FULL YEAR RESULTS

Released : 07/03/2017

RNS Number : 6869Y
Tritax Big Box REIT plc
07 March 2017

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Tritax Big Box REIT plc

(the "**Group**" or the "**Company**")

FULL YEAR RESULTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

Tritax Big Box REIT plc (ticker: BBOX), the only real estate investment trust giving pure exposure to Big Box logistics assets in the UK, is today reporting its full year results for the Group for the period from 1 January 2016 to 31 December 2016.

	31 December 2016	31 December 2015	Increase
Dividend declared per share	6.20p	6.00p	3.3%
Adjusted earnings per share	6.51p	6.12p	6.4%
EPRA NAV per share	129.00p	124.68p	3.5% or 4.7%[1] LFL
Operating profit before changes in fair value of investment properties	£62.87m	£35.94m	75.0%
Contracted annual rent roll	£99.66m	£68.37m	45.8%
Portfolio valuation	£1.89bn	£1.31bn	44.4%
Weighted average unexpired lease term	15.3yrs	16.5yrs	(1.2yrs)

Financial highlights

- Dividends declared in relation to 2016 totalled 6.20 pence per share, in line with our target. Dividends fully covered by Adjusted earnings per share of 6.51 pence.
- Total Shareholder return for the period was 15.1% (based on the increase in share price assuming dividends reinvested), as compared to the FTSE 250 Index, the FTSE All-Share REIT Index and the EPRA NAREIT UK index which delivered total returns of 6.7%, (7.0%) and (8.5%) respectively.
- EPRA net asset value per share increased by 3.46% or 4.71%[1] on a like-for-like basis to 129.00 pence at 31 December (31 December 2015: 124.68 pence).
- Total return (being the increase in EPRA NAV plus dividends paid) for the year was 9.6%, compared to our medium-term target of 9% per annum.
- Market capitalisation of £1.54 billion as at 31 December 2016.
- Portfolio independently valued at £1.89 billion[2] as at 31 December 2016 which includes all forward funded commitments.
- The portfolio's contracted annual rent roll has increased to £99.66 million (31 December 2015: £68.37million), which includes all forward funded commitments.
- Further diversified our sources of borrowing, with a new £72 million, long-term, fixed-rate facility with Canada Life. The Loan to Value (LTV) as at 31 December 2016 was 30.0%.
- A reducing EPRA cost and total expense ratio of 15.8% and 1.06% respectively, reflecting the benefits of increased scale.
- Raised £550 million of equity during 2016, through two substantially oversubscribed share issues.

Operational highlights

- Acquired 10 Big Boxes during the year with an aggregate purchase price of £524.4 million, further diversifying the portfolio by geography and tenant.
- As at the year-end our portfolio comprised 35 assets, covering more than 18.2 million sq ft of logistics space.
- Four forward funded pre-let developments reached practical completion in the year, with a total valuation of £272.8 million at 31 December 2016.
- Average net initial yield of the portfolio at acquisition is 5.70%, against our year-end valuation of 4.93%.
- Our portfolio was fully let, or pre-let and income producing during the year.
- At the year-end, the weighted average unexpired lease term ("WAULT") was 15.3 years, against our target of at least 12 years.

Post Balance Sheet Activity

- Progressive dividend target of 6.40 pence per share announced for 2017.
- Invested in the forward funded development pre-let to Hachette UK.
- Agreed a new 10 year fixed term loan facility with a fixed rate payable of 2.54%pa.

1 Having stripped out the effect of the different timings of dividend payments between December 2015 and December 2016.
2 Excludes Howdens units II and III at Warth Park, Raunds.
* Each year makes reference to 31 December.

Richard Jewson, Chairman of Tritax Big Box REIT plc, commented:

"The outlook for the Group remains positive. We are in a strong financial position and see further opportunities to acquire high-quality standing assets and to forward fund pre-let developments.

We consider there to be limited potential for capital growth through further yield compression and whilst more challenging, we have maintained a 9% per annum total return target. Capital growth is therefore likely to come from steady state capitalisation rates being applied to growing income. We believe that income will remain the most important component of total return over the next 12 months. There are strong drivers to rental growth in the market, both due to the ongoing imbalance between occupational supply and demand and the increase in build costs in 2016, which we expect will feed through to rents. This rental growth will help to support the Group's progressive dividend policy. For 2017, we have increased our dividend target to 6.40 pence per share.

In summary, our market is resilient and we expect 2017 to be another positive and stable year for the Group."

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NOTES:
Tritax Big Box REIT plc is the only listed vehicle to give pure exposure to the "Big Box" logistics asset class in the UK and is committed to delivering attractive and sustainable returns for shareholders. Investing in and managing both standing and pre-let forward funded development assets, the Company focuses on well-located, modern "Big Box" logistics assets, typically greater than 500,000 sq. ft., let to institutional-grade tenants on long-term leases (typically at least 12 years in length) with upward-only rent reviews and geographic and tenant diversification throughout the UK. The Company seeks to exploit the significant opportunity in this sub-sector of the UK logistics market owing to strong tenant demand and limited stock supply.

The Company is a real estate investment trust to which Part 12 of the UK Corporation Tax Act 2010 applies ("REIT"), is listed on the premium segment of the Official List of the UK Financial Conduct Authority and is a constituent of the FTSE 250, FTSE EPRA/NAREIT and MSCI indices.

Further information on Tritax Big Box REIT is available at www.tritaxbigbox.co.uk

Meeting for investors and analysts and audio recording of results available
A meeting for investors and analysts will be held at 9.30am today at:
Newgate Communications
Sky Light City Tower
50 Basinghall Street
London, EC2V 5DE

In addition, later in the day an audio recording of this meeting and the presentation will also be available to download from the Company's website: www.tritaxbigbox.co.uk

The Annual Report and Accounts will today be available on the Company's website at www.tritaxbigbox.co.uk. In accordance with Listing Rule 9.6.1, copies of these documents will also be submitted today to the UK Listing Authority via the National Storage Mechanism and will be available for viewing shortly at www.morningstar.co.uk/uk/NSM.

Hard copies of the Annual Report and Accounts will be sent to shareholders, along with the notice for Annual General Meeting 2016, on or around 4 April 2017.

CHAIRMAN'S STATEMENT

The Group had another very strong year in 2016, as we continued to implement our investment strategy and benefited from the compelling fundamentals of our market. We met our dividend target of 6.2 pence per share and delivered a total return of 9.6%, above our medium-term target of 9% per annum.

The 10 assets we acquired and two assets that were conditionally exchanged during 2016 further diversified the portfolio by geography and tenant. We benefited once again from the Manager's outstanding network, market intelligence and capital discipline, to source the majority of these assets off market and at attractive yields. This was particularly important in the period after the EU Referendum, when we acquired five attractively priced investments from open-ended property funds seeking liquidity to meet redemption demand. At the year-end, the portfolio was independently valued at £1.89 billion, reflecting a like-for-like valuation uplift of 3.5%.

During the year, we successfully completed four of our forward funded pre-let developments, with one further asset completing after the year-end. During the year we acquired two and conditionally exchanged on a further two forward funded pre-let developments. These developments can be one of the few ways for occupiers to secure a suitable building. We see further opportunities in this area and were pleased that Shareholders supported an amendment to our Investment Policy at the Annual General Meeting in May 2016. This allows us to acquire land with the potential to forward fund a development, with construction only proceeding once a tenant has been secured via a pre-let.

Share issuance and share price performance
In uncertain times, investors are often drawn to companies that can deliver low-risk and growing income. Since our IPO, we have deliberately constructed a portfolio that offers secure income from high-quality tenants on long leases that generate an element of predictable growth through upward only-rent reviews. Shareholders continued to demonstrate their support for our approach and confidence in our prospects, subscribing for a further £550 million of equity in 2016, through two heavily oversubscribed share issues. This helped to broaden further our Shareholder base, including new investors from Europe and the United States.

In addition to the demand for income, the Group also benefited from investors switching their attention to specialist property investment companies, whose management focus and depth of knowledge helps them to outperform and whose assets are essential to their tenants' businesses and cannot be easily replicated. Over the course of the year we had a strong price performance, and delivered a total shareholder return of 15.1%, as compared to the FTSE 250 Index, the FTSE All-Share REIT Index and the EPRA NAREIT UK index which delivered total returns of 6.7%, (7.0%) and (8.5%) respectively.
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Financial results
The Group's financial performance was strong, with a 75.0% increase in operating profit before changes in fair value of investment properties and a 25.2% rise in EPRA earnings per share (EPS), when calculated under IFRS. The EPRA net asset value per share grew by 3.5% to 129.00 pence, or 4.7% when viewed on a like-for-like basis taking into account the timings of distributions made, against those made in the period to 31 December 2015.

We have a low and transparent cost base and continue to benefit from economies of scale as we grow. Our total expense ratio for 2016 fell by 3 basis points to 1.06% whilst our EPRA cost ratio also fell to 15.8%, both of which compare favourably with our peers, and we expect to deliver further savings as a result of adding two new lower rate investment management fee bands.

Dividends
During the year, we paid the following interim dividends per share:

- 3.10 pence in August, in respect of the six months to 30 June 2016; and
- 1.55 pence in October, in respect of the three months to 30 September 2016.

On 7 March 2017, the Board declared a third interim dividend of 1.55 pence per share, in respect of the period from 1 October to 31 December 2016. This dividend will be paid on or around 3 April 2017 to Shareholders on the register at 17 March 2017. We also look forward to making quarterly dividend payments to Shareholders with effect from 1 January 2017.

The total dividend for the year of 6.20 pence per share was fully covered by Adjusted EPS of 6.51 pence. Adjusted EPS includes licence fees received from developers on our forward funded developments and adjusts for other earnings not supported by cash flows, which are excluded from the EPRA EPS measure. We consider that Adjusted EPS is the most relevant metric when considering our dividend policy.

Loan financing
The availability of debt for high-quality investments remains healthy. We have maintained the Group's low cost of borrowing, despite banking margins having risen across the market since the spring of 2016. Borrowing costs remain well below property yields, making the continued case for modest debt attractive.

We further diversified our borrowing in the year, agreeing a £72 million facility with Canada Life. The facility is our first with a fixed interest rate and runs for 13 years, extending and staggering our debt maturity. We also agreed a further £50 million from Wells Fargo, extending our existing syndicated debt facility to £550 million, repayable in October 2020, on a floating interest rate but with a significant portion subject to hedging.

Board and governance
Strong governance is vital for success in any business. We were therefore delighted to strengthen the Board in September, with the appointment of Susanne Given as a Non-Executive Director. Susanne brings more than 20 years' experience in the retail industry, which will prove invaluable to the Board going forward. The other notable development in 2016 was the appointment of Jim Prower, an existing Non-Executive Director, as the Company's Senior Independent Director.

Investment Management Agreement
The Board believes the Manager has delivered outstanding performance since the IPO. Just prior to the year-end, we gained Shareholder support to extend the Manager's contract resulting in an earliest termination date of 31 December 2021 and the adoption of a reduced management fee scale.

Outlook
The outlook for the Group remains positive. We are in a strong financial position and see further opportunities to acquire high-quality standing assets and to forward fund pre-let developments.

We consider there to be limited potential for capital growth through further yield compression and, whilst more challenging, we have maintained a 9% per annum total return target. Capital growth is therefore likely to come from steady state capitalisation rates being applied to growing income. We believe that income will remain the most important component of total return over the next 12 months. There are strong drivers to rental growth in the market, both due to the ongoing imbalance between occupational supply and demand and the increase in build costs in 2016, which we expect will feed through to rents. This rental growth will help to support the Group's progressive dividend policy. For 2017, we have increased our dividend target to 6.40 pence per share.

In summary, our market is resilient and we expect 2017 to be another positive and stable year for the Group.

Richard Jewson Chairman
7 March 2017

STRATEGIC REPORT:

FUND MANAGER'S Q&A

UK retailers face volume and margin pressures, and there is a structural change in the way consumers shop. Does this concern you, given your tenant list?

We typically target investments with tenants that have strong balance sheets and a track record of performance, to underpin their rental obligations. From an initial core of supermarket tenants (recognising that 40p in every £1 spent in the UK is on food[1]) we have diversified the portfolio to include general retail, third party logistics, wholesalers, automotive and consumer goods manufacturers. We have also further diversified our range of tenants. Our largest single tenant exposure is Tesco at 8.72% of rental income. We expect this to reduce as the Company grows.

We purchase assets with a long-term view, targeting high-quality modern buildings, in strong locations, that are intrinsic to the tenants' businesses

and have the best prospects for rental growth. These properties are defensive because if they became vacant, they would attract good occupier demand.

"Retail had a better year in 2016, recording non-food store sales volume growth of 3.6% The big story, however, is the continued shift to internet retailing which grew 20.7% in 2016 but still only represents 14.6% of total retail sales". [2]

1 Office of National Statistics, Retail sales in Great Britain: Jan 2017 (2015 latest data available)
2 Office of National Statistics, Retail sales in Great Britain: December 2016

How has the EU Referendum result affected your tenants?
It will be some time before we understand how long the process of leaving the EU will take and what trade deals the UK can negotiate. Import costs have already increased due to Sterling's devaluation and may rise further once we leave the EU, depending on any trade taxes and tariffs. This could increase UK inflation. The majority of our tenants are retailers with domestically focused sales. Those that import from the EU are likely to experience cost increases, which could squeeze their profits (at least in the short-term) and/or be passed on to UK consumers. In response, retailers are looking to make savings. Big Boxes can make a significant contribution, both directly and through supply chain efficiency.

Why are you less positive about prospects for capital growth and total returns?
Most commercial property sectors saw significant capital growth after the recession, as investment demand grew. Some sector yields have softened recently, although prime logistics yields remain resilient. We expect this to persist, with the imbalance between occupational supply and demand producing strong rental growth. These attributes have also led to more domestic and overseas money targeting the sub-sector, which helps liquidity. However, we do not believe yields can harden much further and this reduces prospects for capital growth. Capital growth is likely to come from rental growth (applied to a steady state capitalisation rate) and value enhancing asset management. We therefore expect total returns to be lower in 2017 but the Company is first and foremost income focused and we have maintained our 9% pa total return target.

