing costs (excluding capitalised interest) for the year were £19.92 million (2016: £11.55 million), excluding the reduction in the fair value of interest rate derivatives of £2.04 million (2016: £7.15 million). The increase in net financing costs reflects the growth in the business and the subsequent increase in average debt drawn during the year. Further information on financing and hedging is provided below.

Tax

The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business. The tax charge for 2017 was therefore £nil (2016: £nil).

Profit and earnings

Profit before tax for 2017 was £247.80 million (2016: £91.90 million), which resulted in basic EPS of 19.54 pence (2016: 10.52 pence). The Group's EPRA EPS for the year was 6.20 pence (2016: 5.90 pence).

The Group's Adjusted EPS was 6.37 pence for 2017 (2016: 6.51 pence). This was affected by the size of the May 2017 equity issue and the timing of investment. Whilst investment of the equity proceeds was patently and well in line with our targeted timeframe of approximately six months, some investments were delayed or took longer to transact than previously anticipated, resulting in a number of transactions concluding towards the latter part of the period. This included the delay caused by an appeal against the planning consent for the two forward funded developments, pre-let to Howdens, in Raunds, which was originally expected to complete in May 2017, as well as delays due to the transaction complexities across the Unilever, Cannock and AO.com, Crewe, investments. We also made a conscious decision to refinance our shorter term secured borrowings, in favour of longer-term fixed rate unsecured borrowings prior to the year end. In doing so we locked into long-term attractive rates of borrowing which have since spiked into early 2018 due to further global interest rate volatility and signals from the Bank of England that rate rises may come sooner than previously planned.

Whilst the timing of this refinancing wasn't a necessity, we believe this was in the best interest of Shareholders over the long term, secured at an attractive cost and predominantly fixes our cost of borrowing. For further details on our refinancing arrangements, see Debt Capital below.

Adjusted EPS takes EPRA EPS, adds the developer's licence fees the Group receives on forward funded developments and excludes other earnings not supported by cash flows. We see Adjusted EPS as the most relevant measure when assessing dividend distributions. Further information can be found in note 13.

Dividends

From 1 January 2017, the Group moved to quarterly dividend payments. Since that date, the Board has declared the following interim dividends:

DECLARED	AMOUNT PER SHARE	IN RESPECT OF THREE MONTHS TO	PAID/ TO BE PAID
7 March 2017	1.55p	31 December 2016	3 April 2017
24 April 2017	1.60p	31 March 2017	22 May 2017
13 July 2017	1.60p	30 June 2017	10 August 2017
12 October 2017	1.60p	30 September 2017	16 November 2017
7 March 2018	1.60p	31 December 2017	29 March 2018

The dividend declared on 7 March 2018 will be paid on 30 March 2018, to Shareholders on the register on 16 March 2018.

Dividends in respect of 2017 therefore totalled 6.40 pence per share, meeting the Group's target for the year and representing an increase of 3.2% on the total dividend for 2016 of 6.20 pence per share.

We have increased our target dividend for 2018, to 6.70 pence per share, which is an increase of 4.7% over 2017 and somewhat ahead of the retail price index which was running at 4.1% for the 12 months ending December 2017.

Our distributable reserves position is healthy, following the historic conversion of a large part of our share premium account into the capital reduction reserve, which is considered distributable under the Companies Act, along with the stable and growing retained earnings accumulating within the Company. As at the year end the total distributable reserves available to the Company were £626.42 million.

Investment properties

At 31 December 2017, the total value of the portfolio, including forward funded development commitments, was £2.61 billion across 46 assets (31 December 2016: £1.89 billion across 35 assets). The Group invested a total of £497.45 million (net of purchase costs) in 11 assets and 114 acres of development land during the year.

The gain recognised on revaluation of the Group's investment property portfolio was £175.98 million. An average acquisition cost of 3.70% was incurred across the 11 assets acquired during 2017, of which four were direct asset purchases, six were corporate transactions and one was a forward funded development. Corporate transactions contributed to returns by saving approximately £13.50 million, or 1.00p to net asset value versus incurring standard acquisition costs of 6.8%, demonstrating further value through efficient purchasing.

The portfolio's average valuation yield at 31 December 2017 was 4.56%, including the land at Littlebrook on which the Group currently receives no income. On a like-for-like basis, compared with assets held at 31 December 2016, values increased by 8.72% for the year, excluding any additional capital costs incurred in the period.

At the year end, the Group had total commitments to forward funded developments and other asset management initiatives of £5.11 million (31 December 2016: £82.4 million). In addition, the Group had committed £23.51 million following the purchase of the development land project at Littlebrook, Dartford, which is the expected amount required to bring the site to a ready state for construction and includes costs of demolition, remediation, planning and infrastructure works.

The Group had conditionally exchanged contracts on two forward funded developments pre-let to Howdens at Raunds with an investment commitment totalling £103.7 million. The land acquisition and start on site were delayed as a consequence of a planning objection lodged during the judicial review period. The Group had also conditionally exchanged on the purchase of the investment asset let to AO.com in Crewe, prior to the year end. Both of these assets were therefore disclosed as contingent liabilities at the year end, however completion of the contracts were finalised on 12 January 2018 and 18 January 2018 respectively.

Net assets

EPRA net assets were £1.94 billion (2016: £1.43 billion). The EPRA NAV per share at 31 December 2017 was 142.24 pence (31 December 2017: 129.00 pence), representing a 10.3% increase over the year. This was achieved through a combination of purchasing well and booking gains at the point of purchase and structuring our purchases efficiently which resulted in significant cost savings against standard purchase costs (see investment properties above). Our income stream grew organically through the settlement of seven rent reviews, we realised gains following asset management activity across a number of assets (see page 52) and the market moved further in our favour, delivering yield compression and therefore value appreciation across the existing portfolio.

Equity capital

During May 2017, we raised equity from Shareholders totalling £350 million. The initial level targeted was £200 million, however due to the considerable support we received from a combination of existing and new Shareholders, the fundraise was upscaled to £350 million. The issue was accretive to the then net asset value and 257,352,941 new Ordinary Shares were issued at 136 pence per share.

Debt capital

The Group made strong progress this year in terms of raising additional debt capital in both the private and public debt markets. This has helped develop a debt platform that provides the Group with the necessary flexibility and structure to support it through further growth. In total, the Group raised £940 million of new, mostly unsecured debt, allowing it to refinance £568 million of existing secured indebtedness. In the process, the Group diversified its sources of borrowing, fixed most of its interest costs at attractive rates and materially lengthened the average debt maturity from 4.5 years to 8.9 years as at 31 December 2017, providing the Group with additional security of funding during a continued period of economic uncertainty.

On 1 March 2017, the Group agreed a new 10-year, £90 million facility with PGIM Real Estate Finance, secured against a portfolio of four assets. The facility has a fixed all-in interest rate of 2.54% and introduced a new lender to the Group.

On 23 November 2017, the Group announced its £1.5 billion Euro Medium Term Note (EMTN) Programme, under which it can issue loan notes to be listed on the Irish Stock Exchange. Both the Group and the EMTN Programme have been assigned an investment-grade rating of Baa1 (stable outlook) by Moody's Investors Service. The debut issue under the Programme followed on 1 December 2017, when the Group issued £500 million of senior unsecured notes (more commonly known as corporate bonds). The notes were issued in a dual tranche, with nine and 14 year maturities respectively and with an average term of 11.5 years. They bear interest at a rate of 2.625% and 3.125% per annum respectively. The issue was significantly oversubscribed, which is a strong endorsement for the Group considering it was its debut issue. The level of interest allowed us to tighten pricing from initial levels by up to 20-25 basis points across each tranche. The notes have demonstrated positive levels of trading in the secondary markets, since issue.

Simultaneously, the Group announced that it had agreed a new £350 million unsecured revolving credit facility (RCF), with an initial maturity of five years and the option to extend by a further two years, with the lenders' prior consent. The facility also contains an uncommitted £200 million accordion option and has an opening margin of 1.10% over LIBOR. The syndicate for the RCF comprises three of the Group's existing lenders, Barclays Bank PLC, ING Bank N.V., London Branch and Wells Fargo Bank N.A., London Branch, as well as four new lenders: BNP Paribas, London Branch, HSBC Bank plc, The Royal Bank of Scotland plc and Santander UK plc. We welcome the breadth of lenders forming the RCF.

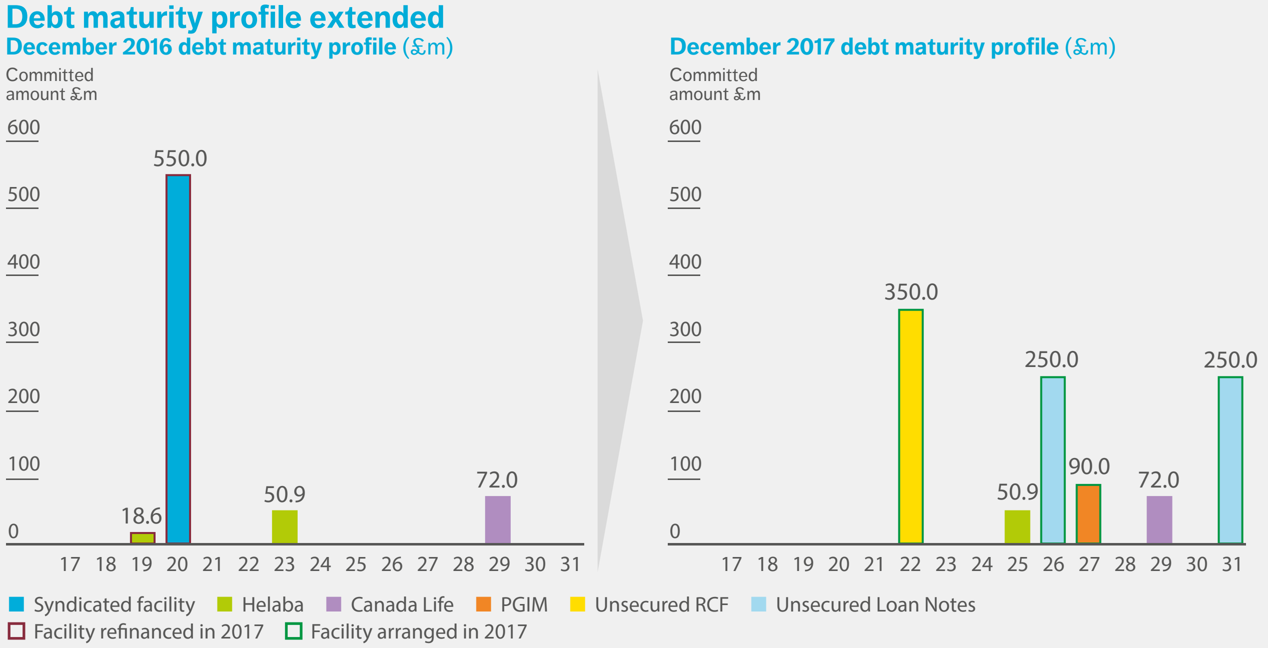
The issue of loan notes and new RCF allowed the Group to refinance the majority of its secured, shorter-term debt. This included the £550 million syndicated facility due to expire in October 2020 and two facilities with Helaba, for £7.06 million and £11.60 million, terminating in November 2019. All early repayment fees associated with the repayment of these existing facilities were avoided. There were, however, £4.77 million of unamortised arrangement fees that were written off as part of the refinance upon the extinguishment of these facilities. This is a non-cash expense recognised in the Statement of Comprehensive Income during the year.

On 14 December, the Group also extended its £50.87 million facility with Helaba, secured on the Ocado asset at Erith, by two years to July 2025. There was no change in margin resulting from the extension.

The refinancing and new unsecured borrowings reduced the capped cost of the Group's debt from 2.78%[1] as at 31 December 2016 to 2.66%[1] as at 31 December 2017. At the same time, the Group's average maturity profile increased from 4.5 years at the point of refinance to 8.9 years at 31 December 2017 (2016: 4.8 years), moving it closer to the WAULT on the portfolio. The Group had an all-in running cost of borrowing of 2.38% at 31 December 2017. This is a highly attractive cost of debt, which is primarily fixed. The Group currently has no refinancing requirement until December 2022.

The extent to which we have extended and de-risked our maturity profile can be seen in the graphs below.

Debt maturity profile extended



1 Calculated using gross debt commitments.

The Group now has a scalable and flexible debt platform, which gives access to a significant additional pool of liquidity in the UK Sterling bond market, which will support future growth. These unsecured financings provide the Group with improved operational flexibility, greater speed of execution and lower transactional costs moving forwards.

At 31 December 2017, the Group therefore had the following borrowings:

LENDER	ASSET SECURITY	MATURITY	LOAN COMMITMENT £M	AMOUNT DRAWN AT 31 DECEMBER 2017 £M
Loan notes				
2.625% Bonds 2026	None	Dec 2026	249.01	249.01
3.125% Bonds 2031	None	Dec 2031	246.55	246.55
Bank borrowings				
RCF	None	Dec 2022	350.00	10.00
Helaba	Ocado, Erith	Jul 2025	50.87	50.87
Canada Life	Portfolio of three assets	Apr 2029	72.00	72.00
PGIM Real Estate Finance	Portfolio of four assets	Mar 2027	90.00	90.00
Total			**1,058.43**	**718.43**

At the year end, 62.3% of the Group's debt commitments were held under fixed-rate facilities. The Group has a hedging strategy for its variable-rate debt, which predominantly includes the use of interest rate caps to allow it to benefit from current low interest rates, while minimising the effect of a significant rise in underlying interest rates. The Group therefore holds derivative instruments which, when including all fixed rate debt, hedge 98.7% of all Group borrowing commitments. The derivative instruments comprise one interest rate swap and a number of interest rate caps, each running coterminous with the respective loan.

The Group complied with all of its debt arrangements during the year and subsequent to the year end.

Loan to value

The Group continues to operate with a conservative leverage policy and medium-term, maximum target of 40% loan to value. The loan to value as at 31 December 2017 was 26.8% (2016: 30%); however, once fully invested and geared the look through loan to value (which included all of the Group's capital commitments) will continue to be approximately 35%. Further to guidance initially given within our Interim Report, this is a reduction from our medium-term target of 40% 12 months ago.

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 us, 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.

Looking forward

The Group's financing activities during 2017 give it the resources and flexibility to continue its selective acquisition programme and further diversification in its portfolio. We have a solid capital structure from which to grow the business and our inaugural issuance in the public debt market should mean that we have a deeper pool of liquidity available to us in the future. We have added further longevity and diversity to our borrowings, which align it further to the length of our income stream, allowing for a consistent level of recurring earnings into the future.

The assets acquired towards the end of 2017 and in the early part of 2018 will contribute to our earnings and earnings growth, supporting the progressive dividend target for 2018 of 6.70 pence per share. We will continue to rigorously manage the Group's cost base where possible, which is now largely fixed following the refinancing. The Group will also benefit from further economies of scale as it grows and we will continue to grow our income stream through the organic combination of fixed, indexed and open market rent reviews occurring in 2018.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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 team of other accounting, marketing, public relations, administrative and support staff.

Petrina Austin BSc MRICS
Partner, Asset Management and Sustainability

Bjorn Hobart MA BSc (Hons) MRICS
Partner, Property

Edward Plumley MBA MSc MRICS
Assistant Fund Manager

Charlie Withers
Director of Development

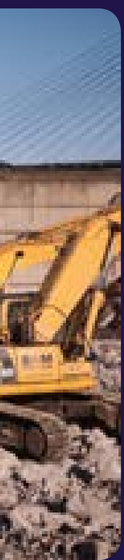
Catherine Fry
Head of Risk & Compliance

Olivia Cox non-practising solicitor
Deputy Company Secretary


Colin Godfrey BSc (Hons) MRICS
Partner, Fund Manager (above)

James Dunlop BSc MRICS
Partner, Investment Director (left)


Henry Franklin BA CTA
Partner, Structuring and Legal




Sally Bruer
Head of Research


Frankie Whitehead ACA
Head of Finance (left)

Kirstin Walmsley
Head of Marketing

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low-risk returns to shareholders, by executing the Investment Policy described on page 34. Set out below are the key performance indicators we use to track our progress.

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE	RESULT
1. Total return (TR) TR measures the change in the EPRA net asset value over the period plus dividends paid. We are targeting a TR in excess of 9% per annum over the medium term†.	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.	**15.2%** for the year to 31 December 2017 (2016: 9.6%).	*Ahead of our medium-term TR target.*
2. Dividend Dividend paid to Shareholders and declared in relation to the year. Our target for 2017 was a total dividend of 6.40 pence per share.	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.	**6.40 pence per share** for the year to 31 December 2017 (2016: 6.20 pence per share).	*Achieved our target dividend in 2017 and set a new target of 6.70 pence per share for 2018.*
3. EPRA NAV per share* The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the lifecycle of our assets.	**142.24 pence** at 31 December 2017 (2016: 129.00 pence).	*Increase in EPRA NAV per share over the year by 13.24 pence (10.2%).*
4. Loan to value ratio (LTV) The proportion of our gross asset value (including cash) that is funded by borrowings. Our medium-term target is to operate with an LTV of up to 40%.	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	**26.8%** at 31 December 2017 (2016: 30.0%).	*Below our medium-term LTV target maximum of 40%.*
5. Adjusted earnings per share Post-tax adjusted EPS attributable to Shareholders, which includes the licence fees receivable on our forward funded development assets, and adjusts for other earnings not supported by cash flows. See note 13 for reconciliation.	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	**6.37 pence per share** for the year to 31 December 2017 (2016: 6.51 pence). See note 13, page 113	*Adjusted EPS substantially covers the total dividend for the year.*
6. Total expense ratio (TER) The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.	This is a key measure of our operational performance. Keeping costs low supports our ability to pay dividends.	**0.84%** for the year to 31 December 2017 (2016: 1.06%).	*Our TER is expected to reduce as the Company grows.*
7. Weighted average unexpired lease term (WAULT) The average unexpired lease term of the property portfolio, weighted by annual passing rents. Our target is a WAULT of at least 12 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	**13.9 years** at 31 December 2017 (2016: 15.3 years).	*+1.9 years above our 12-year target.*

** 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.*

† 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.

See Our Strategy and Objectives – Our Investment Policy, page 34

EPRA PERFORMANCE MEASURES

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 measures, please see Notes to the EPRA performance measures.

KPI AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings (Diluted) Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets). See note 13, page 133	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.	**£78.61 million / 6.20 pence per share** for the year to 31 December 2017 (2016: £51.53 million / 5.90 pence per share).
2. EPRA NAV (Diluted) Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. See note 28, page 148	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.	**£1,940.42 million / 142.24 pence per share** as at 31 December 2017 (2016: £1.43 billion / 129.00 pence per share).
3. EPRA Triple Net Asset Value (NNNAV) EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.	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.	**£1,939.35 million / 142.16 pence per share** as at 31 December 2017 (2016: £1.42 billion / 128.12 pence per share).
4.1 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) purchasers' costs.	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	**4.04%** at 31 December 2017 (2016: 4.70%).
4.2 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).	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	**4.71%** at 31 December 2017 (2016: 4.95%).
5. EPRA Vacancy Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	**0.00%** as at 31 December 2017 (2016: 0.00%).
6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	**13.1%** for the year to 31 December 2017 (2016: 15.8%) Both the 2017 and 2016 ratios include and exclude vacancy costs.

See Notes to the EPRA performance measures, pages 164-166

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for our risk management and internal controls, with the Audit Committee reviewing the effectiveness of our 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 key 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 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 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

Our risk appetite is low, including the fact that we do not undertake speculative development. We have high-quality tenants, with a portfolio of modern buildings and one of the longest unexpired lease terms in the sector coupled with an average term to maturity on our debt of 8.9 years, most of which is fixed rate.

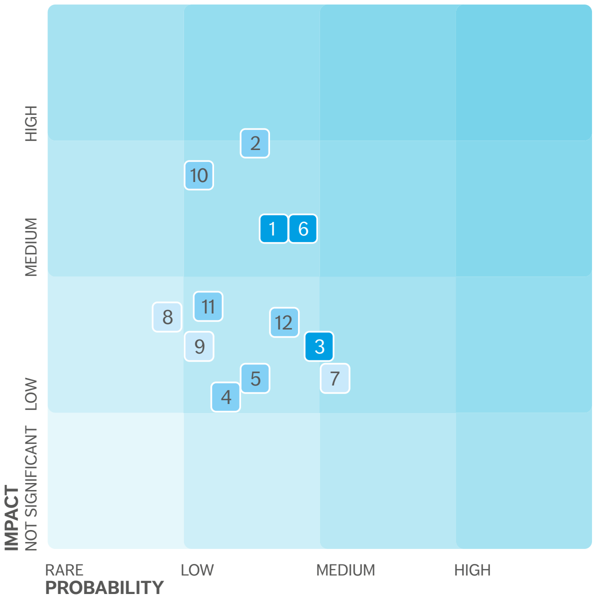
We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility.

Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out on pages 67-71. They have the potential to materially affect our business, either favourably or unfavourably. 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. All principal risks are the same as detailed in the 2016 Annual Report.

Risk management framework

Principal risks



The matrix above illustrates our assessment of the impact and probability of the principal risks identified. The rationale for perceived increases or decreases in the risks identified is contained within the commentary for each risk category.

The Board considers these risks have increased since last year

1 Default of one or more tenants
3 Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector
6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or pre-let development activities

The Board consider all the other risks to be broadly unchanged from last year

2 The performance and valuation of the property portfolio
4 Our property performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail
5 Development activities are likely to involve a higher degree of risk than investment in standing investments
10 We rely on the continuance of the Manager
11 We are a UK REIT and have a tax-efficient corporate structure, with advantageous consequences 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
12 The vote to leave the EU in June 2016 could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company

The Board considers these risks have decreased since last year

7 Our use of floating rate debt will expose the business to underlying interest rate movements
8 A lack of debt funding at appropriate rates may restrict our ability to grow
9 We must be able to operate within our banking covenants

Property risks

1 Default of one or more tenants

PROBABILITY: LOW TO MODERATE

Change in year:

IMPACT: MODERATE

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.