Are you concerned about the recent increase in Gilt yields and potential for rising interest rates?
We are aware of the attractiveness of our investments versus other asset classes, on a risk-adjusted basis, and we continue to monitor rate movements. Ten-year Gilt yields have been close to historic lows and we are not unduly concerned by the small recent increase. As for interest rates, it is difficult to know because the forward yield curve remains reasonably shallow. Nonetheless, there has been considerable recent commentary on the potential for rising interest rates in response to inflationary pressures partially resulting from the Referendum vote. Increased interest rates would affect all asset classes and all sectors of the property market but Big Box logistics is, to some extent, insulated by strong demand from both occupiers and investors and barriers to entry controlling supply, so we would expect to be affected to a lesser degree than other parts of the market.

The timing and type of our upward only rent reviews provide a possible hedge against inflation. In addition to capturing current strong market rental growth through open market rent reviews, we also enjoy fixed rental increases and inflation indexed uplifts, most of which are to RPI.

Nonetheless, we are prudent and have hedged c.99.7% of drawn debt, mostly through interest rate caps. These protect against rate increases above the cap level (current average capped rate of borrowing of 2.82% pa as at the year-end), yet allow us to benefit from downward movements. Recently we have also taken out two longer-term fixed-rate loans, to benefit from attractive rates, extend our average term to expiry, stagger our expiry dates and expand our pool of lenders. Our gearing has been modest during 2016, ending the year at 30% loan to value.

Can you continue to grow? Can you still source attractive property investments?
Yes, and we should while there are compelling reasons to do so. We know that retail sales have stabilised and are growing and that the proportion of online sales is rising rapidly. For every 1% growth in sales there is a commensurate increase in the volume of Big Boxes needed, particularly for e-commerce fulfilment, and we believe that we are well placed to benefit from this trend.

An enlarged portfolio enables increased diversification at several levels, including greater market knowledge and influence. It also offers the potential for lower costs and more competitively priced debt.

We currently own about 10% of the UK's quality Big Boxes and new stock is being developed each year. We expect to be able to acquire more forward funded pre-let developments and can purchase land for pre-let development. There are also strong occupiers we would like to add as tenants. In addition, we have excellent contacts from whom we source investments. To date we have bought well, largely off-market, and we do not expect that to change in the near term. Subject to being able to source quality investments at attractive prices, there are good reasons to grow the portfolio.

You have not sold any assets. Are there any plans to do so?
We are unlikely to regularly trade stock, having assembled a high-quality portfolio for a longer-term strategy. We keep our assets under continual review and this includes considering selective assets for sale. We would sell an asset if we can reinvest the money into a more attractive investment. To date, that has not been the case. Some of our investments provide a very attractive running yield, while others are long-term hold due to the quality of the real estate and potential for rental growth. Certain assets are targets for asset management initiatives and we might convert them from value add to foundation assets, say following a lease re-gear or re-letting.

The cost of buying and selling an investment can be as much as 8.5%. During the last few years these costs have been eclipsed by strong yield-shift induced capital growth but with stabilised yields these costs can significantly affect returns. We believe that companies such as ours, with high-quality, longer-term income, will fare better than those which need to trade assets more regularly.

OUR MARKET

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

Big Boxes are mission critical to their tenants
Big Boxes are highly efficient distribution centres and logistics hubs, which act as both the break down point for goods imported in bulk and which hold the finished goods for distribution to other parts of the supply chain or directly to consumers. This large scale format did not exist in the UK before the early 1990s and most high-quality Big Boxes are modern facilities constructed within the past 15 years. This new generation of logistics assets are often technologically sophisticated and make a significant contribution to the local and national economy. This makes Big Boxes an emerging market and we have been at the forefront of its recent development.

Big Boxes' unique characteristics

- **Strategically located**

  Big Boxes are usually situated close to major roads, motorways and potentially to airports, sea ports or rail freight hubs, allowing efficient stocking and onward distribution.

- **Technologically sophisticated**

Big Boxes often benefit from value enhancing capital investments by tenants in the form of state of the art automated handling.

- **Very big**

  Big Boxes have floor areas generally between 300,000 and 1,000,000 sq ft, with eaves heights of between 10m and 25m allowing for the installation of racking and mezzanine floors.

- **Modern**

  Big Boxes are modern facilities typically constructed within the last 15 years incorporating modern designs and the latest specifications.

- **Highly sought after**

  Big Boxes are in demand from institutional-grade tenants who are willing to sign up to long leases, with regular upward only rent reviews, and from investors wanting to own the assets.

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. These organisations are responding to structural changes in their markets, such as the relentless rise of e-commerce, weaker economic growth and increased competition, which means that improving operational efficiency can be a key factor in determining profits.

Big Boxes offer previously unavailable flexibility, economies of scale and low cost of use. They are often the nucleus for distribution at a national level and increasingly at a regional level and can be the most important component of an occupier's supply chain. Many companies use Big Boxes to centralise previously dispersed distribution into fewer, larger facilities, helping to optimise staff and stock management and expand product ranges. This allows retailers to match store or online offerings in a single warehouse, which is not possible with smaller buildings. 3PLs are also focusing on Big Box assets to centralise multiple contracts, providing flexibility and allowing them to tender more competitively.

Low-bay buildings are typically used for food distribution. For non-food distribution, a tall building can allow for high racking and mezzanine floors, which can double or even triple the floor space. This additional volume can increase efficiency and flexibility, making Big Boxes even more attractive to tenants, not least because rents are generally paid on the ground floor area only, as opposed to the building's volume.

To drive efficiency, 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. Technological advances are resulting in Big Boxes becoming smarter. So called 'four-dimensional' automation can pack complex online deliveries in the most efficient order possible. When customised to work with state of the art robotics, such technology drives efficiency savings of up to 20%. The tenant will typically own the fit-out and their capital investment can be substantial, sometimes eclipsing the value of our investment. Such commitment to a location often goes hand-in-hand with either an initial long-term lease or lease extension. This can be value enhancing, making the tenant's inward investment highly attractive to landlords.

All these characteristics mean that Big Boxes are both strategically and operationally integral to their occupiers. Retailers, 3PLs and manufacturers who want to remain commercially viable regard Big Boxes as a strategic necessity.

The Big Box format is particularly attractive in the UK

- The UK has mature transport infrastructure, with excellent road, rail and air links, as well as numerous ports capable of handling the large container ships that are increasingly used to import goods;
- The UK's relatively small size and dense population allows Big Box users to construct networks of regional distribution centres that can cover the entire country efficiently and reliably. This reduces the risk of late or missed deliveries and cuts costs; and
- The UK has the world's highest internet shopping spend per head and is a major adopter of mobile technology, an increasingly important channel for online sales.

Our Big Boxes will remain vital as supply chains evolve
Supply chains continue to evolve in response to commercial demands which in turn impact on commercial property.

Fragmented distribution
A major catalyst for change to UK supply chains was the transition towards the majority of production being outsourced to overseas, low cost economies, producing an increasing volume of cheap imports. Prior to this, domestically made products were held in store rooms on retail premises or in numerous small, simple and geographically dispersed industrial properties, each holding specific product line items representing only a small percentage of the retailer's total range, thus requiring multiple journeys. Such logistics frameworks are outdated and inefficient.

Centralised distribution
Pre-Millennium, some companies recognised the benefits of larger scale logistics hubs, known as National Distribution Centres (NDCs), from which a single building could be tasked with distribution across the UK. These buildings were typically below 400,000 sq ft in size. Increased road traffic congestion has made this model challenging and since the turn of the Millennium the distribution model has evolved. Consequently, some NDCs have effectively morphed into Regional Distribution Centres (RDCs).

Big Box evolution
A natural compromise between these two former models saw the emergence of RDCs which, due to their proximity to stores, effectively shortened the NDC supply chain and at the same time delivered cost savings and efficiencies not possible from the fragmented smaller unit model. Modern RDCs are often larger than the former NDCs; consequently, high street stores can hold less stock and dedicate more space to "showroom" sales. RDCs act as the "break down point" where bulk container loads of palleted goods (usually from ports) are reduced into manageable quantities, suitable for onward transportation to either smaller distribution centres, stores or direct to consumer households. The scale of RDCs allows them to handle slow, medium term and fast moving goods.

Modern supply chains need Big Boxes
Changing consumer habits have placed pressure on retailers, resulting in the need for swifter and more reliable replenishment of stock in stores. In tandem there has been an exponential growth in online retail sales with consumers demanding ever-faster deliveries. Retailers are increasingly combining both store and e-retail distribution, holding their full range of products within an RDC. This and the rising volume of product "returns" has contributed to the growth in larger buildings of up to c.1 million sq ft. This scale can provide occupiers with significant operational efficiencies and cost benefits particularly when combined with "real time" ordering systems and extensive automation often necessary to deal with the complications of omni-channel supply chains. RDCs can efficiently cover most of the market, although for major cities they can also deliver stock to "Last Mile" or Urban Logistics Centres (ULCs), typically 50,000- 100,000 sq ft. ULCs usually hold only a very small percentage of a retailer's product line and these tend to be smaller sized products and those most consistently ordered.

Big Boxes distinguishing features:

- They are port-centric and easy to reach
- They provide a break down point for bulk shipments
- They are very flexible

- They have high barriers to entry and are hard to replicate
- They are often technically sophisticated
- They support dynamic omni-channel frameworks and customer returns

The relentless rise of e-commerce and omni-channel retailing
E-commerce sales in the UK have grown rapidly in recent years, with the result that many Big Boxes have become quasi-retail outlets. As a relatively small and densely populated nation, the UK is ideal for e-commerce and the rate of online shopping is far higher than in other European countries. This is supported by ubiquitous access to smartphones and Wi-Fi, widespread availability of 4G and the introduction of new services allowing consumers to have packages delivered to convenient stores or lockers, rather than just their homes.

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. Omni-channel retailers can therefore have physical, online and mobile stores, apps and telephone sales, all requiring fulfilment capabilities. New technology is also creating new channels and changing how consumers interact with retailers. Amazon's Dash service, for example, allows consumers to order specific products by pressing a button. Smart appliances such as washing machines will, for example, be able to reorder detergents automatically.

The rapid growth in e-commerce sales is therefore expected to continue in the coming years, with forecasters predicting that e-commerce will account for 22.6% of total retail sales in the UK by 2020, up from 13.0% in 2014. While the impact of Brexit on the UK economy remains uncertain, industry analysts expect that e-commerce will continue to grow, even if the retail sector as a whole remains flat. E-commerce therefore has resilient characteristics.

To remain competitive in this environment, retailers need to have large, highly efficient distribution facilities that can fulfil orders quickly and accurately. This need is only becoming more acute as customers demand ever-shorter delivery times. 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.

Information collection has become increasingly important for retailers. Bar code scanning at tills in store provides sales data and can trigger automatic re-stocking and the same principles apply to on-line 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 but also provides trending data that allows them to more accurately forecast changes in fashion which means they are able to pre-order product lines that are more likely to sell.

As the complexities of multi-channel retail grow, retailers are combining the control point for these functions within Big Boxes. These facilities increasingly fulfil store-replenishment alongside home deliveries, while also dealing with other channels such as click and collect. If store sales are reducing and e-commerce sales are increasing, the retailer can adjust for this within a Big Box far more easily than it can by operating those functions from smaller and separate single-focus warehouses.

Growing retail demand in peak periods
Changing consumer shopping habits are also requiring retailers to cope with surges in demand. According to IMRG, online retail sales on Black Friday 2016 were up 12.2% on the previous year, to £1.23 billion. With retailers beginning their offers earlier, the four days before Black Friday also saw substantial spikes in demand, with significant sales growth each day against 2015. Bank holidays and key shopping days before Christmas also tend to see significant increases in online orders.

The challenges these demand peaks create for online retailers are being exacerbated by the share of sales coming via e-commerce. The Black Friday week has seen e-commerce sales as a percentage of total sales increase from 33% to 48% in just two years. Those with the quickest, most efficient and reliable ways of fulfilling consumer demand are best placed to benefit. At the same time, the ability to provide a trouble-free service protects retailers' reputations from the damage caused by failed deliveries or long delays. Big Boxes have a crucial role to play in supporting retailers through these peak periods.

Other significant retail trends favour Big Boxes
The retail market is also developing in other ways that favour Big Boxes. Retailers want to make the most of their expensive high street store space, so they are carrying less stock in-store and are focusing more on the consumer experience with the inclusion of enhancements such as in-store café's. They also use computerised sales tracking to automatically re-order stock and to respond rapidly to changing customer demand in quality and product type. At the same time, consumers are increasingly favouring smaller convenience stores for food shopping. These stores generally have very limited storage capacity. As online sales have increased, so has the amount of product being returned. Stores, with limited storage space, are ill-equipped to cope with the necessary checking and re-stocking of returned items. Invariably this function is fulfilled by Big Boxes, some of which have dedicated returns sections. Along with the rise of click-and-collect, these factors mean retailers need much greater control of stock and the timing and efficiency of deliveries to stores. Speed and reliability are crucial, which is where Big Boxes come into their own.

Compelling market fundamentals

Strong occupational demand and constrained supply
The strong occupier demand outlined has led to high levels of take-up and there is a shortage of Big Boxes to let. Take up has, nonetheless, been constrained by low supply levels. Some key areas of the country currently have no new-build supply and there is no modern Big Box currently available to let in the UK of greater than 500,000 sq ft. This creates opportunities for rising rents and increasing capital values for owners.

Supply is likely to remain constrained in the medium term as there is a significant lag in the supply of new Big Boxes.

Suitable land which can accommodate Big Boxes is scarce in key locations, which may not be zoned for employment use, let alone B8 planning for distribution which can take years to secure. The scale of Big Boxes and the extent of traffic movements they generate can present planning challenges. In addition, Big Boxes require a pool of suitable workers in the local area and have substantial power and infrastructure requirements, adding further complexity to site identification and delivery.

Once detailed planning consent has been obtained, however, the construction of a new Big Box can be relatively quick (typically 6-12 months) from the point where the site is serviced with suitable infrastructure. Tenant fit-out can then take a further three to 18 months, depending on the extent and complexity.

Despite the attractions of Big Boxes as an asset class, the amount of capital a developer would have to invest deters speculative development. While there is some speculative development of smaller buildings, we are not aware of any properties of over 500,000 sq ft that are currently being speculatively built (ie without a tenant pre-letting). The level of occupier demand means developers can de-risk their development upfront by agreeing a pre-let with a tenant, rather than going down the speculative route.

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.

Rising rents

The combination of strong occupier demand and a shortage of supply has resulted in robust rental growth in recent years, which we believe will continue for some time to come. In addition, build costs for Big Boxes have increased in 2016, as a result of increased imported material costs, exacerbated by the fall in Sterling in the second half of the year. While the demand-supply imbalance has been the main driver of rental growth to date, it is clear that cost inflation has begun to feed through to rising rents and we expect this to continue in 2017.

Pre-let deals for Big Boxes can be agreed initially at a premium to the prevailing market rent. Tenants are keen to secure the opportunity and developers seek to capture the benefit of anticipated rental growth between securing the pre-letting and delivering the completed building, which can be a year or so after agreeing terms.

Driving investment values
The increased importance of Big Boxes to tenants and evidence of rental growth have heightened investment demand, compressing yields.

Historically, prime retail yields of around 4% were the norm. This low yield reflected limited property fabric obsolescence and reliable rental growth from strong occupational demand. Industrial property attracted yields of 6.5% or more, due to higher perceived obsolescence and abundant land supply, which suppressed rental growth. More recently, for larger logistics buildings, land supply has become constrained.

As high street retail has come under pressure and demand for prime logistics has grown, prime yields in the two sectors have converged. We believe that this reflects a structural long-term yield repositioning.

Although yields have hardened for logistics, investors are still able to source attractive opportunities. In a low interest rate environment, property yields remain well above the cost of debt, maintaining a positive yield gap and a considerable premium to 10 Year Gilts.

2016 In Brief

5 February	Reached practical completion of the forward funded development at Stoke-on-Trent, pre-let to Dunelm.
12 February	Raised gross proceeds of £200 million through the issuance of 161,290,323 shares at a price of 124 pence per share .
15 March	Appointed Jim Prower as Senior Independent Director.
24 March	Acquired the Brake Bros Ltd distribution centre at Portbury, Bristol, for £25.2 million.
29 March	Acquired the Argos National Distribution Centre at Burton-upon-Trent, Staffordshire, for £74.6 million.
22 April	Reached practical completion of the forward funded development at Erith, pre-let to Ocado.
11 May	Resolution passed at the Annual General Meeting to allow the Company to invest in land, limited to 10% of the net asset value at the time of investment.
24 May	Acquired the Dixons Carphone National Distribution Centre at Newark, Nottinghamshire, for £77.3 million.
31 May	Achieved practical completion of the forward funded development at Wigan, pre-let to Nice-Pak.
27 June	Achieved practical completion of the forward funded development at Raunds pre-let to Howdens.
1 August	Extended the maturity of £50.9 million loan facility with Landesbank Hessen- Thüringen Girozentrale ("Helaba") from July 2020 to July 2023.
2 August	Acquired the forward funded development of a new logistics facility at Four Ashes, Wolverhampton, pre-let to Gestamp, for an investment price of £56.3 million.
3 August	Agreed £72 million interest only, fixed-rate term loan facility with Canada Life, repayable in April 2029.
9 August	Acquired the Kellogg's distribution facility at Trafford Park, Manchester, for £23.5 million.
10 August	Acquired the Amazon distribution centre at Kingston Park, Peterborough, for £42.9 million.
11 August	Declared an interim dividend of 3.1 pence per share, in respect of the six months to 30 June 2016.
13 September	Appointed Susanne Given as a Non-Executive Director.
28 September	Declared an interim dividend of 1.55 pence per share, in respect of the period from 1 July to 30 September 2016.
11 October	Acquired the Euro Car Parts national distribution facility at Birch Coppice Business Park, Birmingham, for £80.1 million.
11 October	Acquired the Whirlpool logistics facility at Raunds, Northamptonshire, for £35.4 million.
12 October	Acquired the Co-operative Group distribution facility at Oliver Road, Thurrock, for £56.6 million.
14 October	Raised gross proceeds of £350 million through the issuance of 265,151,515 shares at a price of 132 pence per share after which Big Box became the tenth largest UK REIT by market capitalisation.
8 December	Acquired the forward funded development of a new logistics facility at Prologis Park Fradley, Staffordshire, pre-let to Screwfix, for an investment price of £52.7 million.
19 December	Agreed a further £50 million of bank debt from Wells Fargo, increasing the existing syndicate secured debt facility from £500 million to £550 million, repayable October 2020.
20 December	Amendment of the Investment Management Agreement, lowering management fee percentages for NAV over £1.25 billion, tightening conflict provisions and extending the contract term to an earliest termination of 31 December 2021.
23 December	Exchanged contracts (conditional on planning) to forward fund the development of two distribution warehouses at Warth Park, Raunds, both pre-let to Howdens, for a combined price of £101.8 million.

OUR BUSINESS MODEL

What we do
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 asset portfolio while prudently applying leverage to increase returns.

The value we add

The starting point for value creation is our ability to source investments. This relies on the Manager's extensive network of investment agency, developer and tenant contacts, built up over many years. The Manager also spends considerable time researching and developing relationships with asset owners, while learning of any triggers that might lead them to sell. These relationships allow us to source most investments off-market, enabling us to buy at attractive prices. Creating value can also be as much about the investments we do not buy. Exercising capital pricing discipline and patience are vital; we discount numerous opportunities that do not offer value for money or meet our stringent criteria for investment.

The Manager's expertise and market knowledge enable us to assess an investment opportunity rapidly and give vendors a decision promptly. We can also complete transactions quickly, but always following thorough due diligence. This speed and certainty of execution is highly attractive to vendors; the highest offer is not always deliverable, so price is not the only consideration. We have never dropped a contract having agreed terms to purchase an investment and believe that our reputation is unrivalled in our market.

We have a clear Investment Policy but we are also pragmatic. We may buy smaller assets in geographic locations where larger ones are not available or assets with shorter leases, where we see an opportunity to add value for Shareholders, for example due to a near-term lease expiry where we believe we can re-gear the lease or re-let. Smaller properties will be in the minority within our portfolio but they do help spread lot size risk and provide building size diversity.

The assets we buy are usually strategically important to our tenants. We work with them to maximise their operational effectiveness, for example by extending buildings or adding mezzanine floors. This encourages tenants to sign longer leases, increasing the security of our revenues and increasing capital values. Where we buy properties with the potential to add value, we look to turn them into foundation assets for our portfolio through asset management. Our intention is to hold most assets for the long term but we would consider selling 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.

The Manager's relationships with developers are increasingly enabling us to invest in forward funded pre-let developments, through which we fund the construction of a Big Box which has been pre-let to a specific tenant. This approach has resulted in lower transaction costs and delivered strong returns for our Company.

Following the change in Investment Policy at the AGM in May 2016, we can also now invest in land, allowing us to acquire suitable sites for forward funded pre-let developments. We do not invest in any speculative developments (ie those which are not pre-let) and any investment in land is restricted to 10% of our net asset value at the point of investment.

Sustaining our advantage

As a specialist Big Box investor, we have a reputation as one of the sub-sector's most knowledgeable, forward-thinking and pragmatic owners and managers. This makes us the obvious choice for asset owners looking to sell Big Boxes. The consistency of the Manager's team helps us to maintain our relationships, in a market where personnel changes are common, enabling us to work on longer-term deals with continuity.

As our portfolio grows, we benefit from economies of scale, increased diversification by geography, tenant and building type, and a larger list of contacts, helping us to source further attractive investments off-market. A larger portfolio also gives us greater insight into market developments and more control over the evidence for rent reviews and lease renewals, as well as the potential to work up multi-asset initiatives with the same tenant.

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 our target of paying a progressive dividend. Our asset selection and management approach also adds value to our investments, allowing our Shareholders to benefit from attractive total returns.

We buy assets directly, but where possible we acquire the special purpose vehicle that owns the asset, thus reducing our acquisition costs. Standard direct purchase costs total approximately 6.75%, 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 sales proceeds - are therefore c. 8.5%. Although our actual transaction costs are typically lower than outlined above, these frictional costs are significant and influence investment returns. This is particularly relevant in times of lower capital growth. Our portfolio is weighted towards high-quality, long-term leased "foundation assets" because by their very nature they do not need to be regularly traded. This reduces our frictional costs, which we believe will be important in supporting our returns during 2017 and beyond.

In addition, our status as a REIT helps to ensure that the value we create is not eroded for Shareholders. We are not subject to corporation tax on profits and gains in respect of our qualifying property rental business, provided we maintain our REIT status. We also pay dividends that qualify as a property income distribution where possible, which offers tax advantages for certain UK Shareholders.

OUR STRATEGY AND OBJECTIVES

Our Investment Policy

We follow a rigorous Investment Policy, targeting assets which offer value to our Shareholders and which usually have a geared yield range of approximately 5-7%. These assets typically:

- 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, with sound businesses and 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 of at least 12 years, to provide long-term and secure income flows; and
- 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 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.

At the Annual General Meeting on 11 May 2016, Shareholders approved an amendment to the Investment Policy so we can invest in land, either on our own or in joint venture with a developer or a prospective tenant. This will allow us to assemble suitable sites for forward funded pre-let developments. We will not develop speculatively and will only proceed with constructing a new Big Box after it has been pre-let to an appropriate tenant. Aggregate land purchases are subject to a limit of 10% of our net asset value, calculated at the point of investment.

Our acquisition focus
The assets we acquire typically fall under one or more of our three investment pillars:

FOUNDATION
The quality and sustainability of our rental income underpins our business. Foundation assets provide our core, low risk income. They are usually let on long leases to tenants 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 tenants with strong 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 tenant requirements. These assets are usually highly re-lettable.

GROWTH COVENANT
These are fundamentally sound assets in good locations, but let to tenants we perceive to be undervalued and which have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects. These assets offer value enhancement through yield compression.

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

Dividends†
For 2017, we are targeting a total dividend of 6.40 pence per share, with the aim of continued progressive dividend growth thereafter.

Total return†
Our medium-term target is to deliver a total return of 9%+ pa. This reflects the dividends paid plus growth in net asset value. We maintain a 9%+ pa total return target for 2017 although we expect this to be more challenging given the slowdown in yield compression.

† 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	IMPELMENTATION AND BENEFITS
Management and team Recruit and retain a knowledgeable and talented management 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 business and the cost efficiencies of utilising some of them part-time.
Tenants Develop and maintain a deep understanding of the businesses that use our space, to create long-term partnerships.	Building relationships with tenants 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 tenant 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.
Operational excellence Rigorously control costs and operational efficiencies, without compromising growth or reputation.	We have a simple and transparent cost base, which largely comprises the 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 total expense ratios in our peer group. 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.
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. We invest the proceeds of any equity issuance before drawing down debt, to limit our interest expense and maximise returns on equity. We are targeting an LTV over the medium-term of 40%, which we believe is conservative given the quality of our investments. Details of our equity issuances and debt facilities can be found in the Manager's Report.
Corporate responsibility Strive to assume 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. More information can be found in the Responsible Business statement.

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low-risk returns to Shareholders, by executing the Investment Policy described in Our Strategy and Objectives. 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.	**9.6%** for the year to 31 December 2016 (2015: 19.4%).	Ahead of our medium-term TR target.

2. Dividend Dividends paid to Shareholders and declared in relation to the year. Our target for 2016 was a total dividend of 6.2 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.	**6.2 pence per share** for the year to 31 December 2016 (2015: 6.0 pence per share). We achieved our target dividend in 2016 and have increased our dividend target to 6.4 pence per share for 2017.	Met a progressive dividend target for the last two financial years and increased our target for 2017.
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 life cycle of our assets.	**129.00 pence** at 31 December 2016 (2015: 124.68 pence).	Increase in EPRA NAV per share over the year by 4.32 pence (3.46%) or 4.71%† on a like-for-like basis.
4. Loan to value ratio (LTV) The proportion of our property portfolio that is funded by borrowings. Our medium-term LTV target is 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.	**30.0%** at 31 December 2016 (2015: 33.2%).	Below our medium-term LTV target of 40%.
5. Adjusted earnings per share Post-tax Adjusted EPS attributable to Shareholders, which includes the licence fee receivable on our forward funded development assets plus adjusts for other earnings not supported by cash flows.	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	**6.51 pence per share** for the year to 31 December 2016 (2015: 6.12 pence).	Reflects our 6.2 pence dividend for 2016, as fully covered by Adjusted EPS.
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. Over the medium term, we are targeting a TER of 1% or below per annum.	The TER is a key measure of our operational excellence. Keeping costs low supports our ability to pay dividends.	**1.06%** for the year to 31 December 2016 (2015: 1.09%). Our TER is one of the lowest in our peer group.	Our TER is expected to reduce as our 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.	**15.3 years** at 31 December 2016 (2015: 16.5 years).	+3.3 years above our 12 year target.

* EPRA earnings, EPRA NAV and EPRA EPS are 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.
† Adjusted for the timing of dividend distribution year on year.

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 per share Earning s from operation activities (which excludes the licence fees receivable on our forward funded development assets).	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.	**£54.53m /5.90 pence per share** For the year to 31 December 2016 (2015: £29.23m/4.70 pence per share)
2. EPRA NAV per share Net asset value adjusted to include properties and other investment interest at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	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.	**£1.43bn/129.00 pence per share** As at 31 December 2016 (31 December 2015: £845.67m/124.68 pence per share)
3. EPRA 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.	**£1.42bn/128.12 pence per share** At 31 December 2016 (31December 2015: £0.84bn/124.01 pence per share). Floating rate debt, as at 31 December 2016 was been valued at par. We believe that all margins payable would still be available in the current market.
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 themselves, how the valuation of one portfolio compares with another portfolio.	**4.70%** At 31 December 2016 (31December 2015: 4.93%)
4.2 EPRA 'Topped-Up' NIY	As for the EPRA NIY above.	**4.95 %**

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).		At 31 December 2016 (31December 2015:4.95%)
5. EPRA Vacancy rate Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	**0.0%** At 31 December 2016 (31December 2015:0.0%)
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.	**15.8%** At 31 December 2016 (31December 2015:17.9%). This ratio both includes and excludes vacancy costs.