MITIGATION

Our 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, with easy access to large ports and key motorway junctions. Before investing, we undertake thorough due diligence, particularly over the strength of the underlying covenant, while continuing to monitor the covenant strength once forming part of the portfolio. We select assets with strong property fundamentals (good location, modern design, sound fabric), which should be attractive to other tenants if the current tenant fails. In addition, we focus on assets let to tenants with strong financial covenant strength that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) is less than 9% as at 31 December 2017.

See Asset Management pages 50-55

Property risks (continued)

2 The performance and valuation of the property portfolio

PROBABILITY: LOW

Change in year:

See Asset Management pages 50-55

IMPACT: MODERATE TO HIGH

An adverse change in our property valuations may lead to a breach of our banking covenants. Market conditions may also reduce 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 us selling assets to repay our loan commitments, resulting in a fall in our NAV.

MITIGATION

Our property portfolio is 100% let, with long unexpired weighted average lease terms and an 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 maintain our asset values. We have agreed banking covenants with appropriate headroom and manage our activities to operate well within these covenants. We constantly monitor our covenant headroom on LTV, gearing and interest cover. The level of headroom is currently significant. The EMTN has limited covenants.

3 Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector

PROBABILITY: MODERATE

Change in year:

See Our Strategy and Objectives pages 34-35

IMPACT: LOW

Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources, thereby restricting our ability to grow our NAV.

MITIGATION

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. 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. We are, however, disciplined in our investment of capital and will not pay a price which we believe is above market value, just to secure a purchase.

4 Our property performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail

PROBABILITY: LOW

Change in year:

See Our Market pages 22-31

IMPACT: LOW

Our focus on the Big Box sector means we directly rely on the distribution requirements of UK retailers. Insolvencies among the larger retailers and online retailers could affect our revenues and property valuations.

MITIGATION

The diversity of our institutional-grade tenant base means the impact of default of any one of our tenants is low. In addition to our due diligence on tenants before an acquisition or, in the case of forward funded developments, before agreeing the lease terms, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance of our tenants. E-commerce is expected to grow to 23% of UK retail sales by 2020.

Property risks (continued)

5 Development activities are likely to involve a higher degree of risk than investment in standing investments

PROBABILITY: LOW

Change in year:

See Our Market pages 22-31

See Our Strategy and Objectives pages 34-35

IMPACT: LOW

Our forward funded developments are likely to involve a higher degree of risk than is associated with standing investments. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default. If any of the risks associated with our forward funded developments materialised, this could reduce the value of these assets and our portfolio.

MITIGATION

The Company had no forward funded development assets under construction as at 31 December 2017. However, it has completed on a further two and conditionally exchanged on one forward funded development post the period end. All of these assets are pre-let to institutional-grade tenants. 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 overruns. Funds for these developments remain with us and are only released to the developer on a controlled basis subject to milestones as assessed by our independent project monitoring surveyors (see also risk below on land and development activities).

6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or development activities

PROBABILITY: LOW

Change in year:

See Our Market pages 22-31

See Our Strategy and Objectives pages 34-35

IMPACT: MODERATE

The inability to obtain planning consent means that the land would have to be 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. If the Company fails to attract a suitable pre-let it cannot proceed with the development of a Big Box. This would impact on the future revenues the Company could make from the land and failure to secure a pre-let may have a negative effect on the valuation.

The land may be subject to an environmental risk which requires significant investment to remediate prior to commencing the development works.

The costs associated with developing land may fluctuate over the course of the development due to market conditions.

MITIGATION

The Company cannot undertake any speculative development of buildings although it can undertake land preparation works and therefore a pre-let is a pre-requisite to commencing the construction of building. Prior to acquisition of land the Company will carry out an extensive due diligence exercise to limit exposure to environmental risk and other hazards. Once a pre-let is agreed with a suitable tenant, the Company will structure the development of the asset as it does its forward funded development projects, therefore minimising risk (see risk above on development activities). The purchase of land is also subject to a maximum level of 10% of NAV, at the time of purchase. The Company also undertakes a significant level of due diligence on the land, the surrounding power and highways infrastructure, the surrounding environment and the state of the market prior to embarking on a land purchase to mitigate any risk around the viability of the site for development as much as possible. The Company will usually also work in tandem with an experienced and respected development partner to manage any preparatory works and/or development.

Financial risks

7 Our use of floating rate debt will expose the business to underlying interest rate movements

PROBABILITY: MODERATE

Change in year:

Robust financing and hedging with strong liquidity pages 56-61

IMPACT: LOW

Interest on our variable rate debt facilities is payable based on a margin over Libor. Any adverse movements in Libor could significantly impair our profitability and ability to pay dividends to Shareholders.

MITIGATION

The Company has entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to the level to which Libor can rise 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 variable rate debt approximately 90%+ hedged. During 2017, we refinanced a significant amount of floating rate debt in the year with fixed rate debt. Our exposure to Libor currently represents only 8.5% of our drawn debt.

8 A lack of debt funding at appropriate rates may restrict our ability to grow

PROBABILITY: LOW

Change in year:

Robust financing and hedging with strong liquidity pages 56-61

IMPACT: MODERATE

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 refinance existing debt, this will impair our ability to maintain our targeted level of dividend or impair our ability to grow.

MITIGATION

During the year the Company refinanced a significant portion of its secured borrowings, by issuing long-term unsecured borrowings. This should enable the Company to raise future debt in a more efficient and effective manner on an unsecured basis. Before we contractually commit to buying an asset, we enter into discussions with our lenders to get an outline heads of terms on debt financing. This allows us to ensure that we can borrow against the asset and maintain our borrowing policy. The Board keeps our liquidity and gearing levels under review. We only enter into forward funding commitments if they are supported by available committed funds. In December 2017, we issued a £500 million dual tranche bond with an average term of 11.5 years along with a £350 million unsecured revolving credit facility. We had headroom of £340 million within the credit facility at the year end. This has created new banking relationships for us, which helps keep lending terms competitive.

9 We must be able to operate within our debt covenants

PROBABILITY: LOW

Change in year:

Depositary Statement page 95

IMPACT: LOW

If we were unable to operate within our debt covenants, this could lead to default and our debt funding being recalled. This may result in us selling assets to repay loan commitments, resulting in a fall in NAV.

MITIGATION

We continually monitor our debt covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. Our LTV is low and we enter into interest rate caps to mitigate the risk of interest rate rises. During 2017, we refinanced a significant part of our floating rate debt and moved predominantly to a fixed rate debt platform. This will mitigate the effect on the Company 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

PROBABILITY: LOW

Change in year:

See Our Strategy and Objectives pages 34-35

See Management Engagement Committee Report pages 101-103

IMPACT: MODERATE TO HIGH

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, depend on the Manager's abilities in the property market. Termination of the Investment Management Agreement would severely affect our ability to manage our operations and may have a negative impact on the share price of the Company.

MITIGATION

Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 24 months' written notice, which may not be served before 31 December 2019. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure it maintains a positive working relationship. The Investment Management Agreement was amended during 2016; see the Management Engagement Committee Report.

Taxation risk

11 We are a UK REIT and have a tax-efficient corporate structure, with advantageous consequences 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

PROBABILITY: LOW

Change in year:

See Our Market pages 22-31

See Our Strategy and Objectives pages 34-35

IMPACT: LOW TO MODERATE

If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.

MITIGATION

The Board is ultimately responsible for ensuring we adhere to the UK REIT regime. It monitors the REIT compliance reports provided by:

- the Manager on potential transactions;
- the Administrator on asset levels; and
- our Registrar and broker on shareholdings.

The Board has also engaged third-party tax advisers to help monitor REIT compliance requirements.

Political risk

12 The vote to leave the EU could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company

PROBABILITY: LOW

Change in year:

Robust financing and hedging with strong liquidity pages 56-61

IMPACT: LOW TO MODERATE

The UK has now triggered Article 50, which sets the expected date of the UK's departure from the EU in March 2019. Economic volatility is not a new risk for the Group; however, until the terms of Brexit become clearer the exact outcome on the business is difficult to predict at this stage.

MITIGATION

The Group operates with a sole focus on the UK Big Box market which has a significant supply shortage against current levels of demand; this will assist in supporting property capital values. It 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 downturn in the UK economy.

RESPONSIBLE BUSINESS

As changing weather patterns create devastation and the scientific community points to global warming as the cause, we are ever more aware of the direct effect that we have on our environment.

As a business we have a responsibility to play our part in employing sustainable principles, not just because we consider this to be beneficial to our long-term financial success, but for the benefit of future generations. Adopting this approach in partnership with our Customers helps to ensure that the real estate from which they operate not only meets their future needs but also complies with evolving legislative requirements and their individual corporate social responsibility ideals. If our buildings are resilient in specification so as to be attractive to occupiers, they are likely to be attractive to investors, underpinning both income and capital values. There is often the opportunity to renew, invest and innovate, creating wider welfare advantage at micro and macro levels.

Sphere of influence

As an externally managed business, we have no employees or office space. The Board is made up of five Non-Executive Directors, comprising four men and one woman. Our business is solely in the UK and we consider there to be a low risk of human rights abuses. It is important to us, and to the continued service we receive from the Manager, that it has effective and fair employment practices. The Manager has a bespoke bonus payment policy and low staff turnover. It also has a healthy balance of gender diversity and is committed to assisting the Company in its ambition to minimise the environmental footprint from our business operations.

The need for efficient sustainable buildings

With greater awareness of the impact of buildings on the environment and finite natural resources, owners, developers and occupiers must take responsibility for ensuring that their environmental footprint is minimised. This can be delivered through adopting sustainable design and encouraging innovation in planned future operational practices. Land constraints in certain urban locations would prompt us to consider more flexibility in design, such as future-proofing for a multi-level or multi-user facility, thus being best placed to meet growing demand whilst limiting the impact on the wider environment. Proactive property management can assist in mitigating risks, with alterations or replacement of items such as boilers, lighting systems or reconfiguration of access and exit routes, so as to limit congestion.

It's important that landlords and developers not only focus on financial returns from real estate, but also fully understand their responsibilities to the local communities within which they operate and the wider environment.

A culture of accountability

We are a responsible owner, committed to owning high-quality, modern Big Box warehouses which deliver sustainable returns. In order to achieve this, we must focus on owning and creating buildings that benefit local communities and that are sustainable in the long term.

We want our properties to minimise their impact on the local and wider environment, therefore we carefully consider the environmental performance of assets before we acquire them and encourage a sustainable approach to new developments and to maintaining and upgrading existing buildings.

For all potential asset purchases, we analyse the data we obtain and record it in a Green Review template. The review may lead to further enquiries of the vendor, surveying and legal teams, or could identify opportunities for our initial business plan for the asset. We also provide key sustainability data to the Board, when seeking approval to proceed with a purchase

How we influence sustainable practice

As a landlord with 100% of our investment assets leased, our day-to-day environmental responsibilities are limited. This is because under UK law a full repairing and insuring (FRI) lease conveys control of the property to the lessee in virtually all respects. Nonetheless, we have the ability to influence the culture of our Customers, make recommendations and potentially assist with environmental and sustainable initiatives either by contributing to the cost or applying our knowledge and expertise by way of assistance. Many of our Customers have corporate responsibility targets and we therefore encourage and help them to adopt sustainable business practices.

We commission reviews of each asset for the potential installation of roof mounted solar PV panels and discuss the findings with our Customers. We are currently progressing negotiations regarding two Group funded solar schemes, together with a joint Group and Customer funded feasibility study in respect of the potential installation of a wind powered turbine. One Customer took our analysis and has decided to self-fund a solar scheme and biomass boiler (powered by redundant timber pallets) to heat the office element of the building, thereby lowering its carbon footprint through reduced transportation.

Our Customers are responsible for an asset's environmental performance throughout its use, such as greenhouse gas emissions or water consumption. As we do not purchase any utilities, we cannot use the lease terms to influence how our

Customer operate the property, however when negotiating new leases, we endeavour to encourage a sustainable approach to facilities management. As a result, we do not submit performance data to benchmarking indices such as the Global Real Estate Sustainability Benchmark.

Local communities

Our assets provide important benefits to their local communities. They help our Customers to create jobs, often in areas where traditional industries have declined, thus boosting the local economy. They also support economic activity more broadly, by underpinning the efficient operation of our Customers and helping them succeed. Securing and retaining labour is often a key decision factor for our Customers' property decisions. Access to public transport systems, amenity provisions and staff development programmes are areas where we aim to work collaboratively with our Customers.

Measurement of energy efficiency

The EPC rating is a key part of our review of potential asset purchases. We also look at material environmental risks, such as flood and storm risk, connectivity and circulation, and planning requirements. In addition, we commission an environmental survey that includes the sites' previous uses, so we can assess the risk of possible site contamination and any past remediation, with a view to implementing clean-up plans.

The MEES legislation provides an opportunity to work collaboratively with our Customers, as we have identified that often "green" initiatives generate cost savings and enhance productivity. When either we or our Customers undertake such works, there is the opportunity to re-commission EPCs and demonstrate a rating improvement. Through proactive management we can ensure that assets remain attractive and operationally efficient for our Customers, whilst complying with legislative requirements.

Property development partnerships

We do not undertake speculative development, but one of the areas in which we can exert most influence is through the commitment to a forward funded development of a new building which has been pre-let. Whilst the specification will be substantially influenced by the operational requirements of the occupier and financial constraints of the developer, we have the opportunity to influence the design approach. This can include the specification of the building, how it will be built and the inclusion of environmental elements such as rainwater harvesting and renewable power.

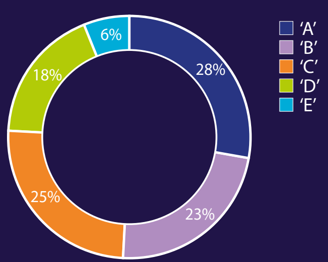
Asset management

All but one of our assets are let to single Customers. We look to develop strong relationships with our Customers so that we can work together to understand their property and corporate

An Energy Performance Certificate (EPC) is required by law whenever a building is bought, sold or rented. An EPC is a key measure of an asset's energy efficiency, and grades the property from A (most efficient) to G (least efficient).

In April 2018, under the Minimum Energy Efficiency Standards (MEES), it became unlawful for landlords to grant a new lease on an asset with an EPC rating below E.

Our portfolio (by gross internal area) is rated as follows:



* as at 31 December 2017

None of our properties are rated "F" or "G".

EPC's on all assets completed: 100% of assets rated

social responsibility requirements, endeavouring to provide environmentally and operationally efficient buildings which suit their needs. Our business plan for each asset identifies opportunities to enhance environmental attributes. Eight of our properties harvest rainwater and five have either solar or wind generated power. By working with our Customers, we expect to increase this number. Other initiatives include enabling rail connectivity, installing energy efficient lighting and insulation, and plant replacement. In addition, we support Customers who want to make alterations to assets to support their employees, such as adding bus stops or staff shops. A number of our Customers are conducting pioneering research into more sustainable and efficient logistics concepts, such as the use of drones or electric vehicles, which may require alterations to the property. We are generally supportive of such initiatives, adopting a practical and efficient consent process to required building alterations. Once established, these innovative practices could be of benefit to our wider Customer base.

Ongoing influence

The Building Research Establishment Environmental Assessment Methodology (BREEAM) is a voluntary sustainability measure. It has six ratings, ranging from Unclassified to Outstanding. We expect a minimum of a Very Good rating for our pre-let forward funded developments, which represents advanced good practice and puts the buildings in the top quartile of new builds.

Case Study: Littlebrook Strategic Land

In September 2017 we acquired a c.114 acre site at Littlebrook, Dartford, which previously accommodated a former coal and oil power station. Although operations were decommissioned in 2015 a very substantial power station building, other ancillary buildings and very large oil storage tanks remain on site. Demolition of these buildings has commenced. Together with our development partner, Bericote Properties, we have sought to maximise recycling of materials from the demolition, including considerable amounts of steel which are being sold for reuse and rubble which is being used for hardcore on site. As little as possible is being transported off-site. In parts of the site, ground levels needed to be raised and we have diverted dig materials from another London development that were being transported to Kent in order to reduce carbon footprint.

The former owner of the power station ensured that site was kept reasonably clean, but areas of contamination are inevitable given the history of the site and we are applying a meticulous approach to remediating this.

We have worked collaboratively with National Grid in order to move an existing electricity substation within our site to a new location on the fringe of our site. The existing substation is old and inefficient. The new substation, which will provide power to our site, will be significantly more efficient.

The location of the site is environmentally sensitive, being adjacent to the River Thames. The masterplan for the site includes initiatives to encourage biodiversity, including landscaping with planting for wildlife including indigenous trees and plants, balancing ponds and cleaning up of a local stream which runs into the River Thames. The design also includes access through the site to the Thames and provision of a footpath with landscaped space adjacent to the river for enjoyment by the public. The protection and creation of wildlife habitats both during and after construction forms part of the strategy and management practices, an example of this being the provision for the resident lizards.

The development aims to apply high standards of energy efficiency in the specification of buildings. Where possible the supply chain will be sourced locally, such as the employment of construction staff from the local community. Goods inwards can be efficiently handled from nearby docks at Tilbury, Gravesend or DP World. The Littlebrook site also benefits from two landing stages which are capable of inward and outward movement of goods by river.

The occupiers are expected to want to deliver goods to consumers in London. The close proximity of large-scale buildings such as those planned at Littlebrook will help reduce the carbon footprint because these buildings of scale are close to their market.

Land is a finite resource and this development seeks to demonstrate the benefits both locally and more widely which a regeneration project can bring.

Prior to commencement of demolition at Littlebrook, ecological surveys identified a small number of reptiles on the site. To safeguard the reptiles, a protection plan was implemented. This involved collection and relocation of the reptiles to a specially constructed, larger and more suitable habitat elsewhere within the site.

Looking forward

We recently bid on a development site where the scheme was designed to be entirely self-sufficient through the application of advanced power technologies. Currently this is not always possible, but with advances in technology our buildings will become more energy efficient. Big Boxes benefit from being flexible spaces occupying large sites which are capable of accommodating such technologies, so in this respect they benefit from significant future-proofing.

We live in a fast-moving world with increasing consumer demands impacting on the pressures for logistics. We view change as an opportunity to influence our environment for the good. The UK government is seeking to positively influence a reduction in fossil fuel emissions but more needs to be done. For articulated lorries, the technology is not sufficiently advanced but we are keen on supporting initiatives for hybrid vehicles with on-site battery charging terminals. Pilot studies are indicating the future potential for autonomous vehicles and drone delivery, both of which have the potential to reduce carbon emissions, deliver efficiencies, reduce danger, pollution and congestion on our roads.

GOING CONCERN AND VIABILITY

The Strategic Report describes the Company financial position, cash flows, liquidity position and borrowing facilities. The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 26.8% as at 31 December 2017.

The Company also 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 risk. The Company's cash balance as at 31 December 2017 was £78.0 million, of which £71.9 million was readily available. It also had undrawn amounts under its debt facilities of a further £340.0 million. The Company had capital commitments totalling £28.6 million, plus a contingent liability reflecting the conditional exchange of contracts on two pre-let forward funded asset purchases, subject to satisfactory planning permission with an investment price of £103.7 million plus a standing asset with an investment price of £36.1 million. These assets completed on 12 January 2018 and 18 January 2018 respectively.

In December 2017 the Company refinanced a large part of its secured borrowings with unsecured borrowings. The unsecured borrowings were raised via the issue of a nine and 14 year loan notes totalling £500 million plus a £350 million revolving credit facility. Following the refinancing the Company now has a much deeper pool of liquidity available to it in the sterling bond market, but also greater certainty over its debt platform with a weighted average unexpired term of 8.9 years as at 31 December 2017. As a result, the Directors believe that the Company is well placed to manage its current and future financial commitments and other business risks.

The Directors believe that there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of approval of the Company'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.

Anti-bribery and corruption

The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. In considering The Bribery Act 2010, at the date of this report, the Board had assessed the perceived risks to the Company arising from bribery and corruption and to identify aspects of the business, which may be improved to mitigate such risks. The Manager actively reviews and monitors perceived risks in order to mitigate them. Responsibility for anti-bribery and corruption has been assigned to the compliance officer within the Manager who has sufficient time and seniority to manage it effectively. The Manager maintains a risk register, where perceived risks and associated actions are recorded and this is regularly shared with the Board for approval.

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 7 March 2023. 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 66-71 summarises 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 in 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 would impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to

BOARD APPROVAL OF THE STRATEGIC REPORT

a reduction in the availability of finance. 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 7 March 2023.

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, rental growth and yields were sensitised to reflect reasonably likely levels associated with an economic downturn.

- **Restricted availability of finance:** Following the December 2017 refinancing, the Group does not have a refinancing event occurring until December 2022, at which point the £350 million revolving credit facility is due to be refinanced. This facility does, however, have two one year extension options, which if exercised and approved by the lenders would extend the maturity of the facility until December 2024. Regardless of the extension of the facility, 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.

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 ending 7 March 2023.

Board approval of the Strategic Report

The Strategic Report was approved on behalf of the Board by:

Richard Jewson Chairman
7 March 2018

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CHAIRMAN'S GOVERNANCE OVERVIEW

The Company's growth and long-term success is supported by our culture of strong corporate governance; it is integral to the Company's growth and the successful implementation of its strategy.

Strong corporate governance has been the foundation of our business and strong performance since the Company's launch in 2013. The Company's strategy is supported by the principles of good and effective corporate governance; it has helped the Company to establish a strong culture which supports open and robust debate, promoting good decisions made to secure the Company's long-term and continuing success. In this section of the Annual Report we report on our compliance with the principles of corporate governance and highlight the key governance events which have taken place during 2017.

2017 has been a successful year and a year of new achievements, including our first issue of £500 million of loan notes which were listed on the Irish Stock Exchange and issued under the Euro Medium Term Notes Programme ("EMTN"); a well supported equity raise and our Company's acquisition of the unique development site at Littlebrook. It has also been a year of changes at Board level with the appointment of Aubrey Adams OBE, formerly of Savills plc and British Land Company PLC, and the resignation of Stephen Smith earlier in the year.

Strong governance

The Company has appointed Tritax Management LLP (the "Manager") as the Alternative Investment Fund Manager 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 management and risk management services on behalf of the Company. Whilst the Manager has ultimate responsibility to take the final decision over portfolio and risk management services, the Board discusses potential investments and divestments with the Manager and ensures ongoing compliance with the Investment Policy. This complies with the latest European Securities and Markets Authority ("ESMA") guidelines published on 16 November 2016 in respect of the correct interpretation of the Alternative Investment Fund Management Directive and ensures that the Company continues to adopt best governance practice.