* Floating rate debt, as at 31 December 2016 has been valued at par. We believe that all margins payable would still be achievable is the current market. The fair value of the fixed rate loan has been adjusted in the EPRA NNNAV calculation.

MANAGER'S REPORT

Driving the strategy

This was another busy and successful year for the Group. We have continued to implement our investment strategy, building a portfolio which generates attractive, low risk, income-led returns, as well as raising further finance to support its growth. This leaves the Group well placed to further expand its portfolio and offer transparent, stable and growing dividends to Shareholders.

Diligently building a portfolio of high quality UK Big Boxes

Since our IPO in December 2013, we have built an outstanding portfolio of 35 Big Boxes. Our portfolio is well diversified by size, geography and tenant. The assets are typically modern, in prime locations and fully let on long leases to institutional-grade tenants.

To maximise performance our investment strategy is focused on three investment pillars. Our core, low-risk income is provided by Foundation assets which by value constituted 75.60% of the portfolio at the year-end. Value Add and Growth Covenant assets represented a combined 24.4% and through asset management provide the key potential opportunities for value enhancement.

80% of our acquisitions since IPO have been off-market. Drawing upon our industry relationships we have delivered for Shareholders a prime portfolio at an attractive average purchase yield of 5.70% compared to the year-end valuation initial yield of 4.93%. At each stage of our growth, equity has been raised for investment into a pre-identified pipeline of complementary opportunities and this has allowed us to act swiftly whilst exercising capital discipline and applying thorough due diligence during the acquisition process.

Portfolio value by investment pillar (%)[1]

Growth Covenant assets	
Wolseley	0.78%
The Range	3.39%
Nice-Pak	1.86%
Dunelm	2.37%
Matalan	2.35%
Total	**10.75%**
Value Add assets	
Tesco, Chesterfield	1.98%
Next	3.77%
Tesco, Middleton	1.33%
L'Oréal	1.72%
New Look	1.71%
Kellogg's	1.26%
Whirlpool	1.88%
Total	**13.65%**
Foundation assets	
Sainsbury's	3.13%
M&S	5.69%
Tesco, Didcot	1.74%
Morrisons	6.60%
DHL, Skelmersdale	1.85%
DHL, Langley Mill	1.14%
Rolls-Royce Motor Cars	2.25%
Kuehne & Nagel	1.75%
Argos, Heywood	2.01%
B&Q	5.48%
Ocado	6.39%
Brakes Bros, Harlow	2.15%
Tesco, Goole	3.01%
T.K. Maxx	3.37%
Howdens	3.79%
Brake Bros, Bristol	1.39%
Argos, Burton-upon-Trent	4.12%
Dixons Carphone	4.24%
Gestamp	2.99%
Amazon	2.31%
Euro Car Parts	4.41%
Co-op	3.00%
Screwfix	2.78%
Total	**75.60%**

1. Source CBRE - by valuation at 31 December 2016

Investment pillars by Weighted average unexpired lease term (WAULT)

Growth Covenant assets	16.3 years
Value Add assets	5.5 years
Foundation assets	17.2 years

A portfolio of strategically located, high-quality assets that meet tenants' needs
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 would be highly attractive to new tenants, if they became available to let.

Well located Big Boxes[1]	Situated in prime logistics locations
North East	25%
North West	12%
Midlands	37%
South East	25%
South West	1%

Modern Big Boxes	Satisfying occupier requirements: 90% of portfolio built since 2000
Since 2010	36%
2000s	54%
1990s	4%
1980s	6%

True "Big" Boxes[2]	Highly sought after: 70% of portfolio > 500,000 sq ft
>700k sq ft	35%
500k-700k sq ft	35%
300k-500k sq ft	23%
200k-300k sq ft	7%

We have built a portfolio of assets that is diversified across key logistics locations in England. The properties are modern, with the large majority having been built since 2000, ensuring they remain efficient and fit for purpose as occupiers' needs evolve. The Group's assets are true Big Boxes, with 70% 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 over-supply of development in the market.

A portfolio underpinned by financially strong and committed tenants
The Group's portfolio produces a diversified, robust and long-term income stream, secured by some of the UK's strongest omni-channel retailers.

Diversified, but retailer-led[1]	<9% of GAV for single tenant
Food retail	34%
General Commercial Retail	51%
Logistics	3%
Manufacturing	12%

High-calibre tenants[1.3]	81% of tenants are constituents of major quoted indices
FTSE 100	47%
FTSE 250	14%
DAX 30	5%
CAC 40	2%
S&P 500	13%
Private	19%

Long-term income	Sector-leading 15.3 years average WAULT
+20yrs	26%
15-20 yrs	22%
10-15 yrs	13%
5-10 yrs	33%
0-5 yrs	6%

The diversification of the portfolio is one of the Group's key strengths. The assets are let to 30 different tenants, with eight new tenants added during 2016. The tenant base is high-calibre, with 84% being members of the major stock market indices in the UK, Europe and USA.

As at 31 December 2016 the portfolio's Weighted Average Unexpired Lease Term (WAULT) stood at 15.3 years and remains ahead of the Group's target of 12 years. Moreover, only 6% of our leases are due to expire within the next five years and 48% of the rent roll does not expire for more than 15 years, giving the Group excellent security of tenure in respect of its long-term income.

1 Source: CBRE by value as at 31 December 2016

2 By floor area

3 Split based on listed parent company; DHL assets represented by parent Deutsche Post AG, Rolls-Royce Motor Cars asset represented by parent BMW, Argos asset represented by J Sainsbury plc, B&Q asset represented by parent Kingfisher, T.K. Maxx represented by parent TJX Companies, Kuehne+Nagel represented by lease guarantor Hays plc, DSG asset represented by Dixons Carphone plc, Euro Car Parts represented by parent LKQ Corporation and Screwfix represented by parent Kingfisher plc. Note that the aforementioned parent companies may not be guarantors to the respective tenant lease.

A portfolio with embedded 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. In 2016, 23% of our rental income was subject to review, while in 2017, a further 23% is subject to review. 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.

As at 31 December 2016 our rental income was £99.7 million pa compared to the Estimated Rental Value (ERV) of £104.3 million assessed by the Group's independent valuer, CBRE, representing a potential rental reversion of approximately 4.64% (the level of potential increase in rent if all properties in the portfolio were to be subject to rent reviews as at 31 December 2016 and were settled at CBRE's ERVs).

Of the year-end rent roll (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**: 41% track the rents achieved on new lettings in the market and on rent reviews for comparable properties. These five yearly rent reviews provide the opportunity to potentially capture the strong rental growth currently evident in the market.
- **Fixed uplifts**: 35% deliver certainty of rental growth, at, for example, 2% or 3% per annum compound.
- **RPI and CPI linked rent reviews**: 14% providing inflation protection. One of our leases is to CPI and the others are to RPI.
- **Hybrid rent reviews**: 10% are a combination of the above. For instance, rental increases may be linked to the higher of open market rents or RPI (potentially subject to a cap and collar). Such arrangements provide us with a significant degree of income growth certainty.

Completing value enhancing pre-let developments
We do not undertake speculative development (ie develop buildings without a tenant pre-let). We do, however, use our knowledge and expertise to forward fund pre-let developments. This allows us to capture much of the benefit of development without taking on much of the risk associated with such projects.

In particular, pre-let forward funded developments provide the opportunity to acquire new, high specification, institutional calibre facilities at an attractive entry price, as it is possible to acquire prime assets at a discount to the price of a completed and income producing logistics investment. The five developments that have completed by 31 December 2016 were independently valued at 13% above the original acquisition price.

During 2016, we made substantial progress with the Group's forward funded developments. Having started the year with five pre-let developments in progress, four reached practical completion. These were:

- Dunelm, Stoke-on-Trent, reached practical completion in February 2016;
- Ocado, Erith, reached practical completion in April 2016;
- Nice-Pak International, Wigan, reached practical completion in May 2016; and
- Howdens, Raunds, reached practical completion in June 2016.

Construction of these developments was completed on or close to the target dates, whilst all were delivered on budget. Our asset pre-let to T.K. Maxx in Knottingly reached practical completion in January 2017.

Expected practical completion dates for our new developments are:

- Gestamp, Wolverhampton, July 2017; and
- Screwfix, Fradley, October 2017.

Both assets are currently running to budget and timescale.

Just prior to the year-end we conditionally exchanged contracts to purchase two adjacent forward funded developments, each pre-let to Howdens on 30-year leases. Subject to full planning consent being received in May 2017, we expect work to commence on site in September 2017, with completion targeted for August 2018. Our funding for the smaller building depends upon Howdens taking up its option when planning consent is achieved; Howdens is already legally committed to the larger building.

Our acquisition strategy in action
The Group acquired 10 assets during the year, which further diversified our portfolio by size, geography and tenant. With an aggregate acquisition price of £524.4 million, the majority of these assets where acquired off market and at attractive yields.

Whilst implementing our investment strategy we apply strong capital value and quality discipline and regularly review how we allocate capital between our three investment pillars: Foundation, Value Add and Growth Covenant. We also monitor the market, as well as broader economic and political conditions, and adjust our acquisition strategy accordingly.

Against a backdrop of geopolitical and economic uncertainty, in 2016 we focused the Group's acquisitions primarily on Foundation assets, since these underpin the Company's long term income which supports our dividend.

Our investment activity in 2016

- +8 standing investments £415.5 million
- +2 pre-let forward funded developments £108.09 million
- +2 forward funded developments both pre-let to Howdens in December 2016, conditional on planning for a purchase price of £101.8 million
- Average NIY 5.6%[1]
- WAULT 14.03 years[1]
- Acquired off-market 85%[1]
- Gross internal area 5.18 million sq ft[1]
- Foundation 89%[2]
- Value Add 11%[2]
- Growth Covenant 0%[2]

1 Excludes Howdens units II and III at Warth Park, Raunds

2 By investment value

Standing investments acquired in 2016:

Brake Bros, Portbury, Bristol, North Somerset

Acquired:	24 March 2016
Acquisition price:	£25.20milliion
Net initial purchase yield:	5.15%
Gross internal area:	250,763 sq ft
Eaves height:	11 metres
Built:	1988; refurbished in 2016
Lease expiry:	2046
On/Off market:	Off market

- The property comprises a purpose-built cold store facility, with a multi-temperature control system and modern design features including cross docking
- Significant capital investment by the tenant, to meet its growing distribution requirements in the South West
- Well positioned in the key logistics location in the region, with motorway connectivity at junction 19 of the M5, seven miles from the M4
- Acquired with a new unexpired lease term of approximately 30 years, subject to five yearly upward only rent reviews indexed to RPI and capped at 5% per annum compound.
- The first review is due in February 2021
- Low site cover of 32%

Argos, Burton-on-Trent, Staffordshire

Acquired:	29 March 2016
Acquisition price:	£74.65million
Net initial yield:	5.55%
Gross internal area:	653,670 sq ft
Eaves height:	Between 12 and 30 metres
Built:	2002
Lease expiry:	2028
On/Off market:	Off market

- Argos's National Distribution Centre, with modern design features, ancillary office accommodation and extensive loading
- Tenant has invested significantly in the property, including substantial internal automation systems
- In a core central UK location, with easy access to the M6 Toll, M42 and M1, and close proximity to rail and air connections
- Fixed annual rental increases of 3% (received annually)
- Site cover of approximately 47%

DSG Retail, Newark, Nottinghamshire

Acquired:	24 May 2016
Acquisition price:	£77.3million
Net initial yield:	5.86%
Gross internal area:	725,799 sq ft
Eaves height:	12.25 metres
Built:	2003
Lease expiry:	2036
On/Off market:	Selectively on market

- One of Dixon Carphone's two National Distribution Centres, forming part of its principal hub for direct store replenishment, home deliveries, returns, and its main service repair centre
- Located on Newlink Business Park, with good motorway connectivity via the A1/A1M and onto the M1
- Good rail services, with Newark North Gate Station less than two miles away
- Five yearly fixed rental increases of 3% per annum compound
- Low site cover of c.37%

Kellogg's, Trafford Park, Manchester

Acquired:	9 August 2016
Acquisition price:	£23.5million
Net initial yield:	5.93%
Gross internal area:	311,602 sq ft
Eaves height:	15 metres
Built:	2007
Lease expiry:	April 2018
On/Off market:	Off market

- A modern facility located in one of the UK's and Europe's premier industrial parks with road, rail and port connectivity
- Kellogg's moved to Trafford Park in 1938, where it has two other distribution facilities along with a production unit and national HQ
- Favourable passing rent in a location constrained by supply and increasing demand
- Low site cover of c.45%

Amazon, Peterborough, Cambridgeshire

Acquired:	10 August 2016

Acquisition price:	£42.9million
Net initial yield:	5.60%
Gross internal area:	549,788 sq ft
Eaves height:	15 metres
Built:	2006
Lease expiry:	April 2025
On/Off market:	Off market

- One of Amazon's modern and major distribution facilities, which has been built to high specification with 15m eves
- In a strong logistics location on the outskirts of one of the UK's fastest growing cities
- Favourable rent which is subject to five yearly rent reviews to CPI with a collar of 1.5% and a cap of 2.75% pa compound
- Low site cover of c.42%

Euro Car Parts, Birmingham, West Midlands

Acquired:	10 August 2016
Acquisition price:	£80.135million
Net initial yield:	5.04%
Gross internal area:	780,977 sq ft
Eaves height:	18 metres
Built:	January 2016
Lease expiry:	2036
On/Off market:	Off market

- Purpose-built to a high specification for Euro Car Parts as its new main National Distribution facility
- Located within the "Golden Triangle" of logistics, on one of the UK's premier rail connected distribution parks, with direct access to the Birmingham Intermodal Freight Terminal
- Excellent airport and motorway connectivity, with close proximity to the M6, M1, M69 and M6 as well as Birmingham International and East Midlands airports
- Lease subject to five yearly, upward only rent reviews indexed to RPI (collared and capped at 2% pa and 4% pa compound). Next rent review due in January 2021

Whirlpool, Raunds, Northamptonshire

Acquired:	11 October 2016
Acquisition price:	£35.35million
Net initial yield:	6.60%
Gross internal area:	473,263 sq ft
Eaves height:	11 metres
Built:	2001
Lease expiry:	2021
On/Off market:	Off market

- Benefited from significant capital investment from the tenant, including a 150,000 sq ft extension in 2006
- Site has substantial secure yards, trailer park and extensive parking, with a low site cover of approximately 43%
- Situated in Warth Park, strategically located on the A45 corridor close to J13 of the A14, which provides access to the ports of Felixstowe and Harwich and directly links to the A1(M) dual carriageway and the M1 motorway
- Site is also close to established logistics location of Northampton and Thrapston, with existing major distribution occupiers including Homebase, Morrisons and Primark

Co-operative Group, Thurrock, Essex

Acquired:	12 October 2016
Acquisition price:	£56.5million
Net initial yield:	5.53%
Gross internal area:	322,684 sq ft
Eaves height:	15 metres
Built:	2005
Lease expiry:	March 2025
On/Off market:	Off market

- One of the Co-op's six strategic UK distribution hubs and the only one in the South East
- Built to a high specification in 2005, with ancillary offices, secure yards and extensive decked parking
- Adjacent lorry parking facility, which has development potential and covers a separate c.4.10 acres, was constructed in 2012
- This area has five yearly, fixed rent increases of 2.5% pa, with the next rent review due in May 2018
- Strategically located just off J31 of the M25, with excellent access to the wider motorway network, Central and Greater London and the South East, as well as the deep sea ports of London Gateway and the Port of Tilbury
- Distribution warehouse subject to five yearly, upward only rent reviews to the higher of either a guaranteed fixed uplift of 2% per annum or open market rent. Next rent review due in December 2020

Forward funded pre-let developments acquired

All developments have been or will be income producing during construction, by way of a developer's licence fee.