As well as regular Board meetings which consider Company business in light of its strategy, the Board continues to meet for specific strategy meetings to consider the Company's strategy, discuss the future of the Company, its market and its Customers. Further detail on Board and strategy meetings can be found on pages 85-86.

Directors

The Company appointed a new Non-Executive Director, Aubrey Adams, formerly of Savills plc and British Land Company PLC. Aubrey has also been appointed to the Audit Committee, the Management Engagement Committee and the Nomination Committee. More details can be found in my Nomination Committee Report. Stephen Smith resigned from the Board of the Company in June 2017.

The Board commissioned Lintstock Limited to undertake its Board evaluation in 2017 and 2018. This will allow Lintstock to have a full and in-depth review of the Board and its key working relationships. The arrangement has been structured so that Lintstock will be able to use the results of the 2017 review as a starting point for its comprehensive evaluation in 2018. I am looking forward to receiving the results and recommendations from the 2018 review. Further information on the 2017 evaluation can be found on page 90. As a Board, we continue to benefit from our bespoke professional development programme, more details of which can be found on page 90.

Shareholder and stakeholder communications

The Company has continued to develop its communications programme with Shareholders and stakeholders and I was pleased to run another series of Chairman's lunches which were again very beneficial, interesting and well received. Colin Godfrey, together with the Company's Broker, undertook another extensive international roadshow this year which was well received by Shareholders.

Capital markets

The Company undertook a successful equity fundraising in May 2017 of £350 million. The Company appointed Lazard to advise on the successful debt re-finance which took place in December 2017. As part of the process, the Company achieved an investment-grade credit rating of Baa1 from Moody's. This EMTN is part of the Company's overall financing initiative to further diversify its sources of funding and to move towards

See Nomination Committee Report, pages 91-92

Key Board statements

REQUIREMENT	BOARD STATEMENT	WHERE TO FIND FURTHER INFORMATION
Going concern basis	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 77 of the **Strategic Report**.
Annual review of systems of risk management and internal control	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 **Accountability**, pages 93-94 of this Governance Report.
Fair, balanced and understandable	The Directors confirm that to the best of their knowledge the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide 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 Committee Report** on pages 96-100.
Appointment of the Manager	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 interests of the Company's Shareholders as a whole.	Further details are set out in the **Management Engagement Committee Report** on pages 101-103.
Robust assessment of the principal risks to the business model, future performance, solvency and liquidity of the Company	The Audit Committee and the Board undertake a full risk review twice a year where all the 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 66-71 of the Strategic Report.

unsecured longer-term borrowing for the Group. The refinance and EMTN has moved the maturity date of the Company's borrowing from four and a half years to just under nine years.

Audit Committee

The Audit Committee, led by Jim Prower, went through a re-tendering process for the external audit appointment. Deloitte LLP, KPMG LLP, PwC LLP as well as the incumbent auditors, BDO LLP were invited to tender and following an extensive process with exceptional quality shown from all the firms, the Audit Committee recommended to the Board that BDO LLP should be re-appointed. I am pleased to confirm that the Board acted upon this advice. In order to ensure compliance with recent regulatory change concerning the types of services which the Auditor is permitted to provide, following the re-tendering process and re-appointment of BDO LLP as Auditor, PwC LLP were appointed to advise on corporate finance transactions and to provide tax advice to the Group. Further information is provided in the Audit Committee Report. All the members of the Audit Committee also sit on the Management Engagement Committee and the Nomination Committee.

See Accountability, pages 93-94
See Audit Committee Report, pages 96-100
See Management Engagement Committee Report, pages 101-103
See Our Principal Risks and Uncertainties, pages 66-71

Statement of Compliance

The Company is subject to the UK Corporate Governance Code; however, we, as the Board of the Company, have considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), provides better information to Shareholders.

The Company has complied with the recommendations of the AIC Code (as set out on pages 161-162) and the relevant provisions of the UK Corporate Governance Code except as set out below.

Following the resignation of Stephen Smith and prior to the appointment of Aubrey Adams, the Company appointed Richard Jewson temporarily to the Audit Committee. Further information is contained in the Audit Committee Report, page6 96-97.

The UK Corporate Governance Code includes provisions relating to:

- The role of the Chief Executive;
- Executive Directors' remuneration;
- The need for an internal audit function.

For reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company. The Company is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors or employees. The Company has therefore not reported further in respect of these provisions.

The AIC Code and AIC Guide can be found at:
https://www.theaic.co.uk/aic-code-of-corporate-governance-0

Risks

The Board assessed, through the Audit Committee, the principal risks facing the Group, its appetite in respect of those risks and mitigating factors put in place in respect of those risks. The Board has delegated responsibility for managing internal risks and for establishing appropriate procedures in respect of financial and internal risks to the Manager. The management of these risks is reviewed by the Board on a half yearly basis. The Board consider the risks the Group faces at each Board meeting and the longer-term outlook at the strategy meetings. The Audit Committee considers the principal risks in depth twice a year, along with an assessment over whether the risk has heightened or reduced during the previous 12 months.

Richard Jewson Chairman
7 March 2018

UK Corporate Governance Code:
https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

LEADERSHIP

The Board is responsible to Shareholders, Customers and other stakeholders for delivering the sustainable and continuing success of the Company. Good governance is fundamental for long-term success and central to every Board decision. The Board and the Manager work together to ensure the highest standards of governance are maintained by the Company.

The Board

The Board consists of five Non-Executive Directors. All the Non-Executive Directors are independent of the Manager, with the exception of Mark Shaw, who is a Partner and Chairman of the Manager. Each Director will resign and stand for re-election by Shareholders at the Company's AGM in accordance with the requirements of the AIC Code. Aubrey Adams will be submitting himself for election at the scheduled May 2018 AGM, as this will be the first AGM since his appointment.

The Board has determined the Company's Investment Objectives and Investment Policy and has overall responsibility for the Company's activities, including reviewing investment activity, performance, business conduct and strategy, as well as developing and complying with the principles of good corporate governance.

The Directors believe that the Board is well balanced and possesses sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one person. Biographical information on each Director is set out in The Board of Directors on pages 88-89.

The Board has approved a schedule of matters reserved for its consideration and approval and has delegated the operational aspects of running the Company to the Manager. The matters reserved for Board consideration include:

- reviewing and approving Board membership and powers, including the appointment of Directors;
- approving the budget, financial plans and annual and interim financial reports;
- reviewing property valuations and valuations of its interest rate derivatives;
- overseeing treasury functions and managing the Company's capital structure;
- reviewing and monitoring the Manager's ongoing compliance with the Company's Investment Policy;
- overseeing the services provided by the Manager and, in conjunction with the Manager, the Company's principal service providers; and
- approving the dividend policy.

The Board has not established a remuneration committee as it 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 2017 are included in the Directors' Remuneration Report.

The Board considers the culture and ethos of the Company to be integral to the Company's success. Despite the Company being externally managed, the Board considers that the culture within the Manager is complementary to the Company. The Chairman and the Senior Independent Director meet with and speak to members of the Manager working within different functions at the Manager on a regular basis outside of Board meetings. In addition, different employees from the Manager deliver bespoke training sessions to the Board and attend Board meetings as and when requested.

Committees

The Board has delegated some of its responsibilities to its three formal committees, the Nomination Committee, the Audit Committee and the Management Engagement Committee, details of which are set out in the diagram overleaf. The Company ensures that all of the Board Committees have sufficient resources to carry out their obligations.

These Committees are each chaired by a different 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 at least every three years. The terms of reference for the Nomination Committee were reviewed at the end of 2015, for the Management Engagement Committee in October 2017 and for the Audit Committee in November 2017. The Company Secretary acts as secretary to these Committees and the Chairman of each committee reports the outcome of the meetings to the Board.

The Board also establishes further ad hoc committees to take operational responsibility on specific matters for subsequent approval by the Board. These operational committees ensure that key matters are dealt with efficiently by the best qualified Non-Executive Director and representatives of the Manager.

See The Board of Directors, pages 88-89
See Directors' Remuneration Report, pages 106-107
Board Committee Terms of Reference: https://tritaxbigbox.co.uk/about/#corporate-governance

Our governance structure

AUDIT COMMITTEE

Reviewing the integrity of the Group Financial Statements and any significant financial reporting judgements.

Reviewing and monitoring the relationship with the Auditor.

Reviewing the Manager's internal controls and controls embedded in Link Asset Services as the Company's Administrator.

Overseeing the Company's risk management process.

Considering and reviewing the Company's Viability Statement and Going Concern Statement.

See pages 96-100 for further information

NOMINATION COMMITTEE

Responsible for reviewing the Board Composition and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.

The Nomination Committee manages succession planning and ensures that the Directors receive necessary training.

See pages 91-92 for further information

MANAGEMENT ENGAGEMENT COMMITTEE

Reviewing the Company's main suppliers including the Manager, the Broker and the Valuer to ensure that the Company is receiving a strong level of performance along with value for money.

Overseeing re-tenders or new appointments.

See pages 101-103 for further information

THE BOARD

Responsible for maintaining consistent and progressive Shareholder returns

INVESTMENT COMMITTEE

Established to review and recommend investment and divestments. The Investment Committee is chaired by Colin Godfrey, the Fund Manager, and consists of various members of the Manager.

MANAGER

Tasked with the day-to-day running of the Company including making the final decisions in respect of investment and divestments, financial management, asset management and Investor Relations.

The Manager is chaired by Mark Shaw. Colin Godfrey, as the Fund Manager of the Company, oversees the Manager's relationship with the Company.

See pages 62-63 for further information

COMPANY SECRETARIAT AND COMPLIANCE

Again, part of the Manager, this function oversees the Company's governance structure and manages the Company's compliance with financial regulation.

The Company Secretariat also administers the Group. This function is overseen by Henry Franklin.

The Company Secretariat function is currently being re-tendered; further information can be found on page 102.

The Manager

The Board has delegated the day-to-day running of the Company to the Manager pursuant to the terms of the Investment Management Agreement. Further details of the delegated matters can be found on the Company's Website. The Investment Management Agreement was amended and restated on 11 September 2017 to clarify the Manager's responsibility to make final investment and divestment decisions in accordance with ESMA guidance. The Management Engagement Committee Report discusses the changes made to the Investment Management Agreement and how the Board's relationship with the Manager is regulated.

HOW WE GOVERN THE COMPANY

Our Company's success is based upon the effective implementation of its strategy by the people who work for and with it. Our Company's culture is set by the leadership of the Board.

Board meetings

During 2017, the Board held nine scheduled meetings of which two were strategy meetings, plus a further nine ad hoc meetings to deal with transactional and other specific events such as equity raises and debt financing. The table below shows each individual Director's attendance at the scheduled Board meetings for which they were eligible to attend during the year. Attendance at Committee meetings is incorporated in each Committee report.

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 the Non-Executive Directors and other attendees. At each Board meeting every agenda item is considered against the Company's strategy, its Investment Objectives and Investment Policy.

A typical agenda includes:

- a review of investment performance;
- a review of investment and divestments and asset management initiatives currently in progress;
- an update on investment opportunities available in the market and how they fit within the Company's strategy;
- 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; and
- specific regulatory, compliance or corporate governance updates.

The Board is kept fully informed of potential investment opportunities, along with wider property market intelligence, through the Board papers prepared by the Manager which show current investment opportunities in the market and quarterly market research reports. All decisions to invest in or divest of property are made by the Manager following a recommendation by the Investment Committee and discussions with the Board. The Manager provides a detailed acquisition paper to the Board on any selected potential acquisition and notifies it when an offer is made for and accepted on a property and regularly updates the Board on the progress of the transaction. When the Company acquires development land, a development appraisal is presented to the Board and regular updates are provided to the Board.

Representatives of the Manager attend the Board meetings together with representatives from the Company Secretarial team. Representatives of the Company's other advisers are also invited to attend Board meetings from time to time, particularly representatives from the Company's Broker, the Company's Financial Advisers and the Company's Lawyers.

Attendance at scheduled Board meetings

	BOARD MEETINGS ELIGIBLE TO ATTEND[1]	SCHEDULED BOARD MEETINGS ATTENDED
Meetings held	**9**	**9**
Richard Jewson	9	9
Jim Prower	9	9
Mark Shaw	9	8
Susanne Given	9	9
Aubrey Adams (appointed 11 September 2017)	3	2
Stephen Smith (resigned 26 June 2017)	4	4

1 Includes strategy meetings.

In 2017 the Board held two strategy meetings. The meetings focused on reviewing and setting the Company's overarching strategy and whether the Company followed its strategy set in 2016. At the strategy meetings in 2016 and in February 2017, the Board decided that the Company should continue to try to diversify its property portfolio by tenant, asset and geography to deliver further value to Shareholders; and that this would be best achieved by the issuance of further equity to fund the acquisition of properties as standing investments, as forward funded opportunities or as land development within the Company's Investment Policy which was approved by Shareholders at the Company's AGM in May 2016. The Company also decided to review formally its debt strategy and appointed Lazard to assist with the transition from a secured debt finance model to an unsecured debt finance model with greater access to capital via the corporate bond market. The Board considers that the Company is fulfilling its strategic objectives. The successful equity raise in May 2017, followed by the careful deployment of capital into further assets; the EMTN and debt re-finance in December 2017; the strong set of results shown in this Annual Report; and the acquisition of the Littlebrook site all support and underpin the Company's strategy.

Board papers are disseminated to the Non-Executive Directors via a secure online platform for reasons of efficiency and cyber security. During 2017 the Board and the Company Secretary have increased the use of the online platform to store relevant Company information to ensure that is always easily accessible by the Board in a secure format.

Attendance at Board meetings and Committee meetings during the year ended 31 December 2017

All Non-Executive Directors are expected to attend all scheduled meetings of the Board and of the Committees on which they serve, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Non-Executive Directors are unable to attend meetings, Board papers are provided in advance and their comments are given to the Chairman before the meeting and shared with the rest of the Board and the Manager.

Due to the significant number of additional meetings during the year it was not necessary for all the Non-Executive Directors to attend every meeting, provided that all meetings were quorate which was the case across all meetings held. The Nomination Committee is satisfied that all the Non-Executive Directors, including the Chairman, have sufficient time to meet their commitments.

Key activities of the Board during 2017

Q1

- Approval of 2016 financial results and final dividend declaration;
- Issuance of a Trading Statement;
- Review of debt strategy and appointment of debt advisory, please refer to the Chairman's Governance Overview, pages 80-82;
- Strategy Meeting;
- Consideration of an equity raise for Q2 2017;
- Acquisition of a forward funded investment asset;
- Quarterly review of corporate governance compliance, Group activity and depositary report;
- Agreed a fixed term loan with PGIM.

Q2

- Instruction of Lazard as debt adviser;
- Acquisition of two investment assets;
- Regulatory change – clarification that the Manager will be responsible for all Investment and Divestment decisions;
- Re-tender of the Auditor appointment – refer to the Audit Committee Report, pages 96-100.
- Nomination Committee review and appointment of Korn Ferry to search for a new Non-Executive Director; Please refer to the Nomination Committee Report, page 91-92.
- Launch and completion of an equity issue raising proceeds of £350 million;
- AGM;
- Dividend declaration in respect of Q1 2017;
- Quarterly review of corporate governance compliance, Group activity and depositary report.

Q3

- Exchanged conditional contracts to purchase the site at Littlebrook, Dartford;
- Approval of Interim Property valuation;
- Approval of Interim results;
- Review of Moody's Rating of Baa1;
- Acquisition of one investment asset;
- Quarterly review of corporate governance compliance, Group activity and depositary report;
- Dividend declaration in respect of Q2 2017;
- Appointment of Aubrey Adams as Non-Executive Director.

Q4

- Announced issue of £1.5 billion Euro Medium Term Note Programme;
- £500 million bond issue and simultaneous refinancing, and entry into £350 million unsecured revolving credit facility;
- Acquisition of seven investment assets;
- Second half yearly principal risk review and consideration of risk appetite;
- Approval of the updated Financial Prospects, Positions and Procedures document;
- Quarterly review of corporate governance compliance, Group activity and depositary report;
- Dividend declaration in respect of Q3 2017;
- Extension of loan facility with Helaba.

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https://tritaxbigbox.co.uk/news-media/
See Chairman's Governance Overview, pages 80-82
See Audit Committee Report, pages 96-100
See Nomination Committee Report, pages 91-92

THE BOARD OF DIRECTORS

Richard Jewson
Chairman

Appointed: 18 November 2013
Length of service: four years, four months
Independent: Yes

Committee memberships:
- Chair of the Nomination Committee
- Management Engagement Committee

Relevant skills and experience:
- Significant leadership experience as 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 services, infrastructure and real estate sectors
- Skilled in guiding companies through strong growth phases as well as managing the impact of business cycles

Significant previous external experience:
- Chairman of Meyer International PLC, holding company of Jewson Limited
- Chairman of Archant Limited for 17 years
- Chairman of Savills plc for 10 years
- Board member of Grafton Group plc for 18 years
- Non-executive director and Deputy Chairman of Anglian Water Plc for 14 years

Principal external appointments:
- Chairman, Raven Russia Limited. Board member since June 2007
- Senior non-executive director, Temple Bar Investment Trust plc. Board member since May 2001

Jim Prower
Senior Independent
Non-Executive Director

Appointed: 18 November 2013
Length of service: four years, four months
Independent: Yes

Committee memberships:
- Chair of the Audit Committee
- Management Engagement Committee
- Nomination Committee

Relevant skills and experience:
- A chartered accountant having trained and qualified at Peat, Marwick, Mitchell & Co, London
- In-depth knowledge of financial matters, particularly in relation to the real estate sector through his previous role as finance director at the Argent Group, which is undertaking the development of King's Cross Central
- Experienced in raising debt financing for working capital, development and investment

Significant previous external experience:
- Jim has acted as Finance Director and company secretary at several public companies including:
  – Minty plc for two years
  – Creston Land & Estates plc for six years
  – NOBO Group plc for two years

Principal external appointments:
- Senior independent director and chairman of audit committee, Empiric Student Property plc since May 2014
- Non-executive director of AEW UK Long Lease REIT PLC since June 2017

Aubrey Adams OBE
Non-Executive Director

Appointed: 11 September 2017
Length of service: six months
Independent: Yes

Committee memberships:
- Audit Committee
- Management Engagement Committee
- Nomination Committee

Relevant skills and experience:
- Almost 40 years' experience at board level in the real estate industry, most significantly as the Chief Executive of Savills plc, a leading global real estate service provider employing 30,000 people across a network of 700 offices.
- A fellow of the Institute of Chartered Accountants
- Fellow of Royal Institution of Chartered Surveyors

Significant previous external experience:
- Chief Executive of Savills plc from 1991-2008
- Senior Independent Director of Associated British Ports PLC
- Chairman of Air Partner plc and Max Property Group plc
- Non-Executive Director of British Land Company PLC from 2008-2017

Principal external appointments:
- Group Chair of L&Q, a leading housing association since September 2015
- Chair of the Board of Trustees of Wigmore Hall

Susanne Given
Non-Executive Director

Appointed: 13 September 2016
Length of service: one year, six months
Independent: Yes

Committee memberships:
- Chair of the Management Engagement Committee
- Audit Committee
- Nomination Committee

Relevant skills and experience:
- Significant experience in running large retail companies
- High profile involvement in investor presentations as well as previous membership of risk and audit committees
- Creation of five year strategy plans and overseeing their implementation
- Significant experience in management of logistics and property assets

Significant previous external experience:
- Chief Operating Officer of SuperGroup Plc – three years from April 2012
- John Lewis Department Store Group – Director, January 2011-April 2012
- T.K. Maxx (UK and Ireland) – Managing Director, December 2007-December 2010; Senior Vice President, November 2005-October 2007
- Harrods Limited – General Merchandise Director, December 2001-November 2005

Principal external appointments:
- Chairman of made.com since April 2016
- Mentor and Advisor to Wayra, Telefónica's start-up accelerator since March 2016
- Director of Eurostar International Limited since December 2016
- Director of Al Tayer since January 2016 and Chair of REMCO Al Tayer Insignia
- Non-executive chairman of Outfittery since May 2017

Mark Shaw
Non-Executive Director

Appointed: 8 November 2013
Length of service: four years, four months
Independent: No

Committee memberships:
- Nomination Committee

Relevant skills and experience:
- Highly experienced in a range of commercial, banking and investment operations
- Extensive property investment experience, particularly in developing and structuring property transactions, and managing a variety of property vehicles including property unit trusts, listed property vehicles and limited partnerships

Principal external appointments:
- Chairman, Tritax Management LLP since March 2007

See Audit Committee Report, pages 96-100
See Management Engagement Committee Report, pages 101-103
See Nomination Committee Report, pages 91-92
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EFFECTIVENESS

Strong governance enables the Board to pursue the Company's strategic objectives and helps to safeguard the continued success of the Company for its Shareholders and stakeholders.

Board performance and evaluation

Although an externally facilitated Board evaluation is not required by the AIC Code and Guide until 2018, the Board decided to appoint Lintstock to undertake an externally facilitated Board evaluation for 2017 and 2018. The 2017 Board evaluation will provide a benchmark for the 2018 Board evaluation and it will enable Lintstock to understand the Board, the relationships between the Directors and between the Board and the Manager, the Company Secretary and the other key suppliers to the Company as well the Company's Shareholders and stakeholders.

The 2017 Board evaluation took the form of a questionnaire which was sent to each of the Non-Executive Directors and the Manager. It contained a section designed specifically as an appraisal of the Chairman. The Board was asked to consider: Board composition; Board expertise; Board dynamics; management of meetings; Board support; Board committees; focus of Board meetings; strategic operational oversight; risk management and internal control; and succession planning. The outcome of the Board evaluation was generally positive while noting that there was room to make Board meetings more focussed and to summarise lengthy Board papers. The top priorities for change over 2018 which were identified were:

1) Reviewing the current Board composition with a view to increasing the number of Non-Executive Directors and welcoming recent appointments (Please refer to the Nomination Committee Report);

2) Continuing to review the Company's strategy; and

3) To reduce the length of Board meetings by reducing the formal Board pack.