Gestamp, Wolverhampton, West Midlands

Acquired:	2 August 2016
Acquisition price:	£56.3million
Net initial yield:	5.14%

Gross internal area:	543,692 sq ft
Eaves height:	12 metres
Built:	Practical completion targeted for summer 2017
Lease expiry:	Expected August 2042
On/Off market:	Off market

- Pre-let to Gestamp Tallent Limited, a leading global designer and manufacturer of components and assemblies
- Strategically located in the West Midlands, close to J12 of the M6, providing good access to Birmingham and Nottingham
- This new facility will comprise a GIA of 543,692 sq ft with expansion land to accommodate up to a further 101,139 sq ft
- Upon practical completion the property will be let on a new 25-year lease subject to five yearly upward only rent reviews indexed to RPI, providing a minimum 2% pa rental growth (capped at 4% pa)

Screwfix, Fradley, Staffordshire

Acquired:	8 December 2016
Acquisition price:	£52.7million
Net initial yield:	5.5%
Gross internal area:	c. 561,767 sq ft
Eaves height:	15 metres
Built:	Practical completion targeted for October 2017
Lease expiry:	Expected October 2027
On/Off market:	Off market

- Pre-let to Screwfix Direct Ltd, the UK's largest multi-channel retailer of trade tools, accessories and hardware products, whose ultimate parent is Kingfisher Plc
- High specification distribution facility will be Screwfix's fourth UK distribution centre
- In a key Midlands logistics location, adjacent to the A38, providing connectivity to the M6 Toll, M42 and M1 motorways, and with close proximity to rail and air connections
- Upon practical completion, targeted for October 2017, the property will be let on a 10-year lease, subject to five yearly upward only open market rent reviews

Forward funded pre-let developments conditionally exchanged

Howdens, Raunds, Northamptonshire

Acquired:	23 December 2016
Acquisition price:	£101.8million
Net initial yield:	5.1%
Gross internal area:	657,000 and 300,000 sq ft
Eaves height:	15 metres
Built:	Practical completion targeted for August 2018
Lease expiry:	Expected August 2048
On/Off market:	Off market

- Conditionally exchanged the forward funded pre-let of two adjacent distribution facilities, which will stand alongside the Company's other asset in Warth Park, also let to Howdens
- Together, the three facilities will provide Howdens with a "centre of excellence" for its supply chain operations which is expected to deliver significant operational and efficiency benefits
- On practical completion, both properties will be leased under separate 30-year leases to Howden Joinery Group plc subject to five yearly, upward only, open market rent reviews. Howdens have the ability to withdraw from the smaller of the two units no later than 6th May 2017
- Combined site cover is approximately 53%

What to expect in 2017

Capital growth has slowed but values for prime logistics assets have remained resilient (our portfolio valuation grew 2.74% in H1 and 0.76% in H2 2016 on a like-for-like basis; 3.45% like-for-like for the year) and we expect that to remain the case in 2017, buoyed by a weight of money from domestic and overseas investors.

Subject to shareholder support, we believe that there remain compelling reasons to grow the Company through raising further equity and debt. This would allow us to acquire additional high quality assets from our strong identified pipeline of opportunities. The investment market for prime quality logistics assets is competitive but we believe that we can continue to acquire off-market and for value. Pre-let forward funded developments are likely to feature at a similar level to 2016 in order to capture the new buildings, long leases and price advantages afforded by these schemes.

Following the change in Investment Policy at the AGM in May 2016, we also expect to purchase development land for forward funded pre-let developments (without speculative building development) as the longer-term component of our value-add investment pillar.

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	6.65	571,522	May 2018
Marks & Spencer plc	Castle Donington	Dec 2013	82.58	5.20	906,240	Dec 2016
Tesco Stores Ltd	Chesterfield	Mar 2014	28.64	6.60	501,751	May 2020
Tesco Stores Ltd	Didcot	Apr 2014	27.20	6.90	288,295	Aug 2019
Next Group Plc	Doncaster	Jun 2014	60.00	6.07	755,055	Mar 2018
Wm Morrison Supermarkets Ltd	Sittingbourne	Jun 2014	97.80	5.20	919,443	Jun 2017
DHL Supply Chain Ltd	Langley Mill	Aug 2014	17.53	6.50	255,680	Aug 2019
DHL Supply Chain Ltd	Skelmersdale	Aug 2014	28.87	6.50	470,385	Aug 2019
Wolseley UK Ltd	Ripon	Aug 2014	12.24	6.73	221,763	Sep 2016
Rolls-Royce Motor Cars Ltd	Bognor Regis	Oct 2014	36.98	6.25	313,220	Sep 2020
CDS (Superstores International)						

Ltd (trading as The Range)	Thorne	Nov 2014	48.50	6.10	750,431	Oct 2017
Tesco Stores Ltd	Middleton	Dec 2014	22.45	8.25	302,111	Dec 2017
Kuehne & Nagel Ltd*	Derby	Dec 2014	29.27	6.00	343,248	Apr 2017
L'Oréal (UK) Ltd	Manchester	Dec 2014	25.83	7.13	315,118	Aug 2017
Argos Ltd	Heywood	Apr 2015	34.10	5.31	495,441	Mar 2018
B&Q plc	Worksop	Apr 2015	89.75	5.13	880,175	Nov 2021
New Look Retailers Ltd	Newcastle-under-Lyme	May 2015	30.05	5.90	398,618	Apr 2017
Nice- Pak International Ltd	Wigan	May 2015	28.66	6.42	399,519	May 2021
Ocado Holdings Ltd†	Erith	May 2015	101.73	5.25	563,912	Apr 2021
Brake Bros Ltd	Harlow	Jun 2015	37.18	5.00	276,213	Jul 2019
Tesco Stores Ltd	Goole	Jun 2015	47.10	5.67	711,933	Oct 2017
Dunelm(Soft Furnishings) Ltd	Stoke-on-Trent	Jun 2015	43.43	5.47	526,426	Feb 2021
TJX UK (trading as TK MAXX)	Knottingley	Sept 2015	59.00	5.32	640,759	Jan 2022
Howden Joinery Group Plc	Raunds	Oct 2015	67.00	5.03	658,971	Jul 2021
Matalan Retail Ltd	Knowsley	Dec 2015	42.38	6.27	578,127	Oct 2021
Brake Bros Ltd	Bristol	Mar 2016	25.20	5.15	250,763	Mar 2021
Argos Ltd**	Burton-on-Trent	Mar 2016	74.65	5.55	653,670	Feb 2017
DSG Retail Ltd (trading as Dixons Carphone)	Newark	May 2016	77.30	5.86	725,799	Mar 2021
Gestamp	Wolverhampton	Aug 2016	56.30	5.14	548,450	Jul 2021
Kellogg Company of Great Britain Limited	Manchester	Aug 2016	23.50	5.93	311,602	N/A
Amazon UK Services Ltd	Peterborough	Aug 2016	42.90	5.60	549,788	Apr 2020
Euro Car Parts	Birmingham	Oct 2016	80.14	5.04	780,977	Jan 2021
Whirlpool	Raunds	Oct 2016	35.35	6.60	473,263	N/A
The Co-Operative Group Ltd	Thurrock	Oct 2016	56.50	5.53	322,684	Dec 2020
Screwfix Direct Ltd	Fradley	Dec 2016	52.70	5.50	561,767	Oct 2022
Total for assets completed at 31.12.16			**1,671.55**	**5.70%**	**18,223,119**	
Howdens Joinery Group plc#	Raunds	Dec 2016	69.90	5.10	657,000	Sep 2023
Howdens Joinery Group plc#	Raunds	Dec 2016	31.92	5.10	300,000	Sep 2023

* Guaranteed by Hays Plc

† Guaranteed by Ocado Group plc

** Guaranteed by Experian Finance plc

‡ Estimate based on target practical completion date of forward funded asset

¥ CBRE measured floor area

Conditionally exchanged

Asset Management

Our asset management strategy in action

Our asset management strategy focuses on creating value throughout an asset's life cycle. The potential to protect and enhance capital value and to grow income through lease and physical enhancements are key considerations when acquiring assets.

We categorise our assets into one of our three investment pillars and develop business plans. While there is opportunity to add value on many of the assets we acquire and across all three of our investment pillar categories, this is particularly true of our "Value Add" assets which comprise 13.65% of our portfolio. These are typically let to tenants with strong covenants, but offer the potential, through asset management to turn them into foundation assets.

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. If the occupier is also financially strong they will often make significant investment to the property and continue to invest into their occupation of the location throughout the life of the lease. Changes which benefit the tenant can often also provide points of opportunity for the owners of these investments to benefit from capital value growth.

During 2016 we undertook a number initiatives including extending leases on existing assets, negotiating rent reviews and undertaking proposals to enhance, reconfigure or physically extend buildings so that they meet tenants' operational needs.

Portfolios of small or multi-tenanted assets provide frequent opportunity for asset management due to the number of assets under management. Contrastingly, our portfolio comprises a relatively small number of large lot size assets and as a consequence the incidences of asset management events will be less frequent but each event will have the potential for greater value enhancement as a result.

Our tenant led approach

Our aim is to be an occupier's landlord of choice for fulfilling their distribution property network. A key part of our approach is to develop strong relationships with our tenants, so that we understand their requirements and future objectives. We treat our Tenants as valued customers since the success of their business often directly correlates with generating property opportunities for us. In order to acquire a balanced understanding we seek to acquire a wide contact base within our Tenants' companies beyond simply the main property contacts, extending to the logistics and operations directors, who are often driving the internal strategy. We work closely with them to learn about their strategy and their operations, so we can identify opportunities for mutual benefit. This could include extensions to buildings, considering strategies to reduce tenants' operating costs or helping tenants to comply with their corporate social responsibility obligations, by progressing "green" initiatives. This requires us to keep abreast of industry developments and dynamics, which we do by attending national distribution focused events and presentations. These events often showcase the latest advancements in technology and differing forms of transport, which prompt ideas for practical enhancements to the properties or generate further discussion with an occupier. These initiatives may present opportunities to increase or lengthen income or renegotiate lease terms to add value. Executing these initiatives is often protracted, as they typically link to our tenants' long-term business plans. Tenants' plans may also change or be accelerated for example, if awarded a specific contract. We look to support tenants' commercial tenders, so we can prove to their potential customers that the property servicing can meet the requirements of the contract within the anticipated timescale.

Tenant enhancements

Requests for alterations to properties are frequent and because we manage this process "in house" it creates a regular dialogue with occupiers. When tenants apply to make alterations, we review their proposals and respond proactively. As part of this process, we ensure that alterations will not affect the property's structural integrity, invalidate any warranties or limit our ability to make future changes. The proposals may enable us to negotiate funding agreements with occupiers, whereby the fit out cost is rentalised. Alternatively, there may be an opportunity to extend lease

lengths, if the works are of long term benefit to the property. This application process enables us to learn more about the strategic plans of our occupiers and often enables us to identify further initiatives or opportunities. Through our specialist knowledge and experience in this sector, we can often suggest practical solutions to enable occupiers to realise their aims and share knowledge or improve on previous implementation. The changing patterns of retail consumerism is a factor strongly influencing a number of our key tenants. These factors can impact on property decisions such as improving their e-commerce platform and customer servicing. The aim is to ensure that our properties and portfolio are resilient and can adapt or evolve to meet the future face of logistics and distribution across the UK.

Protecting value

We regularly review the financial status of our Tenants, 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 indicate property opportunities and enable negotiation with the occupier. Where appropriate, we negotiate guarantor agreements with tenants' holding companies, to strengthen the covenant.

We look to "future proof" potential building extension opportunities by evaluating our ability to acquire land or take out option agreements that adjoin existing holdings.

Developing pre-let forward funded developments

Monitoring and management of the forward funded developments is largely outsourced to specialist consultants, who are overseen by the Manager. Construction timetables are swift and we work with Developers who are committed to meeting deadlines, without compromising on design, build quality or sustainability ideals. Contractual terms denote the staged payment process throughout the development phase and payments are not released unless key development milestones are reached and recommended as approved by the independent Project Monitor. Adherence to the programme is key to meeting an occupier's timetable and the Developer is suitably motivated to perform through the inclusion of penalty provisions for late delivery. We engage at an early stage to ensure that tenant proposals are not detrimental to the building and that licences for alterations appropriately document such works. We also either arrange insurance cover or ensure that the tenant has appropriate cover in place to protect our investment. During 2016, we have achieved Practical Completion on four new assets.