The Chairman's review was positive and the other Directors considered that he had directed the Company well during the Company's initial rapid growth, had overseen the clarification of the application of the AIFMD to the Company well and continued to Chair the Board of the Company effectively.

The Board evaluation noted that the initiatives which flowed from the Board evaluation last year or in 2015 continued to be implemented effectively including the expansion to the Directors Training Programme, the continuing succession policy review, the strategy meetings and the successful implementation of the Service Level Agreement between the Board and the Manager. The Board also noted that larger projects are now well administered by the Board and the Manager including, in particular, the recent EMTN issue.

The Board considered succession planning for the Company in 2017 and intends to update its policy during 2018. The Board has instructed Korn Ferry to recruit a further Non-Executive Director to the Board in 2018.

Director Training Programme

The Board recognises that it is essential to keep abreast of regulatory and compliance changes. Accordingly, a bespoke training programme was implemented in January 2016 following consultation between the Manager and the Board. This bespoke training programme was continued in 2017 and expanded to include a presentation from a highly respected journalist in the logistics sector. The Board also received formal training sessions from some of the Company's external service providers as well as Catherine Fry, the Manager's Head of Compliance. The Board evaluation confirmed that the training programme is well structured and highly informative and a real asset to the Non-Executive Directors. The Company intends to continue with the Director Training Programme in 2018.

In addition to the bespoke training programme, each Director is expected to maintain their individual professional skills and is responsible for identifying any individual 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 advice and services from the Company Secretary, who manages the Company's governance procedures, or the Manager.

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

The Company maintains directors and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors.

See Nomination Committee Report, pages 91-92

NOMINATION COMMITTEE REPORT

"Dear Shareholders,
I was delighted to welcome Aubrey Adams to the Board in September. Aubrey has almost 40 years' experience at board level in the real estate industry and will be a great asset to the Company. 2018 will see the Nomination Committee focus on succession planning, and particularly with regard to a future Chairman over the medium term, and ensuring that the Board continues to have the right balance of skills, experience and knowledge to independently carry out its duties."

Membership

Richard Jewson Chairman
Jim Prower, Susanne Given, Aubrey Adams, Mark Shaw, Stephen Smith (until his resignation from the Company in June 2017)

Priorities for 2017

- The size, structure and composition of the Board;
- The appointment of a Non-Executive Director to the Board and to the Audit Committee; and
- The proposal for re-election of the Non-Executive Directors and the election of Aubrey Adams as a Non-Executive Director at the AGM in 2018.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTENDED	MEETINGS ATTENDED
Richard Jewson	3	3
Jim Prower	3	3
Susanne Given	3	3
Mark Shaw	3	3
Aubrey Adams	1	1
Stephen Smith	1	1

The Committee's role is to review the size, structure and composition of the Board, and to ensure that the Board 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.

Appointment of a new Non-Executive Director

The Nomination Committee identified the need to appoint a further Independent Non-Executive Director to the Board and the Audit Committee at its meeting at the end of 2016. The recruitment process began soon after that.

The Nomination Committee then evaluated the skills and experience considered necessary to complement the existing Board composition. We particularly wanted the new candidate to have strong experience in industrial real estate and logistics with previous FTSE 100 board experience. We were clear that the candidate had to be able to devote sufficient time to the position and that we wanted the best candidate for the role. We instructed Korn Ferry who had successfully worked with us in 2016 when we recruited Susanne Given. Korn Ferry has no other connection with the Company apart from the provision of non-executive recruitment services.

Korn Ferry presented to the Committee a list of candidates who had expressed an interest in the role. We reviewed the list, identifying those candidates who appeared to hold the correct blend of skills. A series of interviews were arranged with the Board and Colin Godfrey, James Dunlop and Henry Franklin of the Manager. The Committee considered their skills and experience, as well as their ability to devote enough time to the position. Following the recommendation of the Committee, the Board decided to appoint Aubrey Adams as a Non-Executive Director of the Company with effect from 11 September 2017. He will hold office until the Company's AGM on 16 May 2018 when he will be submitted for election by the Shareholders as a Non-Executive Director of the Company.

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Policy on tenure and succession planning

We considered the ongoing independence of each of the Non-Executive Directors, their respective skills and experience and whether each Non-Executive Director is able to commit sufficient time to the Company, as well as any other external appointments held by the Non-Executive Directors. We consider that each Non-Executive Director has contributed a significant amount over the preceding year; a year which has seen the Company grow with the first acquisition of prime development land, its debut bond issue and another equity issue. The Board, following the advice of the Committee and in line with the AIC Code and Guide, will recommend the election and re-election of each Non-Executive Director at the forthcoming AGM.

Non-Executive Directors are appointed for an initial period of two years. It is the Company's policy of tenure to review individual appointments after seven years of service to consider whether the Non-Executive Director is still independent and still fulfils the role. However, in accordance with the principles of the AIC Code and Guide, we do not consider it necessary to mandatorily replace a Director after a predetermined period of tenure. The Committee is currently recruiting an additional Non-Executive Director with specific finance and audit committee experience. Korn Ferry was appointed with this mandate in 2017 and the Committee hopes to be able to make a recommendation to the Board shortly.

Pursuant to the Articles of Association of the Company, at every AGM of the Company, one third of the Non-Executive Directors who are subject to the requirement to retire by rotation (not including any Non-Executive Director who was appointed by the Board since the last AGM and is standing for election) will retire from office and may offer themselves for re-election. However, notwithstanding the provisions of the Articles, all the Non-Executive Directors will offer themselves for re-election at each AGM in accordance with the provisions of the AIC Code.

When renewing current appointments, all Non-Executive Directors except the individual in question are able to vote at the Annual General Meeting.

Director remuneration review

As the Company does not have any executive directors it does not have a remuneration committee. No further changes have been made to the remuneration of the Non-Executive Directors during the review period. Details of the Non-Executive Directors' remuneration can be found on pages 106-107.

Board diversity

The Company does not have any employees. In respect of the Board of Directors, 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 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 non-executive 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 Committee. We regularly review the Company's policy on diversity and consider that the Board of Directors has a balance of skills, qualifications and experience which are relevant to the Company. We support the recommendations of the Hampton Alexander and Parker Reports and recognise the value and importance of diversity in the boardroom but we do not consider it appropriate, or in the interests of the Company and its Shareholders, to set prescriptive diversity targets for the Board.

Richard Jewson Chairman of the Nomination Committee
7 March 2018

See Directors' Remuneration Report, pages 106-107

ACCOUNTABILITY

The Board is responsible for delivering robust and sustainable value to its Shareholders by setting strategic objectives and working to achieve them. Undertaking robust assessments of the risks which the Group faces and effectively managing those risks is a key responsibility of the Board. The main risks identified as the most relevant to the Company are set out on pages 66-71 of the Strategic Report.

Internal controls review

The Directors acknowledge their responsibility for maintaining the Company's system of internal control and risk management in order to safeguard the Company's assets. The Company's internal control safeguards are designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Group. The 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.

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 the Board has reviewed as part of its Financial Position and Prospects Procedures memorandum, which was reviewed and approved in December 2017 to better reflect the operations of the Company. The Financial Position, Prospects and Procedures memorandum is reviewed and updated annually and the next review will be during 2018.

Internal control assessment process

The Board regularly monitors the effectiveness of the Company's internal controls and ensures their adequacy. This includes reviewing reports from the Auditor (details of which are included in the Audit Committee Report), quarterly reports from the Company Secretary (outlining corporate activity within the Group and outlining the Company's compliance with the AIC Code and Guide) and proposed future initiatives relating to the Company's governance and compliance framework. The Board also receives quarterly compliance reports prepared by Langham Hall UK Depositary LLP (see page 95 for further information). The Board reviews the formal bi-annual risk assessment conducted by the Audit Committee. Further, the Board actively considers 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 Board confirms that, in accordance with the AIC Code and Guide, it 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.

The Board also confirms that it conducts a robust assessment of the risks to the business model, future performance, solvency and liquidity of the Company on a bi-annual basis. The Manager is asked to consider and analyse all the risks which face the Group such as specific transactional risks like an adverse decision regarding the development of a forward funded asset at the planning stages or a sudden change in market conditions before the launch of an equity raise or debt issue and report its conclusions to the Board. The Board then considers 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. It also considers this at the risk review and at each strategy meeting.

AIFM Directive

The Alternative Investment Fund Managers Directive ("AIFMD") became part of UK law in 2013. It regulates Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage alternative investment funds ("AIF") 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. This year the Company clarified that the Manager is responsible for making investment and divestment decisions in respect of the Company's assets as part of the Manager's regulatory responsibility for the overall portfolio and risk management of the Company. This change aligned the Company and the Manager with published ESMA guidance on the application of the AIFMD.

The Manager is authorised by the FCA as an AIFM and provides all relevant management and advisory services to the Company, including regulated activities.

See Our Principal Risks and Uncertainties, pages 66-71
See Depositary Statement, page 95

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 their investors. The policy must include measures to avoid conflicts of interest.

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 of at least 5% of the Manager's profits. The discretionary bonus may consist of cash or shares in the Company which form part of the management fee payable to the Manager's Partners but which the Manager's Partners elect to allocate to certain members of staff as part of the annual bonus. Please refer to page 97 for further information. This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's 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 is 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 profitability, rather than the performance of the AIF. 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 NAV, as set out in the Management Engagement Committee Report, pages 101-103. In addition, the Manager's Partners are required to invest 25% of that fee (net of tax and certain other costs, as described on page 103) in the Company's 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.

See Management Engagement Committee Report, pages 101-103

DEPOSITARY STATEMENT

Established in 2013, Langham Hall UK Depositary LLP is an FCA regulated firm that works in conjunction with the Manager and the Company to act as depositary. Consisting exclusively of qualified and trainee accountants and alternative specialists, the entity represents net assets of US$50 billion and deployed our services to over 90 alternative investment funds across various jurisdictions worldwide. Our role as depositary primarily involves oversight of the control environment of the Company, in line with the requirements of the 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, property 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 submitting quarterly reports to the Manager and the Company, which are then presented to the Board of Directors, setting our work performed and the corresponding findings for the period.

In the year ended 31 December 2017 our work included the review of one equity and two management share issues, 12 property acquisitions, four third-party financing arrangements and three 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 Depositary
For and on behalf of
Langham Hall UK Depositary LLP, London, UK
7 March 2018

LanghamHall

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

AUDIT COMMITTEE REPORT

"Dear Shareholders,
This year we have changed the membership of the Audit Committee with the appointment of Aubrey Adams. It is the Committee's role to robustly review and assess the accuracy and quality of the yearly audit and half-yearly review, to challenge and consider the bi-annual property valuations undertaken by the Valuer and the Company's risk management, financial reporting and financial management functions which are undertaken by the Manager and Administrator. We also re-tendered the auditor function in May 2017 and are pleased to announce that BDO LLP remains the Auditor to the Company."

Membership

Jim Prower Chairman[1]
Richard Jewson[2], Susanne Given[3], Aubrey Adams[4], Stephen Smith[5] (until his resignation from the Company in June 2017)

1 Jim Prower, is considered to possess recent and relevant financial experience for the purpose of the AIC Code. Details of Jim Prower's experience can be found in his biography on page 88.

2 Richard Jewson, the Chairman of the Board, was appointed to the Audit Committee on 6 July 2017 and resigned on 11 September 2017.

3 Susanne Given has previous experience of attending audit committee meetings in her role as COO of SuperGroup Plc. Susanne also chairs the Management Engagement Committee and is appointed to the Nomination Committee.

4 Aubrey Adams was appointed to the Audit Committee on 11 September 2017. He is a Fellow of the Institute of Chartered Accountants and was the pro-tem Chair of the Audit Committee at British Land Company PLC. Aubrey is also appointed to the Management Engagement Committee and Nomination Committee.

5 Stephen Smith sat on the Audit Committee until his resignation. He was also a member of the Management Engagement Committee and the Nomination Committee. Previously he had been responsible for property investment strategy at British Land Company PLC in his role as Chief Investment Officer. He also held various other non-executive positions.

Key focus for 2017

- Recommended to the Board that the Annual Report and Accounts for 2016, taken as whole, were fair, balanced and understandable and that it provided the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- Reviewed the Interim Report 2017 and recommended the same to the Board;
- Re-tendered the appointment of the Auditor in May 2017 and recommended the re-appointment of BDO as Auditor and the appointment of PwC LLP as tax advisors to the Company;
- 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;
- Reviewed the robustness of the Company's internal financial controls and reviewed the efficacy of the internal control and risk management systems used by the Company;
- Assessed the quality of the annual and interim property valuation prepared by the Company's independent Valuers and challenged the assumptions used by the Valuers in preparing the valuation; and
- Reviewed and considered the basis of the Viability and Going Concern Statements made by the Directors.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
Jim Prower	5	5
Susanne Given	5	4
Stephen Smith	3	3
Aubrey Adams	2	1
Richard Jewson*	1	1

* Richard Jewson also attended the Audit Committee re-tender meeting as an observer.

See Viability Statement, pages 77

The Audit 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.

Committee membership and terms of reference

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 Committee has changed over the course of the year. Richard Jewson, the Company's Chairman, was reappointed to the Audit Committee on 6 July 2017 to support the Committee during the preparation of the Interim Report, property valuation and risk review exercise. Richard then resigned when Aubrey Adams was appointed to the Audit Committee on 11 September 2017. All of the current Audit Committee members, as well as Richard Jewson, are independent Directors of the Company. Aubrey Adams is a Fellow of the Institute of Chartered Accountants and has chaired an audit committee previously and Susanne Given has experience of sitting on an audit committee in a previous role. I am a Chartered Accountant and acted as finance director at Argent Group and several other listed companies. None of the members of the Committee is connected to the Manager or to the Auditor. The biographies of the members can be found on pages 88-89 of this Annual Report.

Whilst Richard Jewson is an independent Director he is also Chairman of the Company. The Chair of the Audit Committee considered it to be beneficial to have Richard Jewson's experience on the Audit Committee at the time of the publication of the Company's Interim Results and to ensure that the Audit Committee had three members at all times in order to comply with the AIC Code and Guide.

Meetings

We met five times during 2017, 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 the matters of importance 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. The Committee also met with the Company's independent Valuer, CBRE, in January 2018 as part of the year-end audit process. I, as the Committee Chairman, had regular meetings with the Company Secretary and the Head of Finance for the Manager and the Committee regularly has informal discussions throughout the year.

Risk management and internal controls

As part of each Board meeting and each Audit Committee meeting, the Board of Directors review the financial position of the Company and assess any risks in relation to the Company's business model, and the Group's future performance, liquidity and solvency as well as any risks relating to specific investments or proposed investments and specific tenants or initiatives relating to specific 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.

The Committee reviewed the principal business risks of the Company on 3 July 2017 and 13 December 2017. The Company's principal risks are found on pages 66-71 of the Annual Report.

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. Please refer to page 95 for a description of Langham Hall UK Depository LLP's role.

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

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. 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 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 payment. We consider that

See The Board of Directors, pages 88-89
See Our Principal Risks and Uncertainties, page 66-71

For further information on Langham Hall UK Depositary LLP, see Depositary Statement, pages 95

the internal controls in place and the function undertaken by Langham Hall UK Depositary LLP makes 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, from which the Company reviews any findings and takes particular comfort. This audit has not raised any significant findings.

Financial reporting and significant judgements

We monitor the integrity of the financial information published in the Interim Report and Annual Report and consider whether the Manager has made suitable and appropriate estimates and judgements in respect of areas which could have a material impact on the financial statements. We seek support from the external 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 Audit Committee over the course of the year. These included budgets, periodic re-forecasting and specific papers on the issuance of further equity, the acquisition of the Littlebrook development site, the impact of the refinancing of the syndicated loan and simultaneous issue of £500 million loan notes under the EMTN programme; as well as reviewing 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 is required include the assessment over fair values of investment property and interest rate derivatives, business combinations, and operating lease contracts.

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 the acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations.

Operating lease contracts

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and rewards of ownership of its properties and so accounts for the leases as operating leases.

Valuation of property portfolio

Following production of the draft valuation by CBRE, the Manager meets with CBRE to discuss and challenge various elements of the property valuation. The Auditor, in fulfilling its function as independent auditor to the Company, also meets with CBRE to discuss, and where necessary, challenge the property valuations. The Board receives a copy of the property valuation for the portfolio once it has been tested by the Manager and after the Auditor has met with the Valuer. The Board also met with the Valuer in January 2018 to discuss and challenge the valuation and to ensure it was conducted properly, independently and could be fully supported. The property portfolio is valued by CBRE bi-annually. The performance of CBRE is assessed on an annual basis by the Management Engagement Committee in its report on pages 101-103.

The Group had property assets of £2.60 billion at 31 December 2017, as detailed on the Group Statement of Financial Position. As explained in note 15 to the financial statements, CBRE independently valued the properties in accordance with IAS 40: Investment Property. The total portfolio valuation including forward funded commitments at the year end was £2.60 billion. We have reviewed the assumptions underlying the property valuations and discussed these with the Manager, and have concluded that the valuation is appropriate.

Valuation of interest rate derivatives

The Group mitigates its exposure to interest rate risk by entering into interest rate hedging arrangements. The Group accounts for these instruments in accordance with IAS 39 and makes additional required disclosures under IFRS 7 Financial Instruments Disclosures and IFRS 13 Fair Value Measurement. The valuations are provided by the relevant counterparties of the interest rate derivatives. The Board has reviewed and approved these valuations.

Fair, balanced and understandable financial statements

The production and audit of the Company's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Company's Annual Report is fair, balanced and understandable, as required under the AIC Code and Guide, the Board has requested that the Audit Committee advise on whether we consider that the

See Management Engagement Committee Report, pages 101-103

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 Adviser, Auditor and the Audit 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 2017, 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 2017 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 2017, 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. The Board's conclusions in this respect are set out in the Chairman's Governance Overview, page 82.

External Auditor re-tender

The European Union Audit Reform Legislation came into force in 2017 meaning that, as the Company's Auditor, BDO LLP ("BDO") were unable to continue to provide the Company with audit services, along with non-audit services including corporate finance services and tax advisory work. With a view to dividing the audit and non-audit services, the Board, in accordance with our advice, decided that it would re-tender the position of Auditor to the Company.

In April 2017, the Company invited, BDO, Deloitte LLP ("Deloitte"), PricewaterhouseCooper LLP ("PwC") and KPMG LLP ("KPMG") to tender for the position as Auditor to the Company. Following receipt of written proposals, the Committee asked BDO, Deloitte and KPMG to return to deliver a formal presentation to it in May 2017. The tender documents and presentations received were of exceptionally high quality. The Committee gave particular consideration to the depth and breadth of experience plus the qualifications and real estate credentials of the respective audit teams. Alongside this, a focus of each proposal included value for money, an ability to deliver the audit within the timescales set and quality of audit services in relation to recent FRC quality assessments made of the respective firms. The Audit Committee decided to recommend that BDO be reappointed as Auditor due to its strong tender pitch and its comprehensive and in-depth knowledge of the Company. Another key aspect was the high level of team continuity, at all levels, that the Company has received from BDO since the Company's IPO. BDO have agreed a fixed fee for this audit of this Annual Report and review of the Interim Report for the next three years up to and including 2019. BDO were therefore re-appointed as Auditor to the Company in May 2017.

As part of the re-tender process we considered BDO's compensation, past performance and continuing independence. Richard Levy will remain the lead Audit Partner until year-end 2018, at which point he is due to rotate following the fifth year of the audit in line with Ethical Standards. Richard has been the lead Audit Partner since year-end 2014. It is intended that Geraint Jones, who we met as part of the audit tender process, then takes over the position as Lead Audit Partner. The Company has met with the key members of the Audit team over the course of the year and BDO have formally confirmed its independence as part of the reporting process as well as during the re-tender 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 also considered BDO's internal quality control procedures and found them to be sufficient. The FRC confirmed in its 2016 Audit Quality Review of BDO that none of BDO's audits needed significant improvements. The Committee is satisfied that the Audit process is transparent and of good quality.

Audit process

We meet with the Auditor before the preparation of the interim and annual results began, 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 Auditors prepare a detailed audit or review plan which is discussed and questioned by us to ensure that all areas of the business are appropriately

See Chairman's Governance Overview, pages 80-82

reviewed and that the materiality thresholds are set at the appropriate level which varies depending on the matter in question. The timescale for the delivery of the Audit or review is also set at this meeting. 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, we questioned the Auditor in depth on the process it adopted to challenge the 2017 property valuation to ensure it was effective and we discussed a query raised by a Shareholder relating to the Company's treatment of fixed uplift rental adjustments at the half yearly review. Neither the audit nor the interim review uncovered any significant findings.

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 offerings in the normal course of the Company's business. Following the audit tender, PwC LLP were appointed to assist with financial and tax due diligence on corporate acquisitions and to provide specific tax compliance advice.

The Company paid £77,500 in fees to the Auditor for non-audit services during 2017. These fees are set out in the table below.

WORK UNDERTAKEN	RATIONALE FOR USING THE EXTERNAL AUDITOR	FEE (£)
Reporting accountant on the Company's secondary offerings and public debt issuance	Detailed knowledge and understanding of the business and the requirements of the exercise, having acted as reporting accountant on previous equity fundraisings for the Company. Low risk of self-interest and self-review threat, as the work is not used in the audit of the financial statements.	£77,500

Jim Prower Chairman of the Audit Committee
7 March 2018

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

"Dear Shareholders,
The Committee's main focus since my appointment as Chair in the summer has been to conduct a detailed review of the services provided by the Company's key suppliers in order to implement the rolling re-tender programme. We have also effectively implemented the procedural change to the Investment Management Agreement and, as a consequence of that change, advised the Board to tender the Company Secretarial function."

Membership

Susanne Given Chairman
Richard Jewson, Jim Prower, Aubrey Adams, Stephen Smith*

Priorities for 2017

- Implementation of the re-tender schedule commencing with the re-tender of the Company Secretarial Function.
- Procedural clarification to the Investment Management Agreement.
- Annual review of each service provider to ensure the quality of service and value for money for the Shareholders.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTENDED	MEETINGS ATTENDED
Susanne Given	2	2
Richard Jewson	2	2
Jim Prower	2	2
Aubrey Adams	2	2
Stephen Smith	0	0

* Stephen Smith was Chair of the Management Engagement Committee until his resignation. Aubrey Adams was appointed to the Management Engagement Committee on 11 September 2017.

The Management Engagement Committee's role is to review the performance of the Manager and the Company's main service providers and to recommend the re-tender of their appointments for consideration by the Board. The Committee is also responsible for overseeing any amendments to the Investment Management Agreement.

We met twice in the year to 31 December 2017, to review the Company's relationships with its main service providers, their performance and the terms of their appointment, and to review the Company's relationship with the Manager, the Manager's performance and the terms of the Manager's appointment.

We conducted a comprehensive review of the performance of the Manager and, together with the Manager and the Company Secretary, all of the Company's corporate advisers and principal service providers. This included an assessment of the ongoing requirement for the provision of such services, the fees paid to and the performance of such advisers and service providers and additional added value given by the Manager and the Company's service providers and advisers, and whether additional services were required. The review was for the period ending 30 June 2017, thereby allowing the Committee to refer to figures reviewed by the Auditor in its assessment of performance.

Under the terms of the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager, including sourcing of investment opportunities in line with the Company's Investment Policy, 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. As all of the Company's subsidiaries and therefore all of its assets are wholly owned and controlled by the Company, the Board exercises direct control in respect of the Group's holdings.

The Investment Management Agreement was formally amended on 11 September 2017 to reflect the clarification made to the investment process adopted by the Company. This amendment establishes that responsibility for investment and divestment decisions is delegated to the Manager in accordance with ESMA guidance as to the interpretation of the rules under the AIFMD. Investment and divestment decisions must be made in accordance with the Company's Investment Policy and the Board remains responsible for ensuring this is the case.

The Board continues to review all investment and divestment decisions as well as the asset management policy established by the Manager. The Service Level Agreement has been well implemented over 2017 and we noted that the Board has commented on the improvement in the timeliness of the dissemination of Board papers, the quality of the information received and the quality of the research and training papers.

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 investments and discuss the market generally and to discuss the financial performance and strategy of the Company. Details of the Company's performance in 2017 have been set out in the Strategic Report on pages 1-77. The Manager has adopted a focused approach to investing with the Company acquiring 11 Big Boxes during the year, which offer opportunities for capital appreciation through income growth and asset management initiatives. As a result of acquisitions sourced and executed by the Manager, the Company has diversified its portfolio by tenant and geography while providing a high level of income security. 41.3% of our rent roll is underpinned by leases of more than 15 years' unexpired term. The Company has also acquired a significant development site of prime land at Littlebrook on the south side of the River Thames at Dartford.

The Committee also reviews the Manager's culture and resourcing. The Manager increased the number of people it employed in 2017 to ensure that the Company is well serviced and made the following appointments of note; Charlie Withers, a highly experienced property specialist, to oversee Littlebrook, future developments and certain asset management initiatives; and Sally Bruer as Head of Research with a particular focus on the Company and its market sector. The Manager also promoted Bjorn Hobart and Petrina Austin to equity partners. We are confident following our review that the Manager continues to provide excellent service to the Company and provides fair value for money to the Company's Shareholders.

Following an extensive review and full analysis, we agreed with the Manager that the performance of all of the Company's current service providers for the past year continued to be satisfactory, and in several cases exceptional, and, in accordance with the Manager's recommendation, that each be retained until the next review. We did not formally review the appointment of PwC LLP as corporate services and tax advisor to the Company as this appointment is very recent. The appointment will form part of the 2018 review. We did not suggest any material changes to the engagement terms of any of the advisers or service providers.

See Strategic Report, pages 1-77
See Audit Committee Report, pages 96-100

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.

However, in order to ensure that the Company continues to receive the very best service and value from its service providers, the Management Engagement Committee has recommended a schedule of re-tendering to the Board which sets out a timetable for each professional appointment to be re-tendered. The re-tendering programme started in 2017 with the re-tender of the Auditor and the appointment of a new corporate finance and tax compliance and advisory work to the Group in the form of PwC. Details of the Audit re-tender can be found in the Audit Committee Report.

Following the clarification of the Manager's responsibilities under the Investment Management Agreement the Committee recommended to the Board that the Company Secretarial function be re-tendered to ensure that the Company follows best practice corporate governance at all times. The Company launched the re-tender of the Company Secretarial function in November 2017 and it is expected to complete in March in 2018.

Management fee

Under the Investment Management Agreement, as amended and restated on 11 September 2017, 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 as a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents, announced before the end of the relevant quarter. 25% (net of associated costs) of the management fee is reinvested in shares of the Company within 60 days following the release of the Company's financial results to the market. 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 while 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) will 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. The price will be equivalent to the prevailing NAV per share, adjusted for any dividend declared after the NAV per share is announced. Where this would result in Ordinary Shares being issued at a price below the NAV per share, 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 Ordinary Shares may be issued to any members of the Manager or, at the discretion of the Manager, to any employee of the Manager.

On 13 April 2017, the Company issued 528,528 Ordinary Shares in respect of the net cash amount, relating to the six months to 31 December 2016. The issue price was 126.45 pence per Ordinary Share, equivalent to the prevailing and published audited basic NAV of 128.00 pence per Ordinary Share less the interim dividend of 1.55 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders on or around 3 April 2017 for the period between 1 October to 31 December 2016. On 3 October 2017, the Company issued 557,085 Ordinary Shares in respect of the net cash amount, relating to the six months to 30 June 2017. The issue price was 130.83 pence per Ordinary Share, equivalent to the prevailing unaudited basic NAV of 132.43 pence per Ordinary Share less the interim dividend of 1.60 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders in August 2017 in respect of the period from 1 April to 30 June 2017. Following these issues of Ordinary Shares, the Manager as at the year end had the following beneficial interests:

TRITAX PARTNER OR PERSON CLOSELY ASSOCIATED	NUMBER OF MANAGEMENT SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2017
Mark Shaw	822,027	0.060%
Colin Godfrey	741,757	0.054%
James Dunlop	690,796	0.051%
Henry Franklin	520,302	0.038%
Bjorn Hobart	61,843	0.005%
Petrina Austin	41,883	0.003%
Tritax Management LLP	83,161	0.006%
Staff of Tritax Management LLP*	105,177	0.008%
Total	**3,066,946**	**0.225%**

* This figure comprises Ordinary Shares issued to staff at Tritax Management LLP under the terms of the Investment Management Agreement and at IPO, and does not include other shares that may have otherwise been acquired by any staff members.

Extension to term

The earliest termination date of the Investment Management Agreement is 31 December 2021. In order to terminate on that date, 24 months' notice of termination would need to be given by either party by 31 December 2019. Thereafter either party can terminate the Investment Management Agreement by giving at least 24 months' notice. The provisions allowing the parties to terminate without notice in certain circumstances, including material breach and/or loss of key personnel, remain in place.

Conflict management

The Investment Management Agreement contains restrictive 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 and ensure they are in the best interests of Shareholders as a whole.

Susanne Given Chairman of the Management Engagement Committee
7 March 2018

RELATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

As a Board, we recognise the importance of maintaining strong relationships with the Company's Shareholders and stakeholders and in understanding their priorities and concerns. In 2017, we have extended this focus to developing strong and beneficial relationships with our Customers. We have continued to develop our communications programme and expand upon the initiatives developed last year.

The Chairman and the Senior Independent Director, alongside Colin Godfrey from the Manager, are the Company's principal spokesmen who speak with the Company's Shareholders, the press, analysts, investors and other stakeholders regularly. The Directors are all available to speak to Shareholders to discuss any matters relating to the Company, whether they concern the Company's corporate governance or the Company's strategy or anything else of importance.

Investor relations

During the year, the Manager together with the Company's Broker, Jefferies International Limited, devoted time to meeting with existing Shareholders and prospective new investors in the UK, USA, South Africa, The Netherlands, France and Switzerland. The roadshows, together with a series of ongoing ad hoc meetings with Shareholders and stakeholders, enabled the Manager to listen to and understand the views of Shareholders and stakeholders and report the information to the Board so it could consider and appreciate these opinions. On the whole, feedback from the roadshows and other meetings has been positive over the year and this is supported by the response to the equity raise in May 2017 and the Company's EMTN issue in December 2017.

The Manager has a dedicated investor relations team who liaise with the Company's public relations advisor, Newgate Communications Plc, and provide regular investor relations reports to the Board, which includes 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 factsheet on behalf of the Company which can be viewed on the Company's Website.

The Chairman and Colin Godfrey, together with Jim Prower, Susanne Given and Aubrey Adams held a series of lunches in October and November 2017 with several Shareholders to discuss, informally, the Company and its business strategy in the present economic climate. The lunches proved informative for the Board and the Manager and were well received by those Shareholders who were able to attend. The feedback received was again generally highly supportive of the Company and has been presented to the Board. The Board hopes to continue this initiative into 2018 and is considering expanding the programme to include other key stakeholders.

As well as the Chairman's lunches, the Company hosted a private event for Customers and other key stakeholders during the summer of 2017. As well as the Board, representatives from the Manager were also present. This event enabled the Board and the Manager to better understand the main concerns and development points for our Customers which should enable the Company to partner with its Customers more effectively as well as promoting a more open discussion for future asset management and other property initiatives in the future.

Site visits

The Manager has undertaken several "Big Box" site visits for existing Shareholders, prospective investors and analysts during the year. We will continue the initiative in 2018 as we believe that it provides Shareholders and other stakeholders with a better insight into the nature of the assets we invest in and our strategy.

Annual General Meeting (AGM)

Shareholders are encouraged to attend and vote at the Company's general meetings so they can discuss governance and strategy with the Board and the Manager. This enables the Board to better understand Shareholders' views. The full Board usually attends the Annual General Meeting and the Directors make themselves available to answer Shareholder questions at all the general meetings of the Company and are always contactable as necessary. The Chairman makes himself available, as necessary, outside of these meetings to speak to Shareholders. The Senior Independent Director is also available for Shareholders to contact if other channels of communication with the Company are not available or are inappropriate. Members of the Board also regularly attend the bi-annual financial results presentations to analysts.

https://tritaxbigbox.co.uk/investors/shareholder-information/

The Chairman and the Senior Independent Director as well as other members of the Board can be contacted by emailing the Company Secretary, on 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 information, investor presentations, the Key Information Document prepared by the Manager and the Annual and Interim Reports which are available for download. The Company's Annual Report and Interim Report are also dispatched to Shareholders by mail.

DIRECTORS' REMUNERATION REPORT

Annual statement

As the Board has no executive directors, it does not consider it necessary to establish a separate remuneration committee. The Directors' remuneration is disclosed later in this Remuneration Report. The Remuneration Report and the Remuneration Policy will be presented at the AGM for Shareholder consideration for approval.

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 generally and the time each Director dedicates to the Company's affairs.

The Directors are entitled only to their annual fee and their 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 of Association, all Directors are entitled to the remuneration determined from time to time by the Board.

External advisers

The Board and its Committees have access to sufficient resources to discharge their duties, which include access to independent remuneration experts, the Company Secretarial team and the Manager and other advisers as required. The Board has not required any additional advice from independent remuneration experts. The Company's advisers are named in this Annual Report and a list of the main advisers can be found on page 170.

Annual report on remuneration

Richard Jewson was appointed to the Board by a letter of appointment dated 18 November 2013 which was updated and re-issued on 13 September 2016. Jim Prower was appointed by a letter of appointment dated 18 November 2013. Mark Shaw was appointed by a letter of appointment dated 8 November 2013. Susanne Given was appointed by a letter dated 13 September 2016. Aubrey Adams was appointed by a letter dated 11 September 2017. 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 Articles and without compensation.

Each Director, other than Mark Shaw, is entitled to receive a fee from the Company at a rate determined in accordance with the Articles. The Directors are each paid an annual fee of £50,000 pa, other than the Chairman, Richard Jewson, who is paid a fee of £100,000 pa.

The fees paid to the current and past Directors in the year to 31 December 2017, which have been audited, are set out in the table below. Nothing further is owed by the Company to Stephen Smith following his resignation in June 2017.

In addition, each Director is entitled to recover all reasonable expenses properly incurred in connection with performing his or her duties as a Director. Directors' expenses for the year to 31 December 2017 totalled £4,163 (2016: £2,725). No other remuneration was paid or payable during the year to any Director.

DIRECTOR*	ANNUAL FEE £	2017 TOTAL £	2016 TOTAL £
Richard Jewson Chairman	£100,000	£100,000	£79,000
Jim Prower	£50,000	£50,000	£46,500
Stephen Smith†	£50,000	£25,000	£43,000
Susanne Given	£50,000	£50,000	£15,000
Aubrey Adams‡	£50,000	£15,385	N/A

* As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.
† Stephen Smith resigned from the Board on 24 June 2017.
‡ Aubrey Adams was appointed on 11 September 2017.

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 resolutions in relation to Directors' remuneration, the Company will seek the reasons for any such vote and will detail any resulting actions in the Directors' Remuneration Report. The Directors' Remuneration Report (excluding the Directors' Remuneration Policy) was approved by Shareholders at the Company's AGM held on 17 May 2017. The Directors' Remuneration Policy (as set out in the financial statements of the Company for the financial year ended 31 December 2014) was approved at the Company's AGM on 15 April 2015. The next time that the Shareholders will be asked to approve the Directors' Remuneration Policy will be at the Company's AGM in 2018. The voting on the respective resolutions was as shown overleaf.

See Company Information, page 170

RESOLUTION	VOTES CAST	FOR %	AGAINST %	VOTES WITHHELD
Directors' Remuneration Policy*	337,092,585	100	0	2,260,800
Directors' Remuneration Report†	662,582,179	99.11	0.89	47,382,183

* Voting as at AGM held on 15 April 2015.
† Voting as at AGM held on 17 May 2017.

Total Shareholder return

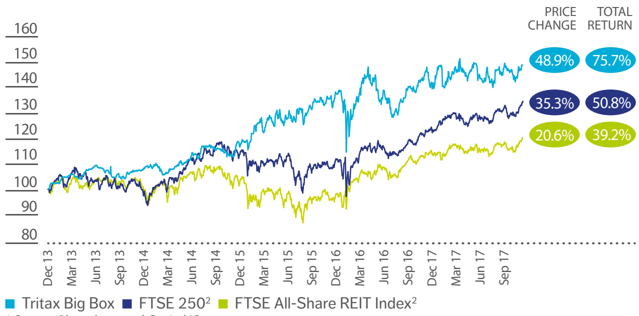
The graph below shows the total Shareholder return (as required by company law) of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share Index and the FTSE All-Share REIT Index.

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 the year end, the Directors and their persons closely associated had the shareholdings listed below.

Total Shareholder return (p)



1 Source: Bloomberg and Capital IQ.
2 Rebased to Tritax Big Box.

DIRECTOR*	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2017	DIVIDENDS RECEIVED 31 DECEMBER 2017 £
Richard Jewson Chairman	77,182	0.01%	£4,588.40
Jim Prower	23,760	0.00%	£1,508.76
Aubrey Adams	100,000	0.01%	£0
Susanne Given	0	0.00%	£0
Mark Shaw	822,027	0.06%	£37,351.66

* 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.

Other items

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

Relative importance of spending on pay

	2017 £	2016 £	% CHANGE
Directors' remuneration	0.27	0.21	29%
Investment management fees	11.84	9.50	25%
Dividends paid to Shareholders	78.45	59.38	32%

Richard Jewson Chairman
7 March 2018

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 2017.

The Directors' Report, together with the Strategic Report, comprise the "Management Report" for the purposes of Disclosure 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.

Incorporation by reference

The Governance Report (pages 80-111 of this Annual Report and Accounts for the year ended 31 December 2017) 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.

During the year, the following interim dividends amounting to, in aggregate, 6.40 pence per share were declared:

- on 24 April 2017 an interim dividend was declared in respect of the period from 1 January 2017 to 31 March 2017 of 1.60 pence per Ordinary Share and paid on or around 22 May 2017 to Shareholders on the register on 5 May 2017;
- on 13 July 2017 an interim dividend was declared in respect of the period from 1 April 2017 to 30 June 2017 of 1.60 pence per Ordinary Share and paid on or around 10 August 2017 to Shareholders on the register on 21 July 2017.
- on 12 October 2017 an interim dividend was declared in respect of the period from 1 July 2017 to 30 September 2017 of 1.60 pence per Ordinary Share and paid on or around 16 November 2017 to Shareholders on the register on 20 October 2017.

An additional interim dividend in respect of the three months ended 31 December 2017 of 1.60 pence per share was declared on 7 March 2018. This takes the total dividend in respect of the 2017 financial year to 6.40 pence per share.

Directors

The names of the Directors currently serving the Company are set out in The Board of Directors, together with their biographical details on pages 88-89. Stephen Smith served as a Director of the Company until his resignation on 24 June 2017.

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

Directors' interests in shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report.

Future developments

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

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 disability.

Financial instruments

Details of the Group's financial risk management objectives and policies, together with its exposure to material financial risks, are set out in note 22 to the consolidated financial statements.

Share capital

In May 2017, the Company issued 257,352,941 Ordinary Shares at a price of 136 pence pursuant to a Placing, Open Offer and Offer for Subscription. In April and October 2017 the Company issued 528,528 Ordinary Shares and 557,085 Ordinary Shares respectively pursuant to the Investment Management Agreement.

As at 31 December 2017, there were 1,363,598,083 Ordinary Shares in issue.

ORDINARY SHARES	NUMBER	GROSS PROCEEDS (£)
Balance at start of the year	1,105,159,529	N/A
Shares issued in April 2017	528,528	N/A
Shares issued in May 2017	257,352,941	£350,000,000
Shares issued in October 2017	557,085	N/A
Balance at end of the year	**1,363,598,083**	**£350,000,000**

See The Board of Directors, pages 88-89

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 emissions reporting

The Board has considered the requirement to disclose the Company's measured carbon emissions sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the year ended 31 December 2017:

- any emissions from the Group's properties have been the tenants' responsibility rather than the Group's, so the principle of operational control has been applied;

- any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Manager's responsibility; and

- the Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such, the Board believes that the Company has no reportable emissions for the year ended 31 December 2017.

Substantial shareholdings

As at 28 February 2018, 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.

INVESTOR	NUMBER OF ORDINARY SHARES	PERCENTAGE HOLDING OF ISSUED SHARE CAPITAL
BlackRock	106,788,824	7.73%
Aviva Investors	102,767,171	7.54%
Vanguard Group	49,016,579	3.59%
Legal & General Investment Management	46,027,585	3.38%
Brewin Dolphin	44,364,866	3.25%
Quilter Cheviot Investment Management	40,523,823	2.97%

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 Annual General Meeting held on 17 May 2017, 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 £7,367,730. Of those Ordinary Shares, the Directors were granted authority to issue up to an aggregate nominal amount of £552,808 (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 £552,808 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 most recently published by the Pre-Emption Group prior to the date of the notice of the AGM. These authorities replaced the equivalent authorities given to the Directors at the General Meeting held on 11 May 2017. These authorities expire at the next AGM on 16 May 2018.

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.

Events subsequent to the year-end date
For details of events since the year-end date, please refer to note 33 to the consolidated financial statements.

Independent Auditor
BDO LLP has expressed it willingness to continue as Auditor for the financial year ending 31 December 2018.

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.

The Company's administration was delegated to Capita Sinclair Henderson Limited who were acquired by the Link Group during the year and are now known as Link Asset Services Limited.

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 125.

Annual General Meeting
The Company's AGM will be held at the offices of:

Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW at 10:00 am on 16 May 2018.

This report was approved by the Board on 7 March 2018.

Tritax Management LLP Company Secretary
7 March 2018

Company Registration Number: 08215888

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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 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 IFRS's 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 100 Applications of Financial Reporting Requirements ("FRS 100") and 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 general 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.

See Directors' Report, pages 108-110
See Strategic Report, pages 1-77
See Directors' Remuneration Report, pages 106-107

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. These can be found at the pages detailed in the footnotes below (or using the embedded link in the PDF).

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' responsibility statement

We confirm that to the best of our knowledge:

- the 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 Company and the undertakings included in the consolidation as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; 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:
Richard Jewson Chairman
7 March 2018

See Chairman's Governance Overview, pages 80-82
https://tritaxbigbox.co.uk/investors/shareholder-information

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 2017 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the parent Company Balance Sheet, the Group and parent Company Statement of Changes in Equity, the Group Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their 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 preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards (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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been 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 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 disclosures in the Annual Report set out on page 66-71 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 66 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 76 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 77 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. These matters included 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.

The table overleaf shows the key audit matters that we identified. This is not a complete list of all risks identified for our audit. There has been no change in the key audit matters from the prior year as the operations of the Group remain largely unchanged. The approach to these risks also remained consistent with the prior year.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investment property portfolio, including properties in the course of construction (forward funded assets) *Refer to page 98, Audit Committee Report (significant estimates and judgements), pages 124-125 (investment property) pages135-137.* The valuation of investment property requires significant judgement and estimates by management and the independent valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. The Group's investment property portfolio includes: • Standing investments: these are existing properties that are currently 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 investments. 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 and an appropriate developer's margin). 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. There is also a risk that management 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. 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.	We obtained an understanding of the approach to the valuation of both investment properties and properties in the course of construction. We met with the Group's independent valuer, who valued all of the Group's investment properties, to understand the assumptions and methodologies used in valuing these properties, the market evidence supporting the valuation assumptions and the valuation movements in the year. We used our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used. We agreed a sample of key observable valuation inputs supplied to and used by the independent valuer to supporting documentation. We assessed the competency, independence and objectivity of the independent valuer. For properties in the course of construction we assessed project costs and progress of development and verified the forecast costs to complete included in the valuations through cost analysis. For such forward funded assets we also reviewed the accounting treatment of licence fees receivable from the developer during the construction phase as well as the treatment of any lease incentives with the pre-let tenant.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds. With respect to disclosure and presentational matters, amounts in excess of the quantitative thresholds below may not be adjusted if their effect is not considered to be material on a qualitative basis.