Creating value in 2016

During the year, we undertook a number of asset management activities:

- **The Range UK, Thorne, South Yorkshire**

In March the Group entered into a power purchase agreement with CDS (Superstores International) Limited, which trades as "The Range", following the installation of roof-mounted solar panels. The capital cost was c.£345,000. This has resulted in an annual income increase of c. £40,000 (net of administration and maintenance costs) and directly attributed to a capital value enhancement for the property of £575,000. On reassessment of the property, we expect that the EPC rating will improve.

As at December 2016 five rent reviews remain outstanding. Two of these Kellogg's, Trafford Park and Co-op, Thurrock, pre-date our purchases. The open market rent reviews of Tesco Chesterfield is in arbitration and we are hopeful of a settlement producing a rental uplift. Wolseley, at Ripon, is subject to an open market rent review as at September and Mark and Spencer, Castle Donnington, as at December, both of which have commenced.

- **B&Q, Worksop**

A five yearly rent review increase linked to RPI, was settled in November 2016 reflecting an uplift to passing rent of 11.26% pa.

- **Morrisons, Sittingbourne, Kent**

An annual rent review increase linked to RPI, was agreed in June 2016 at an uplift of 1.62% pa.

- **L'Oréal (UK) Limited, Trafford Park, Manchester**

The 3% pa annual rent review was implemented in August. In December 2016 we successfully extended the lease term by five years, increasing the valuation by c. £1 million.

- **Outstanding Rent Reviews**

As at December 2016 five rent reviews remain outstanding. Two of these, for Kellogg's, Trafford Park (open market) and Co-op, Thurrock (higher of open market or 2% pa), pre-date our purchases. The open market rent review of Tesco, Chesterfield is in arbitration and we are hopeful of a settlement producing a rental uplift. Wolseley, at Ripon, is subject to an open market rent review as at September and Marks and Spencer, Castle Donnington, (open market, capped at 2.5% and collared at 1.5% pa) as at December, both of which have commenced.

After the period end, terms were agreed with Rolls Royce Motor Cars Ltd to extend both buildings at Bognor Regis, creating an additional 96,875 sq ft and taking the total floor area to 410,075 sq ft. The construction process will commence shortly and is anticipated to take approximately 8 months', with occupation of the extensions expected this winter. The Company is funding the extension works and an element of enhancement works. The rent over both properties will increase by £704,281 per annum as a result of the extensions, with rent reviews remaining at 3% per annum fixed (realised five yearly) and capturing the additional rentalised area. The lease term will be extended by one year (currently c.8.5 years unexpired), thereby extending the income commitment.

What to expect in 2017

In 2017 we will continue to develop our tenant relationships, grow our understanding of their businesses and particularly the integration of our properties within their supply chain operations. We also expect to see the results of some initiatives started in 2015 and 2016 including the outcome of the five rent reviews mentioned above. In addition, we have a further eight rent reviews to undertake in 2017, four of which are subject to open market rental values, three are to fixed uplifts of 2% or 3% per annum and one will benefit from an RPI increase.

Our policy of encouraging and supporting "green" initiatives will continue and we are hopeful that more tenants will allow us to fund solar panel installations. We are currently negotiating the possibility of several building extensions across our portfolio and linked to these, the potential to simultaneously extend the unexpired term of the lease. We are also working on the potential to purchase adjacent land for a new building which could link with an existing portfolio property.

Tesco announced its intention to vacate our property at Chesterfield this summer. They originally intended to do so before we acquired the investment but decided to stay. We purchased the investment in 2014 at an attractive yield and categorised it as a Value Add asset due to the short period to lease expiry. The lease has over three years to run and Tesco has dilapidations responsibilities. We view the prospect of a potential refurbishment and re-letting with optimism, given the good location and building size in the context of an occupational market bereft of vacant properties of this type available to let.

With yield induced capital returns shrinking, the capital component of total return will be underpinned by the quality of our asset management and

we expect this to contribute as an increasingly important component of our performance in 2017.

Financial Review

For 2016, the Group had a dividend target of 6.20 pence per share and a total return target of 9+%. We also set out to extend and stagger the maturity profile of our borrowings as well as diversifying our lending group.

The Group declared dividends in relation to 2016 totalling 6.20 pence per share, which was 105% covered by Adjusted earnings per share of 6.51 pence. Adjusted earnings growth was generated through growing rents whilst reducing our cost base, we have an EPRA cost ratio of 15.8%. The total return achieved, which is a function of the increase in EPRA NAV plus dividends paid, was 9.6%.

Over £750 million of funding was raised (inclusive of the debt facility agreed post the year-end) to finance further investment. £550 million was raised through equity issues and over £200 million came from the debt capital markets.

Finally, we introduced two new lenders to the Group in the form of Canada Life and PGIM Real Estate Finance and capitalised on the current low interest rate environment by securing two facilities on a 10 and 13-year term respectively.

Strong financial results
The Group's operating profit before changes in fair value of investment properties, as reported under IFRS, grew by 75%, to £62.87 million (2015: £35.94 million). The increase reflects:

- the growth of the portfolio, with the contracted rent roll increasing to £99.66 million across 35 assets (2015: £68.37 million across 25 assets);
- the portfolio's strong rental income, which equates to a yield based on book cost of 5.70%. Rents reviews have increased our income, with an average increase of 6% across three reviews, in addition we had two reviews which remain unsettled, both of which are reviewed to open market rental value. We also have the added contribution from four forward funded development assets reaching practical completion in the year;
- the Group's low and predominantly fixed cost base, with the Total Expense Ratio ("TER") reducing in 2016 to 1.06% for the year (2015: 1.09%). This continues to compare very favourably with the Group's peers and reflects the amendment to the Investment Management fee as approved by Shareholders and taking effect from 20 December 2016.

Administrative and other expenses, which include management fees and other costs of running the Group, were £11.71 million (2015: £7.83 million). We expect the amendment to the Investment Management fee structure, with the inclusion of the lower fee percentages now payable on net asset value (less cash) greater than £1.25 billion, to contribute further to a reduction in the Group's TER in 2017 and beyond. Please see Management and Engagement Committee Report for further details on the amended management fee structure.

The gain of £47.5 million (2015: £106.75 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 the year and takes into account the increase in SDLT, an increase from 4% to 5% (on all commercial properties acquired for more than £250,000) as announced by the Chancellor of the Exchequer in March 2016.

Net financing costs (excluding capitalised interest) for the year were £11.55 million (2015: £6.98 million), excluding the reduction in the fair value of interest rate derivatives of £7.15 million (2015: £1.99 million). The increase in net financing costs reflects the growth in the business and the subsequent increase in average debt drawn during the year, with the cost of debt remaining stable throughout the period. 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 2016 was therefore £nil (2015: £nil).

Earnings
Total profit before tax for the year was £91.90 million (2015: £133.98 million), which resulted in basic earnings per share of 10.52 pence (2015: 21.56 pence).

The Group's EPRA earnings per share for the year were 5.90 pence (2015: 4.70 pence). The EPRA NAV per share at 31 December 2016 was 129.00 pence (31 December 2015: 124.68 pence). Please see EPRA Performance Measures for the full list of performance.

There was further growth in the Group's Adjusted earnings per share for the year, which was 6.51 pence (2015: 6.12 pence). The Adjusted earnings per share figure takes EPRA earnings per share, adds the developer's licence fees received on forward funded developments and excludes certain earnings not supported by cash flows. We see Adjusted EPS as the most relevant measure when assessing dividend distributions.

Stable and growing dividends
On 7 March 2017, the Board declared a third interim dividend for the year of 1.55 pence per share. This dividend is payable on or around 3 April 2017, to Shareholders on the register on 16 March 2017.

This takes the aggregate dividends in respect of 2016 to 6.20 pence per share, as set out in the Chairman's Statement , of which 1.45 pence was paid as a normal dividend and 4.75 pence as a property income distribution (PID). The total dividend was fully covered by the Group's Adjusted EPS of 6.51 pence per share.

As indicated to the market in the Group's January 2017 trading update, the Group is looking to target a progressive dividend for 2017 of 6.4 pence per share.

Investment properties
The total value of the portfolio, including forward funded development commitments, was £1.89 billion across 35 assets as at the year-end (2015: £1.31 billion across 25 assets). A total £524.6 million was invested during 2016 across 10 assets with a further £101.8 million committed to two assets, conditional on receiving planning consent.

The gain recognised on revaluation of the Group's investment property portfolio was £47.5 million. The average valuation yield of the portfolio as at 31 December 2016 was 4.93%. On a like for like basis compared against assets held at 31 December 2015, values have increased by 3.45%, excluding any additional capital costs incurred in the year.

The Group has commitments as at the year-end totalling £82.4 million across its three forward funded development properties which were under construction (2015: £138.96 million).

Net assets
During 2016, Shareholder equity increased by £550 million resulting from two equity raises in February 2016 and October 2016.

EPRA net assets were £1.43 billion (2015: 0.84 billion), or 129.00 pence (2015: 124.68 pence) on a per share basis, which is an increase of 3.46% or 4.32 pence per share. When considering the timing of the Company's dividend distributions the growth in EPRA NAV increases to 4.7% on a like-for-like basis.

Total return
The Group delivered on its total return target for the year, by delivering a total return of 9.6% against its medium-term target of 9% per annum. Total return is a function of movement in EPRA net asset value per share plus dividends paid.

Robust financing and hedging with strong liquidity
Following the large refinancing that took place in October 2015, the Group's primary debt facility is provided by a syndicate of four lenders: Barclays Bank PLC, Helaba Landesbank Hessen- Thüringen Girozentrale ("Helaba"), Wells Fargo Bank, N.A. and ING Real Estate Finance (UK) B.V.

In December 2016, an additional £50 million commitment was received in respect of this debt facility, which was funded solely by Wells Fargo Bank, N.A., on the same terms as the existing facility.

The facility now comprises:

- a £450 million term loan; and
- a £100 million revolving credit facility, including a £10 million overdraft component.

The facility is secured against a portfolio of 23 assets as at 31 December 2016, with a cross-collateralised framework and a guarantee from the Company.

Following the refinancing, the Group has been mindful, during its next phase of debt financing, of extending the maturities, staggering the profile of maturity dates across its debt portfolio and diversifying its basket of lending relationships. Coupled with this, the economy has seen some of the lowest interest rates in modern times and therefore longer term debt financing has looked appealing, despite there being a general increase across the marketplace in banking margins, particularly since the spring of 2016.

In August 2016, the Group agreed a new long-term, interest-only, fixed-rate term loan of £72 million with Canada Life Investments. The facility, the Group's first with a fixed interest rate, has been drawn in full and sought to take advantage of the low interest rate environment following the referendum vote. The loan is repayable in April 2029 and carries a fixed all-in rate of 2.64% per annum. The amounts drawn down under the facility are segregated and non-recourse to the Company. The facility is secured against the assets let to Howdens in Raunds, Northamptonshire; Dixons Carphone in Newark, Nottinghamshire; and Brakes in Portbury, Bristol.

In addition, the Group has three facilities with Helaba totalling £69.5 million, which are secured on the DHL assets in Skelmersdale and Langley, and Ocado, Erith. Following practical completion of the Ocado distribution warehouse at Erith, the Group agreed terms to extend the maturity of its £50.87 million loan facility secured on the asset by three years, from July 2020 to July 2023, resulting in an increase in the margin payable of 6 basis points per annum.

At the year-end, the Group therefore had total long-term bank borrowing commitments of £691.5 million, of which £541.5 million had been drawn (31 December 2015: commitments of £569.5 million, with £385.0 million drawn), with debt available to draw down of £150.0 million. This resulted in a LTV ratio of 30.0% (31 December 2015: 33.2%). The Group continues to target a LTV in the medium term of up to 40%, which we believe is conservative given the quality of the tenants, real estate, portfolio WAULT and its low risk nature. As has historically been the case, whilst we have future commitments towards forward funded developments, we are likely to be running below our medium term gearing target, as demonstrated by our 30% LTV ratio at the year-end.

LENDER	ASSET	EXPIRY DATE	SIZE £'M	AMOUNT DRAWN AT 31 DECEMBER 2016 £'M
Syndicate	Portfolio of 23 assets	Oct 2020[1]	550.00	400.00
Heleba	DHL, Langley Mill	Nov 2019	7.01	7.01
Heleba	DHL, Skelmersdale	Nov 2019	11.60	11.60
Heleba	Ocado, Erith	Jul 2023	50.90	50.90
Canada Life	Portfolio of 3 assets	Apr 2029	72.00	72.00
Total			**691.51**	**541.51**

1. **One-year extension option available**

The Group will continue to explore opportunities to bring in additional longer and alternative term sources of debt finance, providing these do not compromise its investment objectives. This is evidenced by the transaction that completed in March 2017 with PGIM Real Estate Finance for a long-term, interest only fixed rate loan. The new 10-year loan has a maturity date of March 2027 and has a fixed rate payable of 2.54%. The loan is secured against four of the portfolio's assets.

The Group's hedging strategy is designed to allow it to benefit from current low interest rates, while minimising the effect of a significant rise in underlying interest rates across its variable rate debt sources. At the year-end, the Group had in place derivative instruments that either fix or cap the interest rates on 99.7% of its drawn debt. These instruments comprise one interest rate swap and a number of interest rate caps, each running coterminous with the respective loan.

The Group has a current blended margin payable of 1.43% above three month Libor or the referenced Gilt. At 31 December 2016, the actual average interest rate payable across 87% of the Group's drawn debt, which is the total drawn level of floating rate debt, was 1.80% per annum (31 December 2015: 2.01%), representing the average margin over 3 month LIBOR at that date. The interest rate derivatives give the Group a level of interest rate protection, which provides the Group with a weighted average all-in capped rate of borrowing of 2.82% (2015: 2.94%), across its hedged debt.

The Group has a weighted average term to maturity across its debt facilities of 4.8 years as at 31 December 2016, which increases to 5.6 years if extension options are assumed as exercised.

The Group has remained compliant with all of its debt arrangements during the year and subsequent to the year-end.

Alternative Investment Fund Manager ("AIFM")
The Manager is authorised and regulated by the Financial Conduct Authority as a full-scope AIFM. We are therefore authorised to provide our 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.

What to expect in 2017
For 2017 we are optimistic that the occupational supply and demand tensions in the market will continue to drive rental growth. This will assist in continuing to grow our earnings, which will support our progressive dividend target of 6.40 pence per share.

We are proud of our financial prudence and will look to maintain our low ERPA cost ratio, which is one of the lowest amongst our peer group.

Our lenders view us as an attractive borrower as we have prime assets and a solid capital structure with conservative gearing. As a result we believe we will be able to command attractive terms when it comes to future debt financing, and this will support future investment activity.

Tritax Management LLP **Manager**
7 March 2017

THE MANAGER

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

The Manager is 100% owned by Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin. This team of property, legal and finance professionals have 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.

Colin Godfrey BSc (Hons) MRICS
Partner, Fund Manager
Colin has overall responsibility for providing investment management and advisory services to the Company and is the Manager's lead partner. He began his career with Barclays Bank before joining Conran Roche in the late 1980s. Following this, he obtained a degree in Urban Estate Management, before training with Weatherall Green & Smith (now BNP Paribas Real Estate).

After qualifying as a chartered surveyor, Colin specialised in portfolio fund management, with particular responsibility for the £1 billion of assets under management for the British Gas Staff Pension Scheme and the property assets of the Blue Circle Pension Fund. In 2000, Colin was a founding director of niche investment property agent SG Commercial, along with James Dunlop, in which capacity he worked closely with the Tritax group. In 2004, Colin became a partner in the Tritax group and is responsible for investment selection and product development. Colin is one of the founding partners of Tritax Management LLP.

James Dunlop BSc MRICS
Partner, Property Sourcing
James has overall responsibility for identifying, sourcing and structuring investment assets for the Company. He read Property Valuation and Finance at City University, before joining Weatherall Green & Smith (now BNP Paribas Real Estate) where, in 1991, he qualified as a chartered surveyor in its Investment Development and Agency division.

In 2000, James formed SG Commercial with Colin Godfrey, and became a partner in the Tritax group in 2005. In his role with SG Commercial, James is regularly in contact with all the leading firms of agents and is retained by foreign and domestic institutions and wealthy individuals to buy and sell commercial property investments. James is responsible for identifying sectors and specific properties, negotiating on approved opportunities and handling the disposal of assets in due course. Along with Colin, James is one of the founding partners of Tritax Management LLP.

Henry Franklin BA CTA
Partner, Structuring and Legal
Henry is responsible for structuring the Tritax group funds, providing general legal counsel and overseeing compliance activities and product development. He is a qualified solicitor, who completed his articles with Ashurst LLP in 2001, specialising in taxation, mergers and acquisitions.

Henry also qualified as a chartered tax adviser in 2004 before moving to Fladgate LLP in 2005, where he became a partner in 2007. At Fladgate LLP, Henry specialised in structuring commercial property funds and advised on the formation of funds in excess of £500 million. Henry joined the Tritax group as a partner in 2008.

Petrina Austin BSc MRICS
Partner, Asset Management
Petrina is responsible for strategically managing the investment portfolio, identifying and progressing value enhancing initiatives to protect and maximise investor returns. She is also responsible for managing third-party professionals engaged in the process of property and asset management.

Following a degree in Estate Management from Reading University, Petrina joined Carter Jonas to continue her professional training and qualified as a chartered surveyor in 1998. Petrina moved to King Sturge in 1999, to concentrate on institutional portfolio management. As a partner at Knight Frank from 2002, she was responsible for the team managing central London trophy assets. Her remit also included development consultancy appointments, both in the UK and overseas. Petrina joined the Tritax group in 2007.

Bjorn Hobart MA BSc (Hons) MRICS
Partner, Property
Bjorn is responsible for identifying and sourcing suitable investments for the Company, then financially modelling and appraising the returns, to establish their viability within the context of the portfolio assets. He also manages day-to-day due diligence during the acquisition process.

After completing a Geography degree from the University of Leeds in 2001, Bjorn started his career at Faber Maunsell (now AECOM). Having gained exposure to large scale developments, Bjorn received an MA in Property Valuation and Law at Cass Business School, London. He undertook his professional training at Atisreal (now BNP Real Estate) in London, where he qualified as a chartered surveyor in 2005. In 2007, Bjorn joined SG Commercial, where he advised on large scale investment and development transactions in excess of £500 million. During this time, Bjorn worked closely with the Tritax group, advising on its portfolio acquisitions and disposals. Bjorn joined the Tritax group in 2011.

Edward Plumley MBA MSc MRICS
Assistant Fund Manager
Ed is responsible for assisting the Fund Manager with acquisitions and disposals, transaction management, financial modelling and due diligence. He started his career at Knight Frank on the graduate bursary scheme, after completing an MSc in Estate Management at London South Bank University. He qualified as a chartered surveyor in 2010 with Jones Lang LaSalle (now JLL).

Ed's investment career began when he joined Ereira Mendoza in 2011, advising on investment and development transactions. He joined Tritax in May 2014, having completed an MBA in Construction & Real Estate from the University of Reading.

Frankie Whitehead ACA
Head of Finance
Frankie joined Tritax in 2014 following the launch of the Company. When reporting to the Board, he is responsible for the historical and strategic financial matters in relation to the Company. This includes interim and year-end reporting, corporate compliance, budgeting/forecasting, treasury management, debt origination and the monitoring of internal financial controls. Frankie also supports the Fund Manager with the Company's capital market activity, which includes the recent equity issuances and debt financings.

Prior to joining Tritax Frankie spent three years as Financial Controller at Primary Health Properties Plc (PHP), a healthcare focussed REIT, which had total AUM of just under £1 billion. He trained and qualified as a Chartered Accountant with PKF (UK) LLP, which subsequently merged with BDO LLP, where he acted as Assistant Manager. In all, Frankie has over 10 years' experience working in the real estate industry.

Olivia Cox non practising solicitor
Deputy Company Secretary
Olivia joined the Tritax group in March 2015 as deputy company secretary to the Company. She is a non-practising solicitor who completed her training contract with Berwin Leighton Paisner LLP in 2003, specialising in Real Estate. She then joined Clifford Chance LLP in 2007, where she continued to specialise in Real Estate with a particular focus on corporate Real Estate and hotel development and management.

RESPONSIBLE BUSINESS

Being responsible and sustainable is important for our long-term financial success. Our approach helps ensure our properties are suited to current and future tenants' needs and continue to meet evolving legislative requirements. This provides our properties with defensive qualities, makes them attractive to the market and therefore underpins the potential for longer-term income.

As a responsible owner, we want our properties to minimise their impact on the local and wider environment. We therefore 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.

An Energy Performance Certificate (EPC) is a key measure of an asset's energy efficiency. An EPC is required by law whenever a building is bought, sold or rented, and grades the property from A (most efficient) to G (least efficient). Under the Minimum Energy Efficiency Standards, it will be unlawful from 1 April 2018 for landlords to grant a new lease on an asset with an EPC rating below E. By gross internal area our portfolio is rated: "A" 21%, "B" 24% and "C" 32%. None of our properties are rated "F" or "G".

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.

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. For forward funded developments, we also consider the specification, how it will be built and the inclusion of environmental elements such as rainwater harvesting and renewable power.

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.

Our tenants are responsible for an asset's environmental performance in use, such as its greenhouse gas emissions or water consumption. We do not purchase any utilities and we cannot use the lease terms to influence how the tenant operates. As a result, we do not submit performance data to benchmarking indices such as the Global Real Estate Sustainability Benchmark. However, many of our tenants have corporate responsibility targets and we therefore encourage and help them to adopt sustainable business practices.

All of our assets are let to single tenants. We look to develop strong relationships with them, so we can work together to understand their property requirements and provide environmentally efficient Big Boxes which suit their needs. Our business plan for each asset therefore identifies opportunities to enhance its environmental attributes. Eight of our properties harvest rainwater and five have either solar or wind generated power. By working with our tenants, 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 tenants who want to make alterations to assets to support their employees, such as adding bus stops or staff shops.

Our assets provide important benefits to their local communities. They help our tenants to create jobs, often in areas where traditional industries have declined, boosting the local economy. They also support economic activity more broadly, by underpinning our tenants' efficient operation and helping them succeed.
As an externally managed business, we do not have any 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 is 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 employment practices. The Manager has a bespoke bonus payment policy and low staff turnover.

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 sub-sector 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, given we do not undertake speculative development, we have high-quality tenants, with a portfolio of modern buildings and sector-leading WAULT.

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

Principal risks and uncertainties
Our principal risks and uncertainties are set out below. They have the potential to materially affect our business, either favourably or unfavourably. Some risks may currently be unknown, while others that we currently regard as immaterial, and have therefore not been included here, may turn out to be material in the future. All principal risks are the same as detailed in the 2015 Annual Report, with the exception of the Political Risk impact of the EU Referendum on the performance of the Company.

Property risks

1. Default of one or more tenants

PROPBABLIITY: LOW	IMPACT: LOW TO MODERATE	MITIGATION
Change in year: none	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.	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 retailer. 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. 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 in assets that are strategically important to the tenant's business.

2. The performance and valuation of the property portfolio

PROPBABLIITY: LOW	IMPACT: MODERATE TO HIGH	MITIGATION
Change in year: none	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	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 and interest cover. This headroom is currently substantial.

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

PROPBABLIITY: MODERATE	IMPACT: LOW	MITIGATION
Change in year: up	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.	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 and the continued growth of online retail

PROPBABLIITY: LOW	IMPACT: MODERATE	MITIGATION
Change in year: none	Our focus on the Big Box sector means we directly rely on the distribution requirements of UK retailers. Insolvencies among the larger	The diversity of our institutional-grade tenant base means the impact of default of any one

retailers and online retailers could affect our revenues and property valuations.

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.

5. Development activities are likely to involve a higher degree of risk than associated with standing assets.

PROPBABLIITY: LOW

Change in year: none

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

Only two of the Company's current portfolio of 35 assets as at 31 December 2016 are forward funded assets, representing 6.6% of the value of our portfolio (on a completed basis). 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 over-runs. 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.

Financial risks

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

PROPBABLIITY: MODERATE

Change in year: none

IMPACT: MODERATE

Interest on our 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 at 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.

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

PROPBABLIITY: MODERATE

Change in year: none

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 re-finance existing debt, this will impair our ability to maintain our targeted level of dividend.

MITIGATION

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 funds. In October 2015, we arranged a £500 million five year secured debt facility with a syndicate of four lenders. We had headroom of £150 million within the facility at the year-end. This has created new banking relationships for us, which helps keep lending terms competitive.

8. We must be able to operate within our banking covenants

PROPBABLIITY: LOW

Change in year: none

IMPACT: LOW

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

MITIGATION

We continually monitor our banking covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. Our LTV is low and we enter into interest rate caps to mitigate the risk of interest rate rises and also invest in assets let to institutional-grade tenants. We also seek to maintain a long WAULT.

Corporate risk

9. We rely on the continuance of the Manager

PROPBABLIITY: LOW

Change in year: down

PROPBABLIITY: 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 effectively manage our

PROPBABLIITY: LOW

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

	operations and may have a negative impact on the share price of the Company.	the Manager, to ensure we maintain a positive working relationship. The Investment Management Agreement was amended during the period, see the Management Engagement Committee Report.

Taxation risk

10. 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.

PROPBABLIITY: LOW	**PROPBABLIITY: LOW TO MODERATE**	**PROPBABLIITY: LOW**
Change in year: up	If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.	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

11. 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.

PROPBABLIITY: LOW	**PROPBABLIITY: LOW TO MODERATE**	**PROPBABLIITY: LOW**
Change in year: up	At present, the UK Government has communicated very little detail on its strategy to negotiate the exit from the EU. The eventual outcome and the way that policies over an exit will be negotiated is impossible to predict at this time.	The Group operates with a sole focus in 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.

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 30% as at 31 December 2016.

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 2016 was £170.7 million, of which £165.0 million was readily available. It also had undrawn amounts under its debt facilities of a further £150.0 million. The Company did have capital commitments totalling £82.4 million, plus a contingent liability reflecting the conditional exchange of contracts on two forward funded asset purchases, subject to satisfactory planning permission with an investment price of £101.8 million.

In March 2017 the Company also agreed terms on a new debt facility which made available a further £90 million, which was secured against four of the Group's assets.

As a result, the Directors believe that the Company is well placed to manage its financing 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 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.

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 2021. 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 table 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 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 2021.

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: based on the Group's current commitments and available facilities there is a refinancing event representing 73% of the Group's current level of borrowing commitments due in October 2020. In the normal course of business, 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 2021.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

BOARD APPROVAL OF THE STRATEGIC REPORT
The Strategic Report was approved on behalf of the Board by:

Richard Jewson Chairman
7 March 2016

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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Strategic Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

Website publication
The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' 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.