Materiality	£25 million
Performance materiality	£18.75 million
Specific materiality	£3.75 million
Specific performance materiality	£2.8 million
Reporting threshold	£0.5 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 £25 million (2016: £20 million), which was set at 0.9% of Group total assets (2016: 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 £3.75 million (2016: £3.0 million), which was set at 4.8% (2016: 5.8%) of 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 measure as the Group was appropriate for the Parent Company, and the materiality and specific materiality applied were £21.0 million and £3.7 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% (2016: 75%) of materiality, namely £18.75 million (2016: £15 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 £15.75 million and £2.7 million respectively.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £500,000 (2016: £400,000) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We determined that the same measure as the Group was appropriate for the Parent Company, and the reporting threshold applied was £420,000.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The Group operates solely in the United Kingdom and operates through one segment, investment property. The Group audit team performed all the work necessary to issue the Group and parent company audit opinions, including undertaking all of the audit work on the key risks of material misstatement.

See Strategic Report, pages 1-77
See Governance Report, pages 80-111

Other information

The other information comprises the information included in the Annual Report set out on pages 1-170, including the Strategic Report and Governance Report set out on pages 1-117, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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:

- The statement given by the Directors on pages 98-99 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

- The section describing the work of the Audit Committee on pages 96-100 does not appropriately address matters communicated by us to the Audit Committee; or

- The parts of the Directors' statement on page 82 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.

See Audit Committee Report, pages 96-100
See Strategic Report, pages 1-77
See Statement of Compliance, pages 82

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

See Directors' Remuneration Report, pages 106-107
See Directors' Report, pages 108-110

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 111, 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.

See Strategic Report, pages 1-77
See Governance Report, pages 80-111
See Our Principal Risks and Uncertainties, pages 66-71

Auditor's responsibilities for the audit of the financial statements

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

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.

We consider that the audit procedures we have undertaken 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 misstatement or other irregularities that would not be considered to be material to the financial statements.

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

See Viability Statement, page 77
See Directors' Responsibilities Statement, page 111

Other matters which we are required to address

We were initially appointed by the Directors in November 2013 to audit the financial statements of the Company for the period ended 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 ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2014 to 31 December 2017.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Richard Levy (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
7 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).


HOWDENS
JOINERY CO.

CONTENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Gross rental income	6	**107.96**	74.66
Service charge income	6	**2.94**	2.25
Service charge expense	7	**(2.96)**	(2.32)
Net rental income		**107.94**	74.59
Administrative and other expenses	8	**(14.16)**	(11.71)
Operating profit before changes in fair value of investment properties		**93.78**	62.88
Changes in fair value of investment properties	15	**175.98**	47.51
Operating profit		**269.76**	110.39
Finance income	10	**0.40**	0.22
Finance expense	11	**(20.32)**	(11.56)
Changes in fair value of interest rate derivatives	21	**(2.04)**	(7.15)
Profit before taxation		**247.80**	91.90
Tax charge on profit for the year	12	**–**	–
Total comprehensive income (attributable to the Shareholders)		**247.80**	91.90
Earnings per share – basic	13	**19.54p**	10.52p
Earnings per share – diluted	13	**19.53p**	10.51p

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Non-current assets			
Investment property	15	**2,599.21**	1,803.11
Interest rate derivatives	21	**1.97**	3.17
Total non-current assets		**2,601.18**	1,806.28
Current assets			
Trade and other receivables	17	**10.23**	9.16
Cash held at bank	18	**78.04**	170.69
Total current assets		**88.27**	179.85
Total assets		**2,689.45**	1,986.13
Current liabilities			
Deferred rental income		**(27.62)**	(19.45)
Trade and other payables	19	**(23.44)**	(18.64)
Total current liabilities		**(51.06)**	(38.09)
Non-current liabilities			
Bank borrowings	20	**(216.76)**	(533.50)
Loan notes	20	**(492.17)**	–
Total non-current liabilities		**(708.93)**	(533.50)
Total liabilities		**(759.99)**	(571.59)
Total net assets		**1,929.46**	1,414.54
Equity			
Share capital	24	**13.64**	11.05
Share premium reserve	25	**932.37**	589.39
Capital reduction reserve	26	**467.93**	546.38
Retained earnings	27	**515.52**	267.72
Total equity		**1,929.46**	1,414.54
Net asset value per share – basic	28	**141.50p**	128.00p
Net asset value per share – diluted	28	**141.44p**	127.93p
EPRA net asset value per share	28	**142.24p**	129.00p

These financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

Richard Jewson Chairman

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Cash flows from operating activities			
Profit for the year (attributable to equity Shareholders)		**247.80**	91.90
Less: changes in fair value of investment properties	15	**(175.98)**	(47.51)
Add: changes in fair value of interest rate derivatives	21	**2.04**	7.15
Less: finance income	10	**(0.40)**	(0.22)
Add: finance expense	11	**20.32**	11.56
Accretion of tenant lease incentive	6	**(12.52)**	(10.23)
(Increase)/decrease in trade and other receivables		**(3.00)**	9.74
Increase in deferred income		**7.16**	5.47
Increase in trade and other payables		**0.02**	0.39
Cash received as part of corporate acquisitions		**1.62**	2.04
Cash generated from operations		**87.06**	70.29
Tax paid		**(0.28)**	(0.02)
Net cash flow generated from operating activities		**86.78**	70.27
Investing activities			
Purchase of investment properties		**(607.92)**	(600.76)
Licence fees received		**5.84**	6.69
Interest received		**0.39**	0.26
Amounts transferred into restricted cash deposits	18	**(5.26)**	(0.54)
Amounts transferred out of restricted cash deposits	18	**4.78**	4.27
Net cash flow used in investing activities		**(602.17)**	(590.08)
Financing activities			
Proceeds from issue of Ordinary Share capital	24	**351.40**	551.08
Cost of share issues	25	**(5.83)**	(10.16)
Bank borrowings drawn	20	**164.00**	311.49
Bank borrowings repaid	20	**(482.66)**	(155.00)
Amounts received on issue of loan notes		**495.54**	–
Loan arrangement fees paid		**(7.85)**	(2.28)
Bank interest paid		**(14.21)**	(9.99)
Interest rate cap premium paid		**(1.07)**	(1.69)
Proceeds from disposal of interest rate cap		**0.24**	–
Dividends paid to equity holders		**(77.31)**	(57.80)
Net cash flow generated from financing activities		**422.25**	625.65
Net increase/(decrease) in cash and cash equivalents for the year		**(93.14)**	105.84
Cash and cash equivalents at start of the year	18	**165.05**	59.21
Cash and cash equivalents at end of the year	18	**71.91**	165.05

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2017	**11.05**	**589.39**	**546.38**	**267.72**	**1,414.54**
Total comprehensive income	–	–	–	247.80	247.80
Issue of Ordinary Shares					
Shares issued in relation to further equity issue (May 2017)	2.58	347.42	–	–	350.00
Associated share issue costs	–	(5.83)	–	–	(5.83)
Shares issued in relation to management contract	0.01	1.39	–	–	1.40
Share based payments	–	–	–	1.56	1.56
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.56)	(1.56)
Dividends paid:					
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share	–	–	(17.13)	–	(17.13)
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(17.69)	–	(17.69)
Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.81)	–	(21.81)
Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.82)	–	(21.82)
31 December 2017	**13.64**	**932.37**	**467.93**	**515.52**	**1,929.46**
1 January 2016	**6.78**	**52.74**	**605.76**	**175.82**	**841.10**
Total comprehensive income	**–**	**–**	**–**	**91.90**	**91.90**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (February 2016)	1.61	198.39	–	–	200.00
Share issue expenses in relation to Equity issue (February 2016)	–	(3.90)	–	–	(3.90)
Shares issued in relation to further Equity issue (October 2016)	2.65	347.35	–	–	350.00
Share issue expenses in relation to Equity issue (October 2016)	–	(6.26)	–	–	(6.26)
Shares issued in relation to management contract	0.01	1.07	–	–	1.08
Share based payments	–	–	–	1.25	1.25
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.25)	(1.25)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share	–	–	(20.34)	–	(20.34)
First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share	–	–	(26.02)	–	(26.02)
Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share	–	–	(13.02)	–	(13.02)
31 December 2016	**11.05**	**589.39**	**546.38**	**267.72**	**1,414.54**

NOTES TO THE CONSOLIDATED ACCOUNTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries and were approved by the Board for issue on 7 March 2018. 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 information has 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 2016.

The Group's financial information has been prepared on a historical cost basis, as modified for the Group's investment properties and interest rate derivatives, which have been measured at fair value through the Group Statement of Comprehensive Income.

The consolidated financial information is presented in Sterling, which is also the Group's functional currency, and all values are rounded to the nearest million (£m), except where otherwise indicated.

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and earnings per share.

2.1. Going concern

The consolidated financial statements are prepared on a going concern basis as explained within Accountability.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial information 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 information:

Company Information, page 170
Strategic Report, pages 1-77
Accountability, pages 93-95

Business combinations

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. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between 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.

Operating lease contracts – the Group as lessor

The Group has acquired investment properties that are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

3.2. Estimates

Fair valuation of investment property

The fair value of investment property is determined, by independent property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards January 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 15.

Fair valuation of interest rate derivatives

In accordance with IAS 39, the Group values its interest rate derivatives at fair value. The fair values are estimated by the loan counterparty with revaluation occurring on a quarterly basis. The counterparties will use a number of assumptions in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Basis of consolidation

The consolidated financial statements incorporate the audited 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 the United Kingdom in Big Box assets. The Directors consider that these properties have similar economic characteristics and as a result these individual properties have been aggregated into a single reportable operating element.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 please see Accounting Policy note 4.14.1.

Investment property is recognised when the risks and rewards of ownership have been transferred 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 Statement of Comprehensive Income in the year in which they arise under IAS 40 Investment Property.

Investment properties under construction are financed by the Group where the Group enters into contracts for the development of a pre-let property under a funding agreement. All such contracts specify a fixed amount of consideration. The Group does not expose itself to any speculative development risk as the proposed building is pre-let to a tenant under an agreement for lease and the Group enters into a fixed price development agreement with the developer. It does, however, undertake certain works including demolition, remediation and other site preparatory works to bring a site to the condition ready for construction of an asset. Investment properties under construction are initially recognised at cost (including any associated 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the year of retirement or disposal.

4.5. Derivative financial instruments

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

4.6. 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.

4.7. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount.

Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off to the Group Statement of Comprehensive Income when the probability of recovery is assessed as being remote.

4.8. 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.

4.8.1. 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 Statement of Comprehensive Income as a movement in the fair value of investment property and not within gross rental income. 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.

4.9. Cash held at bank

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash held at bank also includes amounts held in restricted or ring fenced accounts to cover future rent-free periods and certain other capital commitments.

4.10. Trade payables

Trade payables are initially recognised at their fair value, being at their invoiced value inclusive of any VAT that may be applicable. Payables are subsequently measured at cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Borrowings

All borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, all borrowings are measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs. Any difference between the amount initially recognised and the redemption value will be recognised in the Statement of Comprehensive Income over the period of the borrowings.

4.12. 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 transferred to a liability with a view that there is an expectation that the payment will be settled in cash. Contingently issuable shares are treated as dilutive to the extent that based on market factors prevalent at the reporting period date, the shares would be issuable.

4.13. 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.

4.14. Property income

4.14.1. 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 Statement of Comprehensive Income. 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.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Group Statement of Comprehensive Income when the right to receive them arises.

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 Statement of Comprehensive Income.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

4.14.2. Service charges, insurances and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the year in which the compensation becomes receivable. Service and insurance charges and other such receipts are included in net rental income gross of the related costs, as the Directors consider that the Group acts as principal in this respect.

4.15. 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.

4.16. 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. Finance costs also consist of the amortisation charge of arrangement or other costs associated with the set-up of borrowings, these are amortised over the period of the loan. All other finance costs are expensed to the Group Statement of Comprehensive Income in the period in which they occur.

4.17. Taxation

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

5. STANDARDS ISSUED AND EFFECTIVE FROM 1 JANUARY 2017

There were no new standards for the first time beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, other than 'Disclosure initiatives (amendment IAS 7)', which has resulted in a reconciliation of liabilities disclosed for the first time in note 31.

5.1 Standards issued but not yet effective

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

IFRS 9: Financial Instruments (effective 1 January 2018); The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables. This may result in increased impairment provisions and greater judgement due to the need to factor in forward looking information. It will need to consider the probability of default occurring over the contractual life of its trade receivables and contracts. As the Company has tenants with strong covenants and generally tenant receipts are received in advance or on the due date, the Directors do not consider there to be a material impact on the Group financial statements.

IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018); The standard is applicable to service charge income but excludes rent receivable, which is within the scope of IFRS 16. The Group does not believe that the standard will have a material impact on the financial statements as service change income is not material. The adoption of the standard may result in changes to presentation and disclosure.

IFRS 16: Leases (effective 1 January 2019). The Directors are currently assessing the impact on the financial statements of this standard; however, at present they do not anticipate that the adoption of this will have a material impact on the Group's financial statements as the Group does not hold any material operating leases as lessee.

6. TOTAL PROPERTY INCOME

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Rental income – freehold property	**73.02**	49.56
Rental income – long leasehold property	**22.40**	14.85
Spreading of tenant incentives and guaranteed rental uplifts	**12.52**	10.23
Lease premiums	**0.02**	0.02
Gross rental income	**107.96**	74.66
Property insurance recoverable	**2.43**	1.83
Service charges recoverable	**0.51**	0.42
Total insurance/service charge income	**2.94**	2.25
Total property income	**110.90**	76.91

There were no individual tenants representing more than 10% of gross rental income present during either years.

7. SERVICE CHARGE EXPENSES

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Property insurance expense	**2.94**	2.26
Service charge expense	**0.02**	0.06
Total property expenses	**2.96**	2.32

8. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Investment management fees	**11.84**	9.50
Directors' remuneration (note 9)	**0.27**	0.21
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	**0.14**	0.17
– Fees payable for the review of the Company's interim accounts	**0.03**	0.03
– Fees payable for the audit of the Company's subsidiaries	**0.05**	0.04
– Fees payable for taxation compliance services	**–**	0.20
Total Auditor's fee	**0.22**	0.44
Corporate administration fees	**0.38**	0.37
Regulatory fees	**0.04**	0.04
Legal and professional fees	**0.91**	0.70
Marketing and promotional fees	**0.14**	0.12
Other administrative costs	**0.36**	0.33
	14.16	11.71

The Auditor has also received £0.08 million (2016: £0.14 million) in respect of providing reporting accountant services in connection with the equity issuance and bond issuance occurring during the year. A total of £nil (2016: £0.09 million) has been incurred in respect of due diligence services provided in connection with the acquisition of Group assets. The 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 in to the cost of the respective assets.

9. DIRECTORS' REMUNERATION

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Directors' fees	**0.24**	0.18
Employer's National Insurance	**0.03**	0.02
	0.27	0.20

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report. As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

10. FINANCE INCOME

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest received on bank deposits	**0.40**	0.22
	0.40	0.22

11. FINANCE EXPENSE

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest payable on bank borrowings	**12.29**	9.37
Interest payable on loan notes	**0.67**	–
Commitment fees payable on bank borrowings	**0.63**	0.54
Swap interest payable	**0.11**	0.09
One-off cost of extinguishment of bank loans	**4.75**	–
Amortisation of loan arrangement fees	**1.87**	1.56
	20.32	11.56

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings and loan notes of £13.91 million (2016: £10.49 million) of which £0.32 million was capitalised in the year (2016: £0.58 million) and amortisation of loan arrangement fees of £6.69 million (2016: £1.68 million) of which £0.08 million (2016: £0.11 million) was capitalised in the year. The total interest payable on bank borrowings specifically drawn to finance the construction of investment properties was capitalised in the current and preceding year.

The one-off cost of extinguishment of bank loans represents the accelerated amortisation charge in relation to the unamortised borrowing costs following early repayment of £550 million syndicated facility and Helaba bilateral loans totalling £18.66 million. This was a one-off non cash cost expensed in the Group Statement of Comprehensive Income in the year. There were no other early repayment charges due or payable.

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12. TAXATION

a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
UK corporation tax	–	–

The Government announced its intention to further reduce the UK corporation tax rates from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2017.

b) Factors affecting the tax credit 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 2017 £m	Year ended 31 December 2016 £m
Profit on ordinary activities before taxation	**247.80**	91.90
Theoretical tax at UK corporation tax rate of 19.25% (31 December 2016: 20.00%)	**47.70**	18.38
REIT exempt income	**(14.48)**	(10.49)
Non-taxable items	**(33.49)**	(8.07)
Transfer pricing adjustment	**0.65**	0.53
Residual losses	**(0.38)**	(0.35)
Total tax credit	**–**	–

Non-taxable items include income and gains that are not taxable for corporation tax purposes other than property rental income 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.

13. EARNINGS PER SHARE

Earnings per share (EPS) amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year. As there are dilutive instruments outstanding, both basic and diluted earnings per share are quoted below.

The calculation of basic and diluted earnings per share is based on the following:

For the year ended 31 December 2017	Net profit attributable to Ordinary Shareholders £m	Weighted average number of Ordinary Shares [1] Number	Earnings per share Pence
Basic earnings per share	247.80	1,268,540,113	19.54p
Adjustment for dilutive shares to be issued		590,881	
Diluted earnings per share	247.80	1,269,130,994	19.53p
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(175.98)		
Changes in fair value of interest rate derivatives (note 21)	2.04		
One-off cost of extinguishment of bank loans (note 11)	4.75		
EPRA[2] basic earnings per share	**78.61**	**1,268,540,113**	**6.20p**
EPRA[2] diluted earnings per share	**78.61**	**1,269,130,994**	**6.20p**
Adjustments to include:			
Licence fee receivable on forward funded developments	5.31		
Rental income recognised in respect of fixed uplifts	(4.65)		
Loan amortisation	1.87		
Interest capitalised on forward funded developments	(0.32)		
Adjusted basic earnings per share	**80.82**	**1,268,540,113**	**6.37p**
Adjusted diluted earnings per share	**80.82**	**1,269,130,994**	**6.37p**
For the year ended 31 December 2016			
Basic earnings per share	**91.90**	**873,562,775**	**10.52p**
Adjustment for dilutive shares to be issued		533,132	
Diluted earnings per share	**91.90**	**874,095,907**	**10.51p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(47.51)		
Changes in fair value of interest rate derivatives (note 21)	7.15		
EPRA[2] basic earnings per share	**51.54**	**873,562,775**	**5.90p**
EPRA[2] diluted earnings per share	**51.54**	**874,095,907**	**5.90p**
Adjustments to include:			
Licence fee receivable on forward funded developments	7.96		
Rental income recognised in respect of fixed uplifts	(3.57)		
Loan amortisation	1.56		
Interest capitalised on forward funded developments	(0.59)		
Adjusted basic earnings per share	**56.90**	**873,562,775**	**6.51p**
Adjusted diluted earnings per share	**56.90**	**874,095,907**	**6.51p**

1 Based on the weighted average number of Ordinary Shares in issue throughout the year.
2 European Public Real Estate Association.

13. EARNINGS PER SHARE (CONTINUED)

Adjusted earnings is a performance measure used by the Board to assess the level of the Group's dividend payments. The metric reduces EPRA earnings by interest paid to service debt that was capitalised and removes other non-cash items credited or charged to the Statement of Comprehensive Income. Licence fees receivable during the year 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.

The adjustment for licence fee receivable is calculated by reference to the fraction 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 the rental income will flow into 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.

14. DIVIDENDS PAID

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share (Fourth interim for 31 December 2015 at 3.00 pence per Ordinary Share)	17.13	20.34
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 3.10 pence)	17.69	26.02
Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 1.55 pence)	21.81	13.02
Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	21.82	–
Total dividends paid	**78.45**	59.38
Total dividends paid for the year	**4.80p**	4.65p
Total dividends unpaid but declared for the year	**1.60p**	1.55p
Total dividends declared for the year	**6.40p**	6.20p

On 24 April 2017, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2017 to 31 March 2017 of 1.60 pence per Ordinary Share, which was payable on 22 May 2017 to Ordinary Shareholders on the register on 5 May 2017.

On 13 July 2017, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per Ordinary Share, which was payable on 10 August 2017 to Shareholders on the register on 21 July 2017.

On 12 October 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2017 to 30 September 2017 of 1.60 pence per Ordinary Share, which was payable on 20 October 2017 to Shareholders on the register on 19 October 2017.

On 7 March 2018, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2017 to 31 December 2017 of 1.60 pence per Ordinary Share, which will be payable on or around 29 March 2018 to Shareholders on the register on 15 March 2018.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

15. INVESTMENT PROPERTY

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Global Standards January 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards Committee 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.

All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	Investment property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2017	**1,278.13**	**436.84**	**88.14**	**1,803.11**
Property additions[2]	**307.45**	**121.83**	**178.32**	**607.60**
Fixed rental uplift and tenant lease incentives[1]	**7.70**	**4.82**	**–**	**12.52**
Transfer of completed property to investment property	**209.75**	**–**	**(209.75)**	**–**
Change in fair value during the year	**121.30**	**48.89**	**5.79**	**175.98**
As at 31 December 2017	**1,924.33**	**612.38**	**62.50**	**2,599.21**
As at 1 January 2016	720.89	260.70	176.27	1,157.85
Property additions[2]	268.27	158.87	160.37	587.51
Fixed rental uplift and tenant lease incentives[1]	7.75	2.48	–	10.23
Transfer of completed property to investment property	259.28	–	(259.28)	–
Change in fair value during the year	21.94	14.79	10.78	47.51
As at 31 December 2016	**1,278.13**	**436.84**	**88.14**	**1,803.11**

1 Included within the carrying value of investment property is £25.89 million (2016: £13.37 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.
2 Licence fees deducted from the cost of investment property under construction totalled £0.70 million in the year (2016: £4.83 million).

	31 December 2017 £m	31 December 2016 £m
Investment property at fair value per Group Statement of Financial Position	**2,599.21**	1,803.11
Licence fee receivable	**–**	2.52
Capital commitments	**5.12**	82.40
Ring fenced cash (note 18)	**2.95**	–
Restricted cash (note 18)	**–**	5.65
Total portfolio valuation*	**2,607.28**	1,893.68

* Including costs to complete on forward funded development assets.

15. INVESTMENT PROPERTY (CONTINUED)

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 Statement of Financial Position; refer to note 32.

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 trade and other receivables. The valuation assumes the property to be income generating and therefore includes this receivable in the value.

Forward funded prepayments represent costs to bring the asset to completion under the Development Funding Agreement which includes the developer's margin and were paid to the developer in advance.

The valuation summary is set out in the Strategic Report.

Fair value hierarchy

The following table provides the fair value measurement hierarchy for investment property:

	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
Assets measured at fair value:					
Investment properties	31 December 2017	**2,599.21**	**–**	–	**2,599.21**
Investment properties	31 December 2016	1,803.11	–	–	1,803.11

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.

note 32, page 150
Strategic Report, pages 1-77

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions in the market.

Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £893,500-£5,675,049 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: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

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: 3.91%-6.85%).

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 in passing rent £m	+0.25% in net initial yield £m	–0.25% net initial yield £m
(Decrease)/increase in the fair value of investment properties as at 31 December 2017	(130.36)	130.36	(136.56)	152.41
(Decrease)/increase in the fair value of investment properties as at 31 December 2016	(94.68)	94.68	(91.39)	101.16

16. INVESTMENTS

The Group comprises a number of companies, all subsidiaries included within these financial statements are noted below:

	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	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	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	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	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%
Click Peterborough SARL	Dormant Company	Luxembourg	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%
Wellzone Limited	Investment Holding Company	UK	100%
Sportdale Limited	Investment Holding Company	UK	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%

	Principal activity	Country of incorporation	Ownership %
Tritax Littlebrook 2 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property Investment	Jersey	100%
Tritax Atherstone Limited	Investment Holding Company	Jersey	100%
Tritax Atherstone Limited (formerly Aequitas Estates (Midlands) Limited)	Property Investment	UK	100%
Tritax Acquisition 42 Limited	Property Investment	Jersey	100%
Tritax Stoke DC1&2 Limited	Investment Holding Company	Jersey	100%
Tritax Luxembourg DC1&2 Limited	Property Investment	Luxembourg	100%
Tritax Stoke DC3 Limited	Investment Holding Company	Jersey	100%
Tritax Luxembourg DC3 Limited	Property Investment	Luxembourg	100%
Tritax Stoke Management Limited	Property Management Company	UK	100%
Tritax Acquisition 43 Limited	Property Investment	Jersey	100%
Tritax Carlisle Limited	Investment Holding Company	Jersey	100%
Tritax Carlisle UK Limited	Property Investment	UK	100%
Tritax Worksop 18 Limited	Property Investment	Jersey	100%
Tritax Edinburgh Way Harlow Limited	Investment Holding Company	Jersey	100%
Tritax Edinburgh Way Harlow (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Crewe Limited	Investment Holding Company	Jersey	100%
Tritax Crewe (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 44 Limited	Property Investment	Jersey	100%

The registered addresses for the 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 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3AP

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 entities: Aberdeen House, South Road, Haywards Heath, West Sussex RH16 4NG

Luxembourg entity: 46A Avenue J F Kennedy L-1885, Grand Duchy of Luxembourg.

17. TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Trade receivables	**5.27**	5.42
Licence fee receivable	**0.45**	2.52
Prepayments, accrued income and other receivables	**0.92**	1.22
VAT	**3.59**	–
	10.23	9.16

As at 31 December 2017, some trade receivables were past due but not impaired, as set out below.

Past due but not impaired		
<30 days	**3.27**	4.52
30-60 days	**1.74**	0.15
60-90 days	**–**	0.64
90 days+	**0.26**	0.11
	5.27	5.42

18. CASH HELD AT BANK

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Cash and cash equivalents to agree with cash flow	**71.91**	165.04
Restricted cash	**6.13**	5.65
	78.04	170.69

Ring fenced cash of £2.95 million (2016: £nil) included with cash and cash equivalents represents amounts relating 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. Currently the cash is held in a ring fenced bank account.

Restricted cash is cash where there is a legal restriction to specify its type of use, i.e. this may be where we have a joint arrangement with a tenant under an asset management initiative.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £68.96 million (2016: £165.05 million) as at the year end, which excludes long-term restricted and ring fenced cash deposits totalling £9.08 million (2016: £5.65 million). Total cash held at bank as reported in the Group Statement of Financial Position is £78.04 million (2016: £170.69 million).

19. TRADE AND OTHER PAYABLES

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Trade and other payables	**16.81**	12.68
Bank loan interest payable	**1.69**	1.90
Accruals	**4.43**	3.57
VAT	**–**	0.21
Tax liability	**0.51**	0.28
	23.44	18.64

The tax liability arises from the acquisition of a number of special purpose vehicles (SPV's) during the current and prior year. The tax liability wholly relates to the period prior to Group ownership. Any tax liability was fully accrued for within the take on accounts of the SPV.

20. BORROWINGS

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 2017	**541.53**	**150.00**	**691.53**
New bank borrowings agreed in the year	**100.00**	**340.00**	**440.00**
Bank borrowings drawn in the year under existing facilities	**64.00**	**(64.00)**	**–**
Bank borrowings repaid in the year under existing facilities	**(482.66)**	**(86.00)**	**(568.66)**
As at 31 December 2017	**222.87**	**340.00**	**562.87**
As at 1 January 2016	385.04	184.49	569.53
New bank borrowings agreed in the year	72.00	–	72.00
Bank borrowings drawn in the year under existing facilities	239.49	(84.49)	155.00
Bank borrowings repaid in the year under existing facilities	(155.00)	–	(155.00)
Increase in Syndicated bank borrowings agreed in the year	–	50.000	50.00
As at 31 December 2016	**541.53**	**150.00**	**691.53**

LOAN NOTES

Bonds	**31 December 2017 £m**	31 December 2016 £m
2.625% Bonds 2026	**249.01**	–
3.125% Bonds 2031	**246.55**	–
	495.56	–

On 1 March 2017, the Group announced that it had agreed a new long-term, interest only, fixed rate term loan facility of £90 million with PGIM Real Estate Finance, secured against a portfolio of four assets. The facility, which was drawn in full immediately, is repayable on 1 March 2027 and has a fixed all-in rate payable of 2.54% per annum. The amounts drawn down under the facility will be segregated and non-recourse to the Company.

On 14 December 2017, the Group announced the pricing of senior unsecured loan notes (the “notes”) with an aggregate principal amount of £500 million split evenly over a nine and fourteen year term. The notes were issued under the Company’s £1.5 billion Euro Medium Term Note Programme. The Group issued two tranches of loan notes, comprising (i) £250 million senior unsecured loan notes maturing on 14 December 2026, and (ii) £250 million senior unsecured loan notes maturing on 14 December 2031. The 2026 Notes and the 2031 Notes were priced at a fixed interest rate of 2.625% and 3.125% per annum respectively.

On the same date, the Company also announced a new £350 million unsecured revolving credit facility with its core relationship lender group and selected new lenders. The new unsecured revolving credit facility has an initial maturity of five years and can be extended (subject to obtaining the prior consent of the lenders) by a further two years to a maximum of seven years. The new facility also contains an uncommitted £200 million accordion option. The new facility had an opening margin of 1.10% per annum over Libor.

20. BORROWINGS (CONTINUED)

The syndicate for the unsecured revolving credit facility comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, ING Bank N.V. London Branch, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch.

Following the issue of the notes and the entering into of the unsecured revolving credit facility, the Company's existing £550 million secured syndicated facility due October 2020 and the £7.06 million and £11.60 million Helaba facilities due November 2019 were repaid in full on 11 December 2017 and 7 December 2017 respectively.

Following the December 2017 refinancing, a large part of the Group's borrowings are unsecured financing arrangements. The nature of unsecured financing arrangements means that the Group has greater flexibility, it allows for quicker execution of future debt at a lower cost of arrangement and provides a scalable debt platform to support the future growth of the business. After the date of refinancing 62% (2016: 10%) of the Group's debt facility commitments are fixed term, with 38% floating term (2016: 90%). As at 31 December 2017, the weighted average running cost of debt was 2.38% (2016: 1.80%), with a reduction to the Group's average capped cost of debt (see below).

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.

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:

	31 December 2017 £m	31 December 2016 £m
Bank borrowings drawn: due in more than one year	**222.87**	541.53
Loan notes drawn: due in more than one year	**495.56**	–
Less: unamortised costs on bank borrowings	**(6.11)**	(8.03)
Less: unamortised costs on loan notes	**(3.39)**	–
Non-current liabilities: borrowings	**708.93**	533.50

Maturity of borrowings

	31 December 2017 £m	31 December 2016 £m
Repayable between 1 and 2 years	**–**	–
Repayable between 2 and 5 years	**10.00**	418.66
Repayable in over 5 years	**708.43**	122.87
	718.43	541.53

On 15 December 2017, the Group announced that it had agreed terms to extend the maturity of its £50.87 million loan facility secured on the asset with Landesbank Hessen-Thüringen Girozentrale ("Helaba") from July 2023 to July 2025. The margin payable on the facility remained unchanged.

Following the refinancing as noted above, the weighted average term to maturity of the Group's debt as at the year end is 8.9 years (31 December 2016: 4.8 years). The syndicated facility has a two-year extension option remaining, exercisable on the first and second anniversaries of the facility. This option requires lender consent, although when taking these into account the weighted average term to maturity for the Group, assuming all options were exercised, would increase to 9.6 years (31 December 2016: 5.6 years).

21. 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 3 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% (2016: 1.39%), 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 interest rate payable of 2.66% (2016: 2.82%). The total premium payable in the year towards securing the interest rate caps was £1.07 million (2016: £1.69 million).

	31 December 2017 £m	31 December 2016 £m
Non-current assets: interest rate derivatives	**1.97**	3.17

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the mark to market values of the derivatives are taken to the Group Statement of Comprehensive Income.

	31 December 2017 £m	31 December 2016 £m
Interest rate derivative valuation brought forward	**3.18**	8.64
Interest rate cap premium paid	**1.07**	1.68
Disposal of interest rate cap	**(0.24)**	–
Changes in fair value of interest rate derivatives	**(2.04)**	(7.15)
	1.97	3.17

As part of the Group refinancing in December 2017, on repayment of the borrowings to Helaba, the Group disposed of three interest rate caps held against the secured loans. The Group received proceeds of £0.24 million on disposal.

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 debt either hedged via interest rate derivatives or subject to fixed rate loan agreements equated to 99.78%, as shown below.

	31 December 2017 Drawn £m	31 December 2016 Drawn £m
Total borrowings drawn (note 20)	**718.43**	541.53
Notional value of effective interest rate derivatives and fixed rate loans	**716.90**	539.81
Proportion of hedged debt	**99.78%**	99.68%

As at the year end the Group had notional value of interest rate caps of £337.50 million to act as a hedge against the £350.00 million revolving credit facility.

21. INTEREST RATE DERIVATIVES (CONTINUED)

Fair value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

	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
Assets measured at fair value:					
Interest rate derivatives	31 December 2017	1.97	–	1.97	–
Interest rate derivatives	31 December 2016	3.17	–	3.17	–

The fair value of these contracts are 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.

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.

22. FINANCIAL RISK MANAGEMENT

Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash held at bank. The Group's other principal financial assets and liabilities are bank borrowings and interest rate derivatives, the main purpose of which 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 information:

	Book value 31 December 2017 £m	**Fair value 31 December 2017 £m**	Book value 31 December 2016 £m	Fair value 31 December 2016 £m
Financial assets				
Interest rate derivatives	**1.97**	**1.97**	3.17	3.17
Trade and other receivables[1]	**9.31**	**9.31**	7.97	7.97
Cash held at bank	**78.04**	**78.04**	170.69	170.69
Financial liabilities				
Trade and other payables[2]	**22.93**	**22.93**	18.35	18.35
Borrowings	**718.43**	**712.98**	541.53	543.62

1 Excludes certain VAT certain prepayments, other debtors and forward funded prepayments.
2 Excludes tax and VAT liabilities.

Interest rate derivatives are the only financial instruments measured at fair value through the Group Statement of Comprehensive Income. All other financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

	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
Liabilities measured at fair value:					
Borrowings	31 December 2017	652.11	491.46	160.65	–
Borrowings	31 December 2016	69.91	–	69.91	–

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 those reference gilts plus the margin implied. The references used were the Treasury 4.25% 2027 Gilt and Treasury 4.75% 2030 Gilt respectively, with an implied margin which is unchanged since the date of fixing. The loan is 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 and 3.125% Bonds 2031, is determined with reference to the quoted market prices. These financial liabilities are considered to be a Level 1 fair value measure.

The book value of the financial liabilities at Level 1 fair value measure were £492.17 million (2016: £nil) and the financial liabilities at Level 2 fair value measure were £162 million (2016: £72 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 Statement of Comprehensive Income and net assets of a 50 basis point shift in interest rates would result in an increase of £0.30 million (2016: £2.71 million) or a decrease of £0.30 million (2016: £2.71 million).

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 assisted 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 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.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 and, going forward, 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
31 December 2017						
Borrowings	–	4.99	14.87	89.38	830.98	940.22
Trade and other payables	–	23.44	–	–	–	23.44
	–	28.43	14.87	89.38	830.98	963.66
31 December 2016						
Borrowings	–	2.66	7.97	499.86	85.94	596.43
Trade and other payables	–	18.35	–	–	–	18.35
	–	21.01	7.97	499.86	85.94	614.78

Included within the contracted payments is £217.32 million (2016: £54.90 million) of loan interest payable up to the point of maturity across the facilities.

23. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it remains a going concern and continues to qualify for UK REIT status.

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 26.8% (2016: 30.0%).

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.

24. SHARE CAPITAL

The share capital relates to amounts subscribed for share capital at its nominal value:

	31 December 2017 Number	**31 December 2017 £m**	31 December 2016 Number	31 December 2016 £m
Issued and fully paid at 1 pence each	**1,363,598,083**	**13.64**	1,105,159,529	11.05
Balance at beginning of year – £0.01 Ordinary Shares	**1,105,159,529**	**11.05**	677,840,088	6.78
Shares issued in relation to further Equity issuance	**257,352,941**	**2.58**	426,441,838	4.26
Shares issued in relation to management contract	**1,085,613**	**0.01**	877,603	0.01
Balance at end of year	**1,363,598,083**	**13.64**	1,105,159,529	11.05

On 13 April 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 528,528 Ordinary Shares at an issue price per Ordinary Share of 126.45 pence.

On 24 April 2017, the Company announced that it intended to proceed with a proposed Placing, Open Offer and Offer for Subscription of new Ordinary Shares at a price of 136.00 pence per share to raise £200 million. Following this on 11 May 2017 the Company announced it had exercised its right to increase the size of the issue, due to excess demand, to £350 million. As a result, a total of 257,352,941 Ordinary Shares were issued at a price of 136.00 pence per Ordinary Share, of which 100,517,096 Ordinary Shares were issued pursuant to the Open Offer, 12,075,902 Ordinary Shares were issued pursuant to the Offer for Subscription, 144,759,943 Ordinary Shares were issued under the Placing.

On 3 October 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 557,085 Ordinary Shares at an issue price per Ordinary Share of 130.83 pence.

25. SHARE PREMIUM

The share premium relates to amounts subscribed for share capital in excess of nominal value:

	31 December 2017 £m	31 December 2016 £m
Balance at beginning of year	**589.39**	52.74
Share premium on Ordinary Shares issued in relation to further Equity issuance	**347.42**	545.74
Share issue expenses in relation to further Equity issuance	**(5.83)**	(10.16)
Transfer to capital reduction reserve (see note 26)	**–**	–
Share premium on Ordinary Shares issued to management	**1.39**	1.07
Balance at end of year	**932.37**	589.39

26. CAPITAL REDUCTION RESERVE

	31 December 2017 £m	31 December 2016 £m
Balance at beginning of year	**546.38**	605.76
Transfer from share premium	**–**	–
Third interim dividend for the period ended 31 December 2016	**(17.13)**	(20.34)
First interim dividend for the year ended 31 December 2017	**(17.69)**	(26.02)
Second interim dividend for the year ended 31 December 2017	**(21.81)**	(13.02)
Third interim dividend for the year ended 31 December 2017	**(21.82)**	–
Balance at end of year	**467.93**	546.38

Please refer to note 14 for details of the declaration of dividends to Shareholders.

27. RETAINED EARNINGS

	31 December 2017 £m	31 December 2016 £m
Balance at beginning of year	**267.72**	175.82
Retained profit for the year	**247.80**	91.90
Balance at end of year	**515.52**	267.72

Retained earnings relates to all net gains and losses not recognised elsewhere.

28. 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 2017 £m	31 December 2016 £m
Net assets per Group Statement of Financial Position	**1,929.46**	1,414.54
EPRA NAV (see Additional Information)	**1,940.42**	1,426.19
Ordinary Shares:		
Issued share capital (number)	**1,363,598,083**	1,105,159,529
Basic net asset value per share	**141.50p**	128.00p
Dilutive shares in issue (number)	**590,881**	533,132
Diluted net asset value per share	**141.44p**	127.93p
Basic EPRA NAV per share	**142.30p**	129.05p
Dilutive shares in issue (number)	**590,881**	533,132
Diluted EPRA NAV per share	**142.24p**	129.00p

EPRA NAV is calculated as net assets per the Consolidated Statement of Financial Position excluding fair value adjustments for debt-related derivatives.

Additional Information – Notes to the EPRA Performance Measures pages 163-167

29. 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
31 December 2017	**119.50**	**484.28**	**1,239.05**	**1,842.83**
31 December 2016	84.65	354.07	1,014.44	1,453.16

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. Please refer to the table on page 48 which presents each level of passing rent currently payable under the operating leases.

30. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2017 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 £3.29 million (2016: £2.74 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £1.56 million (2016: £1.25 million), of which £0.84 million (2016: £0.67 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. Throughout the year SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £0.68 million (2016: £1.55 million) in respect of agency services for the year; this represents a total of 20% (2016: 36%) of agency fees paid by the Group during the year. There were £nil (2016: £0.04 million) fees outstanding as at the year end. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. While there are currently no existing contractual arrangements between the Company and SG Commercial, the Company may choose to appoint SG Commercial in the future from time to time on either a sole or joint agency basis. Any such appointments have been and will continue to be made on normal market-based contractual terms. In the event that any such appointment is proposed by the Manager, the Board has and shall continue to be consulted and asked for its approval.

Mark Shaw does not vote at any meeting of the Board 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 received the following dividends; Richard Jewson: £4,588, Jim Prower: £1,508, Aubrey Adams: £nil, Susanne Given: £nil and Mark Shaw: £37,351.

During the year the four controlling Members of the Manager received the following dividends; Mark Shaw as above, Colin Godfrey: £37,700, James Dunlop: £35,688 and Henry Franklin: £28,289.

Management Engagement Committee Report, pages 101-103
Directors' Remuneration Report, pages 106-107

31. RECONCILIATION OF LIABILITIES TO CASH FLOWS FROM FINANCING ACTIVITIES

	Bank Borrowings £	Loan notes £	Total £
Balance at the start of the year	533.50	–	533.50
Cash flows from financing activities:			
Bank borrowings advanced	164.00	–	164.00
Bank borrowings repaid	(482.66)	–	(482.66)
Amounts received on the issue of loan notes	–	495.54	495.54
Loan arrangement fees paid	(4.66)	(3.19)	(7.85)
Non-cash movements:			
Change in creditors for loan arrangement fees payable	(0.04)	(0.21)	(0.25)
Amortisation of loan arrangement fees	1.87	0.03	1.90
Amortisation of loan arrangement fees on the repayment of loans	4.75	–	4.75
Balance at the end of the year	**216.76**	**492.17**	**708.93**

32. CAPITAL COMMITMENTS

The Group had capital commitments of £28.6 million in relation to its forward funded pre-let development assets, asset management initiatives and commitments under development land, outstanding as at 31 December 2017 (31 December 2016: £82.4 million). All commitments fall due within one year from the date of this report.

33. SUBSEQUENT EVENTS

On 12 January 2018 the Group completed contracts for the site acquisition and forward funding for the development of two new distribution warehouse facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc. The investment price was £103.7 million.

On 18 January 2018 the Group completed the acquisition of a National Distribution Centre at Weston Road, Crewe let to Expert Logistics Limited, a wholly owned subsidiary of AO World Plc. The total consideration was £36.10 million.

On 6 February 2018 the Group exchanged contracts, conditional on receiving full planning consent, to provide forward funding for the development of a new regional distribution centre in Corby, pre-let to Eddie Stobart Limited. The investment price is £81.8 million.

34. CONTINGENT LIABILITIES

On 23 December 2016 the Group exchanged contracts, conditional on receiving planning consent, to provide forward funding for the development of two new distribution warehouse facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc for a total investment price of £103.7 million. As mentioned within note 33 above, the Company completed on this contract in January 2018.

On 17 December 2017, the Group exchanged contracts to purchase the corporate vehicle that owns the distribution facility in Crewe, Cheshire. The property is let to Expert Logistics Limited, a wholly owned subsidiary of AO World Plc, which will act as guarantor. The total consideration was £36.10 million.

Refer to note 33 for the respective completion dates of these investment properties.

COMPANY BALANCE SHEET

Company Registration Number: 08215888

	Note	At 31 December 2017 £m	At 31 December 2016 £m
Non-current assets			
Investment in subsidiaries	4	**1,028.22**	812.67
Total non-current assets		**1,028.22**	812.67
Current assets			
Trade and other receivables	5	**1,075.17**	363.49
Cash held at bank	6	**21.25**	109.81
Total current assets		**1,096.42**	473.30
Total assets		**2,124.64**	1,285.97
Current liabilities			
Trade and other payables	7	**(7.85)**	(5.01)
Loans from Group companies		**(52.19)**	(51.23)
Total current liabilities		**(60.04)**	(56.24)
Non-current liabilities			
Loan notes	8	**(492.17)**	–
Total non-current liabilities		**(492.17)**	–
Total liabilities		**(552.21)**	(56.24)
Total net assets		**1,572.43**	1,229.73
Equity			
Share capital	9	**13.64**	11.05
Share premium reserve	10	**932.37**	589.39
Capital reduction reserve	11	**467.93**	546.38
Retained earnings		**158.49**	82.91
Total equity		**1,572.43**	1,229.73
Net asset value per share – basic	12	**115.31p**	111.27p
Net asset value per share – diluted	12	**115.26p**	111.22p
EPRA net asset value per share	12	**115.26p**	111.22p

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 2017 amounted to £75.58 million (31 December 2016: £47.62 million).

These financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

Richard Jewson Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

	Undistributable reserves		Distributable reserves		
	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2017	**11.05**	**589.39**	**546.38**	**82.91**	**1,229.73**
Total comprehensive income	**–**	**–**	**–**	**75.58**	**75.58**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (May 2017)	2.58	347.42	–	–	350.00
Share issue expenses in relation to Equity issue (May 2017)	–	(5.83)	–	–	(5.83)
Shares issued in relation to management contract	0.01	1.39	–	–	1.40
Share based payments	–	–	–	1.56	1.56
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.56)	(1.56)
Dividends paid:					
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share	–	–	(17.13)	–	(17.13)
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(17.69)	–	(17.69)
Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.81)	–	(21.81)
Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.82)	–	(21.82)
31 December 2017	**13.64**	**932.37**	**467.93**	**158.49**	**1,572.43**
1 January 2016	**6.78**	**52.74**	**605.77**	**35.29**	**700.58**
Total comprehensive income	**–**	**–**	**–**	**47.62**	**47.62**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (February 2016)	1.61	198.39	–	–	200.00
Share issue expenses in relation to Equity issue (February 2016)	–	(3.90)	–	–	(3.90)
Shares issued in relation to further Equity issue (October 2016)	2.65	347.35	–	–	350.00
Share issue expenses in relation to Equity issue (October 2016)	–	(6.26)	–	–	(6.26)
Shares issued in relation to management contract	0.01	1.07	–	–	1.08
Share based payments	–	–	–	1.25	1.25
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.25)	(1.25)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share	–	–	(20.34)	–	(20.34)
First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share	–	–	(26.02)	–	(26.02)
Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share	–	–	(13.03)	–	(13.03)
31 December 2016	**11.05**	**589.39**	**546.38**	**82.91**	**1,229.73**

NOTES TO THE COMPANY ACCOUNTS

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and 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;
- 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 information is presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest 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.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade debtors, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses. On confirmation that the trade debtor will not be collectable the gross carrying value of the asset is expensed to the profit and loss against the associated provision.

Financial liabilities

Financial liabilities including trade payables, other payables, accruals and amounts due to Group undertakings are originally recorded at fair value and subsequently stated at amortised cost under the effective interest method.

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 date, the shares would be issuable.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial information 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 years. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

2. TAXATION

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
UK corporation tax	**–**	–

3. DIVIDENDS PAID

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share (Fourth interim for 31 December 2015 at 3.00 pence per Ordinary Share)	17.13	20.34
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 3.10 pence)	17.69	26.02
Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 1.55 pence)	21.81	13.02
Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	21.82	–
Total dividends paid	**78.45**	59.38
Total dividends paid for the year	**4.80p**	4.65p
Total dividends unpaid but declared for the year	**1.60p**	1.55p
Total dividends declared for the year	**6.40p**	6.20p

On 24 April 2017, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2017 to 31 March 2017 of 1.60 pence per Ordinary Share, which was payable on 22 May 2017 to Ordinary Shareholders on the register on 5 May 2017.

On 13 July 2017, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per Ordinary Share which was payable on 10 August 2017 to Shareholders on the register on 21 July 2017.

On 12 October 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2017 to 30 September 2017 of 1.60 pence per Ordinary Share which was payable on 20 October 2017 to Shareholders on the register on 19 October 2017.

On 7 March 2018, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2017 to 31 December 2017 of 1.60 pence per Ordinary Share which will be payable on or around 29 March 2018 to Shareholders on the register on 15 March 2018.

4. INVESTMENTS

	Shares £m	Loan £m	Total £m
As at 1 January 2017	812.67	–	812.67
Increase in investments via share purchase	215.55	–	215.55
As at 31 December 2017	**1,028.22**	**–**	**1,028.22**
As at 1 January 2016	547.81	–	547.81
Increase in investments via share purchase	264.86	–	264.86
As at 31 December 2016	**812.67**	**–**	**812.67**

The Company has the following subsidiary undertakings as at 31 December 2017:

	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	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	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	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	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%
Click Peterborough SARL	Dormant Company	Luxembourg	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%
Wellzone Limited	Investment Holding Company	UK	100%
Sportdale Limited	Investment Holding Company	UK	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 2 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property Investment	Jersey	100%

4. INVESTMENTS (CONTINUED)

	Principal activity	Country of incorporation	Ownership %
Tritax Littlebrook 4 Limited	Property Investment	Jersey	100%
Tritax Atherstone Limited	Investment Holding Company	Jersey	100%
Tritax Atherstone Limited (formerly Aequitas Estates (Midlands) Limited)	Property Investment	UK	100%
Tritax Acquisition 42 Limited	Property Investment	Jersey	100%
Tritax Stoke DC1&2 Limited	Investment Holding Company	Jersey	100%
Tritax Luxembourg DC1&2 Limited	Property Investment	Luxembourg	100%
Tritax Stoke DC3 Limited	Investment Holding Company	Jersey	100%
Tritax Luxembourg DC3 Limited	Property Investment	Luxembourg	100%
Tritax Stoke Management Limited	Property Management Company	UK	100%
Tritax Acquisition 43 Limited	Property Investment	Jersey	100%
Tritax Carlisle Limited	Investment Holding Company	Jersey	100%
Tritax Carlisle UK Limited	Property Investment	UK	100%
Tritax Worksop 18 Limited	Property Investment	Jersey	100%
Tritax Edinburgh Way Harlow Limited	Investment Holding Company	Jersey	100%
Tritax Edinburgh Way Harlow (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Crewe Limited	Investment Holding Company	Jersey	100%
Tritax Crewe (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 44 Limited	Property Investment	Jersey	100%

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 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3AP

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 entities: Aberdeen House, South Road, Haywards Heath, West Sussex RH16 4NG

Luxembourg entity: 46A Avenue J F Kennedy L-1885, Grand Duchy of Luxembourg.

5. TRADE AND OTHER RECEIVABLES

	31 December 2017 £m	31 December 2016 £m
Amounts receivable from Group companies	**1,073.90**	362.80
Prepayments	**0.14**	0.04
Other receivables	**1.13**	0.65
	1,075.17	363.49

All amounts fall due for repayment within one year.

6. CASH HELD AT BANK

	31 December 2017 £m	31 December 2016 £m
Cash held at bank	**21.25**	109.81
	21.25	109.81

7. TRADE AND OTHER PAYABLES

	31 December 2017 £m	31 December 2016 £m
Trade and other payables	**3.84**	1.59
Accruals	**4.01**	3.42
	7.85	5.01

8. LOAN NOTES

Bonds

	31 December 2017 £m	31 December 2016 £m
2.625% Bonds 2026	**249.01**	–
3.125% Bonds 2031	**246.55**	–
Less: unamortised costs on loan notes	**(3.39)**	–
Non-current liabilities: net borrowings	**492.17**	–

Maturity of borrowings

	31 December 2017 £m	31 December 2016 £m
Repayable between 1 and 2 years	**–**	–
Repayable between 2 and 5 years	**–**	–
Repayable in over 5 years	**495.56**	–
	495.56	–

On 14 December 2017, the Group announced the pricing of senior unsecured loan notes (the "notes") with an aggregate principal amount of £500 million split evenly over a nine and fourteen year term. The notes were issued under the Company's £1.5 billion Euro Medium Term Note Programme. The Group issued two tranches of loan notes, comprising (i) £250 million senior unsecured loan notes maturing on 14 December 2026 and (ii) £250 million senior unsecured loan notes maturing on 14 December 2031. The 2026 Notes and the 2031 Notes were priced at a fixed interest rate of 2.625% and 3.125% per annum respectively.

On the same date, the Company also announced a new £350 million unsecured revolving credit facility with its core relationship lender group and selected new lenders. The new unsecured revolving credit facility has an initial maturity of five years and can be extended (subject to obtaining the prior consent of the lenders) by a further two years to a maximum of seven years. The new facility also contains an uncommitted £200 million accordion option. The new facility had an opening margin of 1.10% per annum over Libor.

The syndicate for the unsecured revolving credit facility comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, ING Bank N.V. London Branch, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch.

Following the issue of the notes and the entering into of the unsecured revolving credit facility, the Company's existing £550 million secured syndicated facility due October 2020 and the £7.06 million and £11.60 million Helaba facilities due November 2019 were repaid in full on 11 December 2017 and 7 December 2017 respectively.

9. SHARE CAPITAL

The share capital relates to amounts subscribed for share capital at its nominal value:

	31 December 2017 Number	31 December 2017 £m	31 December 2016 Number	31 December 2016 £m
Issued and fully paid at 1 pence each	**1,363,598,083**	**13.64**	1,105,159,529	11.05
At beginning of year – £0.01 Ordinary Shares	**1,105,159,529**	**11.05**	677,840,088	6.78
Shares issued in relation to further equity issuance	**257,352,941**	**2.58**	426,441,838	4.26
Shares issued in relation to management contract	**1,085,613**	**0.01**	877,603	0.01
Balance at end of year	**1,363,598,083**	**13.64**	1,105,159,529	11.05

On 13 April 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 528,528 Ordinary Shares at an issue price per Ordinary Share of 126.45 pence.

On 24 April 2017, the Company announced that it intended to proceed with a proposed Placing, Open Offer and Offer for Subscription of new Ordinary Shares at a price of 136 pence per share to raise £200 million. Following this on 11 May 2017 the Company announced it had exercised its right to increase the size of the issue, due to excess demand, to £350 million. As a result, a total of 257,352,941 Ordinary Shares were issued at a price of 136 pence per Ordinary Share, of which 100,517,096 Ordinary Shares were issued pursuant to the Open Offer, 12,075,902 Ordinary Shares were issued pursuant to the Offer for Subscription, 144,759,943 Ordinary Shares were issued under the Placing.

On 3 October 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 577,085 Ordinary Shares at an issue price per Ordinary Share of 130.83 pence.

10. SHARE PREMIUM

The share premium relates to amounts subscribed for share capital in excess of nominal value:

	31 December 2017 £m	31 December 2016 £m
Balance at beginning of year	**589.39**	52.74
Share premium on Ordinary Shares issued in relation to further equity issuance	**347.42**	545.74
Share issue expenses in relation to further equity issuance	**(5.83)**	(10.16)
Transfer to capital reduction reserve (see note 26)	**–**	–
Share premium on Ordinary Shares issued to management	**1.39**	1.07
Balance at end of year	**932.37**	589.39

11. CAPITAL REDUCTION RESERVE

	31 December 2017 £m	31 December 2016 £m
Balance at beginning of year	**546.38**	605.77
Transfer from share premium	**–**	–
Third interim dividend for the period ended 31 December 2016	**(17.13)**	(20.34)
First interim dividend for the year ended 31 December 2017	**(17.69)**	(26.02)
Second interim dividend for the year ended 31 December 2017	**(21.81)**	(13.03)
Third interim dividend for the year ended 31 December 2017	**(21.82)**	–
Balance at end of year	**467.93**	546.38

Please refer to note 3.

12. NET ASSET VALUE (NAV) PER SHARE

Basic NAV per share amounts are calculated by dividing net assets in the Company Balance Sheet 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 2017 £m	31 December 2016 £m
Net assets per Company Balance Sheet	**1,572.43**	1,229.73
EPRA NAV	**1,572.43**	1,229.73
Ordinary Shares:		
Issued share capital (number)	**1,363,598,083**	1,105,159,529
Net asset value per Share – Basic	**115.31p**	111.27p
Potentially issuable dilutive shares (number)	**590.881**	533,132
Net asset value per Share – Diluted	**115.26p**	111.22p
EPRA net asset value per Share – Diluted	**115.26p**	111.22p

EPRA NAV is calculated as net assets per the Company Balance Sheet excluding fair value adjustments for debt-related derivatives.

13. 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 please make reference to note 30 of the Group accounts.

14. DIRECTORS' REMUNERATION

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Directors' fees	**0.24**	0.18
Employer's National Insurance	**0.03**	0.02
	0.27	0.20

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report. As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

note 30, page 149 Directors' Remuneration Report, pages 106-107

CONTENTS

NOTES TO THE EPRA PERFORMANCE MEASURES

1. EPRA EARNINGS PER SHARE

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Total comprehensive income (attributable to Shareholders)	**247.80**	91.90
Adjustments to remove:		
Changes in fair value of investment properties	**(175.98)**	(47.51)
Changes in fair value of interest rate derivatives	**2.04**	7.15
One-off cost of extinguishment of bank loans (note 11)	**4.75**	–
Profits to calculate EPRA Earnings per share	**78.61**	51.54
Weighted average number of Ordinary Shares	**1,268,540,113**	873,562,775
EPRA earnings per share – basic	**6.20p**	5.90p
Dilutive shares to be issued	**590,881**	533,132
EPRA earnings per share – diluted	**6.20p**	5.90p

2. EPRA NAV PER SHARE

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Net assets at end of period	**1,929.46**	1,414.54
Adjustments to calculate EPRA NAV:		
Changes in fair value of interest rate derivatives – 2017	**(0.69)**	–
Changes in fair value of interest rate derivatives – 2016	**7.08**	7.08
Changes in fair value of interest rate derivatives – 2015	**1.99**	1.99
Changes in fair value of interest rate derivatives – 2014	**2.58**	2.58
EPRA net assets	**1,940.42**	1,426.19
Shares in issue at 31 December 2017	**1,363,598,083**	1,105,159,529
Dilutive shares in issue	**590,881**	533,132
	1,364,188,964	1,105,692,661
Dilutive EPRA NAV per share	**142.24p**	129.00p

3. EPRA NNNAV

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
EPRA net assets	**1,940.42**	1,426.19
Include:		
Fair value of financial instruments	**(10.96)**	(11.65)
Fair value of debt[1]	**9.89**	2.09
EPRA NNNAV	**1,939.35**	1,416.63
Shares in issue at 31 December 2017	**1,363,598,083**	1,105,159,529
Dilutive shares in issue	**590,881**	533,132
	1,364,188,964	1,105,692,661
EPRA NNNAV per share	**142.16p**	128.12p

1 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 2017 £m	Year ended 31 December 2016 £m
Investment property – wholly owned	**2,607.28**	1,803.11
Less: development properties	**–**	(88.14)
Completed property portfolio	**2,607.28**	1,714.97
Allowance for estimated purchasers' costs	**176.77**	116.62
Gross up completed property portfolio valuation (B)	**2,784.05**	1,831.59
Annualised passing rental income	**112.56**	99.66
Less: contracted rental income in respect of development properties	**–**	(9.11)
Property outgoings	**(0.02)**	(0.08)
Annualised net rents (A)	**112.54**	86.13
Contractual increases for fixed uplifts	**18.52**	4.35
Topped up annualised net rents (C)	**131.06**	90.48
EPRA Net Initial Yield (A/B)	**4.04%**	4.70%
EPRA Topped Up Net Initial Yield	**4.71%**	4.95%

5. EPRA VACANCY RATE

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Annualised estimated rental value of vacant premises	**–**	–
Portfolio estimated rental value[1]	**135.23**	97.95
EPRA vacancy rate	**0%**	0%

1 Excludes development properties

6. EPRA COST RATIO

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Property operating costs	**0.02**	0.07
Administration expenses	**14.16**	11.71
Total costs including and excluding vacant property costs (A)	**14.18**	11.78
Total gross rental income	**108.54**	74.66
Total EPRA cost ratio (including and excluding vacant property costs)	**13.1%**	**15.8%**

APPLICATION OF THE PRINCIPLES OF THE AIC CODE

The Company has applied the 21 Principles of the AIC Code as follows:

THE BOARD

1. The Chairman should be independent

The Company's Chairman, Richard Jewson, is independent. In addition, the Board has appointed a Senior Independent Director who, among other things, will take the lead in the annual evaluation of the Chairman and will be an alternative contact for Shareholders.

2. A majority of the Board should be independent of the Manager

The Board currently comprises five Non-Executive Directors of which Richard Jewson, the Chairman and Susanne Given, Jim Prower and Aubrey Adams are independent of the Manager. Mark Shaw, who is a partner and chairman of the Manager, Tritax Management LLP is not considered to be independent.

3. Directors should be submitted for re-election at regular intervals

As the Company is a constituent of the FTSE 250, Richard Jewson, Susanne Given, Aubrey Adams and Mark Shaw will retire and stand for re-election at the AGM in May 2018. Aubrey Adams will stand for election to the Board at the AGM in May 2018.

4. The Board should have a policy on tenure

The Company's practice is to appoint Directors for a minimum two-year term subject to annual re-election.

5. There should be full disclosure of information about the Board

Full information about the Board, as a whole, and the Directors, as individuals, is set out, inter alia, in this Annual Report.

6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company

The Nomination Committee has undertaken a review of the Board's composition and appointed Aubrey Adams as a Non-Executive Director of the Company and as a member of the Audit Committee, Nomination Committee and Management Engagement Committee. In making appointments to the Board, the Committee considers the wide range of skills, knowledge and experience required to maintain an effective Board. The Nomination Committee Report is on pages 91-92.

7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors

The Board appointed Lintstock Limited to conduct a Board Evaluation. Details of the evaluation are set out on page 92.

8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent

The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration and sets remuneration appropriately so as to attract, retain and motivate Board members. The fees paid to the Directors are listed on page 104 of this report.

9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the Annual Report

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 91-92.

10. Director Induction Programme

Aubrey Adams was appointed as a Non-Executive Director of the Company and as a member of the Audit, Management Engagement and Nomination Committees in 2017. Aubrey received a bespoke induction training programme designed to give him a comprehensive overview of the Company, including its business and strategic aims and its governance structure. The Company Secretary also provided Aubrey with a bespoke induction pack of documents and an introduction to the Company.

11. The Chairman (and the Board) should be brought into the process of a new launch at an early stage

The Company operates a single fund and has no plans to launch further funds. However, whenever the Company carries out equity fundraisings the Chairman and the Board are always involved and are integral to the process from an early stage.

BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER

12. Boards and Managers should operate in a supportive, co-operative and open environment

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to the Manager and communicate regularly among themselves.

13. The primary focus at regular Board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues

The Chairman sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. The Board has a schedule of matters specifically reserved for its decision which include the approval of budgets, setting investment and performance objectives and policies, the approval of the Company's financial statements and published reports, the approval of equity and debt fundraising.

Prior to each meeting, the Directors are provided with a comprehensive set of papers providing information on the Company's proposed investments, its financial position and performance, an update on relevant sectors including the commercial property and retail sectors, a monthly Shareholder analysis and a report on regulatory and governance matters.

14. Boards should give sufficient attention to overall strategy

The Board, together with the Manager, regularly considers the overall strategy of the Company in light of its performance and the sector overall.

15. The Board should regularly review both the performance of, and contractual arrangements with, the Manager

The performance of the Manager is assessed on a regular basis by the Management Engagement Committee. Further details of the review in 2017 are set out in the Management Engagement Committee Report see pages 101-103.

The Board together with the Audit Committee sets the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised in the Audit Committee Report on pages 96-99.

16. The Board should agree policies with the Manager covering key operational issues

The Board has an agreed set of policies with the Manager covering key operational areas and the implementation of such policies is subject to a regular, independent review. Further details of this review of internal controls are set out in Leadership on page 81. Langham Hall UK Depositary LLP acts as depositary for the Company and conducts an independent review of the internal controls of the Company. Further details of the role of Langham Hall UK Depositary LLP are set out on page 95.

17. The Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it

The Board monitors the performance on the Company's share price both on an absolute level and relative to the prevailing Net Asset Value per Ordinary Share. The Directors have at their disposal the authority to buy back or issue Ordinary Shares (within certain parameters) which would allow them to address anomalies in the performance of the Ordinary Shares, if necessary. The Board works with the Company's joint financial advisers and corporate broker to maintain regular contact with the investors and monitor investor sentiment.

18. The Board should monitor and evaluate other service providers

The Management Engagement Committee together with the Manager reviews the continuing appointment of its service providers to ensure that terms remain competitive and in the best interests of Shareholders, through an annual review of the relevant contracts.

The Board has access to independent professional advisers at the Company's expense.

SHAREHOLDER COMMUNICATIONS

19. The Board should regularly monitor the Shareholder profile of the Company and put in place a system for canvassing Shareholder views and for communicating the Board's views to Shareholders

Representatives of the Manager met regularly with Shareholders throughout 2017, providing the Board with feedback on Shareholder views and concerns. Please see Relations with Shareholders and stakeholders for further information on pages 104-105.

The Directors make themselves available at general meetings to address Shareholder queries and the Annual General Meeting, in particular, provides the Board with an important opportunity to meet with Shareholders, who are invited to meet the Board following the formal business of the meeting.

20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesperson

All communications with Shareholders are subject to sign off by one or more of the Directors, as appropriate. Any communications regarding major corporate issues are approved by the Board prior to release.

21. The Board should ensure that Shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares

The Board places great importance on communication with Shareholders. It aims to provide Shareholders with a full understanding of the Company's activities and performance and reports formally to Shareholders twice a year by way of the Half Yearly Report and the Annual Report, including in particular, the Strategic Report. The Strategic Report is set out on pages 1-75 and this provides information about the performance of the Company, the Investment Policy, strategy and the risks and uncertainties relating to the Company's future prospects.

This is supplemented by frequent notifications via a regulatory information service on developments such as asset acquisitions, debt financings and fundraising activities, and the Company's Website is regularly updated.

FINANCIAL CALENDAR

7 March 2018	**Announcement of Full Year Results**
16 May 2018	**Annual General Meeting**
30 June 2018	**Half Year End**
9 August 2018	**Announcement of Half Year Results**
31 December 2018	**Full Year End**

COMPANY INFORMATION

Company Registration Number: 08215888 Incorporated in the United Kingdom

Directors, Management and Advisers

Directors

Richard Jewson
Non-Executive Chairman
Jim Prower Senior Independent
Non-Executive Director
Susanne Given
Non-Executive Director
Aubrey Adams, OBE
Non-Executive Director
Mark Shaw
Non-Executive Director

Registered office

Standbrook House
4th Floor
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Manager

Tritax Management LLP
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Joint Financial Adviser and Corporate Broker

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Joint Financial Adviser

Akur Limited
66 St James's Street
London
SW1A 1NE

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
Standbrook House
4th Floor
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Administrator

Link Asset Services
Beaufort House
51 New North Road
Exeter
EX4 4EP

Depositary

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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.

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