Signed on behalf of the Board by:
Richard Jewson Chairman
7 March 2017

	Note	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Gross rental income	6	**74,656**	43,784
Service charge income	6	**2,248**	1,415
Service charge expense	7	**(2,323)**	(1,431)
Net rental income		**74,581**	43,768

Administrative and other expenses	8	**(11,708)**	(7,830)
Operating profit before changes in fair value of investment properties		**62,873**	35,938
Changes in fair value of investment properties	15	**47,514**	106,751
Operating profit		**110,387**	142,689
Finance income	10	**216**	272
Finance expense	11	**(11,555)**	(6,983)
Changes in fair value of interest rate derivatives	21	**(7,153)**	(1,994)
Profit before taxation		**91,895**	133,984
Tax charge on profit for the year	12	**-**	-
Total comprehensive income (attributable to the Shareholders)		**91,895**	133,984
Earnings per share - basic	13	**10.52p**	21.56p
Earnings per share - diluted	13	**10.51p**	21.54p

GROUP STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	**At 31 December 2016 £'000**	At 31 December 2015 £'000
Non-current assets			
Investment property	15	**1,803,111**	1,157,854
Interest rate derivatives	21	**3,173**	8,635
Total non-current assets		**1,806,284**	1,166,489
Current assets			
Trade and other receivables	17	**9,157**	19,733
Cash held at bank	18	**170,693**	68,586
Total current assets		**179,850**	88,319
Total assets		**1,986,134**	1,254,808
Current liabilities			
Deferred rental income		**(19,464)**	(11,828)
Trade and other payables	19	**(18,635)**	(24,243)
Total current liabilities		**(38,099)**	(36,071)
Non-current liabilities			
Bank borrowings	20	**(533,500)**	(377,635)
Total non-current liabilities		**(533,500)**	(377,635)
Total liabilities		**(571,599)**	(413,706)
Total net assets		**1,414,535**	841,102
Equity			
Share capital	24	**11,051**	6,778
Share premium reserve	25	**589,384**	52,738
Capital reduction reserve	26	**546,377**	605,758
Retained earnings	27	**267,723**	175,828
Total equity		**1,414,535**	841,102
Net asset value per share - basic	28	**128.00p**	124.09p
Net asset value per share - diluted	28	**127.93p**	124.01p
EPRA net asset value per share	28	**129.00p**	124.68p

These financial statements were approved by the Board of Directors on 07 March 2017 and signed on its behalf by:

Richard Jewson
Chairman

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity Shareholders)	15	**91,895**	133,984
Less: changes in fair value of investment properties	21	**(47,514)**	(106,751)
Add: changes in fair value of interest rate derivatives	10	**7,153**	1,994
Less: finance income	11	**(216)**	(272)
Add: finance expense		**11,555**	6,983
Accretion of tenant lease incentive		**(10,230)**	(2,206)
Increase in trade and other receivables		**9,740**	(12,135)
Increase in deferred income		**5,470**	3,597
Increase in trade and other payables		**393**	162
Cash received as part of corporate acquisitions		**2,045**	1,283
Cash generated from operations		**70,291**	26,639

	Note	2016	2015
Tax paid		**(21)**	(112)
Net cash flow generated from operating activities		**70,270**	26,527
Investing activities			
Purchase of investment properties		**(600,761)**	(437,607)
Licence fees received		**6,694**	16,590
Interest received		**257**	289
Amounts transferred into restricted cash deposits	18	**(538)**	(5,851)
Amounts transferred out of restricted cash deposits	18	**4,268**	783
Net cash flow used in investing activities		**(590,080)**	(425,796)
Financing activities			
Proceeds from issue of Ordinary Share capital		**551,078**	229,520
Cost of share issues		**(10,159)**	(4,726)
Bank borrowings drawn	20	**311,485**	186,897
Bank borrowings repaid	20	**(155,000)**	(5,500)
Loan arrangement fees paid		**(2,276)**	(6,080)
Bank interest paid		**(9,994)**	(5,663)
Interest rate cap premium paid		**(1,691)**	(8,324)
Proceeds from disposal of interest rate cap		-	74
Dividends paid to equity holders		**(57,796)**	(22,027)
Net cash flow generated from financing activities		**625,647**	364,171
Net increase/(decrease) in cash and cash equivalents for the year		**105,837**	(35,098)
Cash and cash equivalents at start of the year	18	**59,208**	94,306
Cash and cash equivalents at end of the year	18	**165,045**	59,208

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2016	**6,778**	**52,738**	**605,758**	**175,828**	**841,102**
Total comprehensive income	**-**	**-**	**-**	**91,895**	**91,895**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (February 2016)	1,613	198,387	-	-	200,000
Share issue expenses in relation to Equity issue (February 2016)	-	(3,896)	-	-	(3,896)
Shares issued in relation to further Equity issue (October 2016)	2,652	347,348	-	-	350,000
Share issue expenses in relation to Equity issue (October 2016)	-	(6,263)	-	-	(6,263)
Shares issued in relation to management contract	8	1,070	-	-	1,078
Share based payments	-	-	-	1,250	1,250
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(1,250)	(1,250)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2015 (3.00 pence)	-	-	(20,335)	-	(20,335)
First interim dividend for the year ended 31 December 2016 (3.10 pence)	-	-	(26,026)	-	(26,026)
Second interim dividend for the year ended 31 December 2016 (1.50 pence)	-	-	(13,020)	-	(13,020)
31 December 2016	**11,051**	**589,384**	**546,377**	**267,723**	**1,414,535**
1 January 2015	**4,705**	**272,536**	**184,444**	**41,844**	**503,529**
Total comprehensive income	**-**	**-**	**-**	**133,984**	**133,984**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (March 2015)	1,591	173,409	-	-	175,000
Share issue expenses in relation to Equity issue (March 2015)	-	(3,547)	-	-	(3,547)
Shares issued in relation to further Equity issue (June 2015)	477	53,522	-	-	53,999
Share issue expenses in relation to Equity issue (June 2015)	-	(1,078)	-	-	(1,078)
Shares issued in relation to management contract	5	515	-	-	520
Share based payments	-	-	-	836	836
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(836)	(836)
Cancellation of share premium account	-	(442,619)	442,619	-	-
Dividends paid:					
Third interim dividend for the period ended 31 December 2014 (0.80p)	-	-	(3,764)	-	(3,764)
First interim dividend for the year ended 31					

December 2015 (1.00p)	-	-	(4,707)	-	(4,707)
Second interim dividend for the year ended 31 December 2015 (1.50p)	-	-	(9,446)	-	(9,446)
Third interim dividend for the year ended 31 December 2015 (0.50p)	-	-	(3,388)	-	(3,388)
31 December 2015	**6,778**	**52,738**	**605,758**	**175,828**	**841,102**

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Corporate information
The consolidated financial statements of the Group for the year ended 31 December 2016 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 2016. The Company is a public listed 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 financial information does not constitute the Group's statutory accounts for either the year ended 31 December 2016 or the year ended 31 December 2015 but is derived from those accounts. Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies and those for the period ended 31 December 2016 will be delivered following the Company's Annual General Meeting. The Auditor's reports on both the 2015 and 2016 accounts was unmodified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006.

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 in the Group Statement of Comprehensive Income relates to the year ended 31 December 2015.

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 thousand (£'000), 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:

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 - Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by 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 counter parties 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.

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 of 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 period 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. 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 written-off 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 its 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. Premiums payable under such arrangements are initially capitalised into the Group Statement of Financial Position; subsequently they are remeasured and held at their fair values.

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 when the probability of recovery is assessed as being remote.

4.8. Forward funded pre-let investments

The Group enters into forward funding agreements for pre-let investments.

4.8.1. Forward funded prepayments

Under the terms of certain Development Funding Agreements, the Group may choose to pay the total fixed price construction cost to the developer upon entering into the Agreement, which is to be held in a restricted bank account. This will be classified as a forward funded prepayment on the Group Statement of Financial Position. As construction costs are incurred, funds are released subject to the authorisation of the Group's subsidiary that has contracted the development, along with appropriate monitoring surveyor sign off. Accordingly, the initial amount paid into the restricted bank account shown as a forward funded prepayment, will reduce as construction costs are incurred and funds are released from the restricted account and capitalised accordingly.

4.8.2. Licence fees receivable

During the period between initial investment in a forward funded agreement and the rent commencement date, 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 includes 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 ringfenced accounts to cover future rent-free periods; this is not available for everyday use.

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.

4.11 Bank borrowings
All bank borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, all bank borrowings are measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs.

4.12. Share-based payments
The expense relating to share based payments is accrued over the period 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 become 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 in advance and for all rental income that relates to a future period, this is deferred and appears with 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.

4.14.2. Service charges, insurances and other expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period 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. All other finance costs are expensed 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 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);
IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018); and
IFRS 16: Leases (effective 1 January 2019 subject to EU endorsement).

The Directors are currently assessing the impact on the financial statements of the standards listed above; however at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

6. Total property income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Rental income - freehold property	**49,559**	32,893
Rental income - long leasehold property	**14,853**	8,685
Spreading on tenant incentives and guaranteed rental uplifts	**10,230**	2,206
Lease premiums	**14**	-
Gross rental income	**74,656**	43,784

Property insurance recoverable	**1,830**	1,234
Service charges recoverable	**418**	181
Total insurance/service charge income	**2,248**	1,415
Total property income	**76,904**	45,199

There are no individual tenants representing more than 10% of gross rental income present during the year. In 2015 there were three tenants representing £4.9 million, £5.5 million and £5.7 million respectively of gross rental income, each representing more than 10% of gross rental income.

7. Service charge expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Property insurance expense	**2,259**	1,250
Service charge expense	**64**	181
Total property expenses	**2,323**	1,431

8. Administrative and other expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Investment management fees	**9,502**	6,310
Directors' remuneration (note 9)	**205**	173
Auditor's fees		
-Fees payable for the audit of the Company's annual accounts	**171**	129
-Fees payable for the audit of the Company's interim accounts	**26**	20
-Fees payable for the audit of the Company's subsidiaries	**40**	32
-Fees payable for taxation services	**198**	75
Total Auditor's fee	**435**	256
Corporate administration fees	**374**	358
Regulatory fees	**39**	25
Legal and professional fees	**702**	448
Marketing and promotional fees	**121**	94
Other administrative costs	**330**	166
	11,708	7,830

The Auditor has also received £140,000 (2015: £67,000) in respect of providing reporting accountant services in connection with the two equity issuances occurring during the year. A total £86,000 (2015: £132,000) 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 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 2016 £'000	Year ended 31 December 2015 £'000
Directors' fees	**184**	155
Employer's National Insurance	**21**	18
	205	173

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

	For year ended 31 December 2016 £'000	For year ended 31 December 2015 £'000
Interest received on bank deposits	**216**	272
	216	272

11. Finance expense

	Year ended 31 December 2016 £'000	Year ended to 31 December 2015 £'000
Interest payable on bank borrowings	**9,366**	5,843
Commitment fees payable on bank borrowings	**536**	118
Swap interest payable	**89**	76
Amortisation of loan arrangement fees	**1,564**	946
	11,555	6,983

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings of £10.48 million (2015: £6.48 million) of which £0.58 million were capitalised in the year (2015: £0.52 million) and amortisations of loan arrangement fees of £1.68 million (2015: £1.08 million) of which £0.11 million (2015: £0.13 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 period.

12. Taxation

a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
UK corporation tax	**-**	-

The Government announced its intention to further reduce the UK corporation tax rates from 19% to 17% from 1 April 2017. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2016.

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 2016 £'000	Year ended 31 December 2015 £'000
Profit on ordinary activities before taxation	**91,895**	133,984
Theoretical tax at UK corporation tax rate of 20.00% (31 December 2015: 20.25%)	**18,379**	27,131
REIT exempt income	**(10,487)**	(5,927)
Non-taxable items	**(8,072)**	(21,114)
Transfer pricing adjustment	**534**	343
Residual losses	**(354)**	(433)
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 2016	Net profit attributable to Ordinary Shareholders £'000	Weighted average number of Ordinary Shares[1] Number	Earnings per share Pence
Basic earnings per share	**91,895**	**873,562,775**	**10.52p**
Adjustment for dilutive shares to be issued		533,132	
Diluted earnings per share	**91,895**	**874,095,907**	**10.51p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(47,514)		
Changes in fair value of interest rate derivatives (note 21)	7,153		
EPRA[2] basic earnings per share	**51,534**	**873,562,775**	**5.90p**
EPRA[2] diluted earnings per share	**51,534**	**874,095,907**	**5.90p**
Adjustments to include:			
Licence fee receivable on forward funded developments	7,956		
Rental income recognised in respect of fixed uplifts	(3,571)		
Loan amortisation	1,564		
Interest capitalised on forward funded developments	(581)		
Adjusted basic earnings per share	**56,902**	**873,562,775**	**6.51p**
Adjusted diluted earnings per share	**56,902**	**874,095,907**	**6.51p**
For the year ended 31 December 2015			
Basic earnings per share	**133,984**	**621,514,696**	**21.56p**
Adjustment for dilutive shares to be issued		415,179	
Diluted earnings per share	**133,984**	**621,929,875**	**21.54p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(106,751)		
Changes in fair value of interest rate derivatives (note 21)	1,994		
EPRA[2] basic earnings per share	**29,227**	**621,514,696**	**4.70p**
EPRA[2] diluted earnings per share	**29,227**	**621,929,875**	**4.70p**
Adjustments to include:			
Licence fee receivable on forward funded developments	9,519		
Interest capitalised on forward funded developments	(708)		
Adjusted basic earnings per share	**38,038**	**621,514,696**	**6.12p**
Adjusted diluted earnings per share	**38,038**	**621,929,875**	**6.12p**

1 Based on the weighted average number of Ordinary Shares in issue throughout the year.
2 European Public Real Estate Association.

Adjusted earnings is a performance measure used by the Board to assess 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 period are added to earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments. The Board compares the Adjusted earnings to the available distributable reserves when considering the level of dividend to pay.

The adjustment for license fee receivable is calculated by reference to the fraction of the total period of completed construction during the period, multiplied by the total licence fee receivable on a given forward funded asset.

Fixed rental uplift adjustments relate to adjustments to net rental income in relation to 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.

Adjusted earnings have historically been reconciled to include material cash flows received in respect of the developers licence fee and paid in respect of interest capitalised. The Board has decided to align this fully with earnings supported by net cash inflows. This also included adjustments for other items such as fixed rentals and loan arrangements fees. These adjustments have historically been insignificant.

14. Dividends paid

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share (Third interim for 31 December 2014 at 0.80 pence per Ordinary Share)	**20,335**	3,764
First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share (31 December 2015: 1.00 pence)	**26,026**	4,707
Second interim dividend in respect of year ended 31 December 2016 at 1.55 pence per Ordinary Share (31 December 2015: 1.50p)	**13,020**	9,446
Third interim dividend in respect of year ended 31 December 2015 at 0.50 pence per Ordinary Share	-	3,388
Total dividends paid	**59,381**	21,305
Total dividends paid for the year	**4.65p**	3.00p
Total dividends unpaid but declared for the year	**1.55p**	3.00p
Total dividends declared for the year	**6.20p**	6.00p

On 1 August 2016, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2016 to 30 June 2016 of 3.10 pence per Ordinary Share, which was payable on 25 August 2016 to Ordinary Shareholders on the register on 18 August 2016.

On 28 September 2016, the Company announced the declaration of a second interim dividend in respect of the period 1 July 2016 to 30 September 2016 of 1.55 pence per Ordinary Share which was payable on 27 October 2016 to Shareholders on the register on 14 October 2016.

On 7 March 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 September 2016 to 31 December 2016 of 1.55 pence per Ordinary Share which will be payable on or around 3 April 2017 to Shareholders on the register on 16 March 2017.

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 - Professional Standards January 2014 ("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 have 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 £'000	Investment property long leasehold £'000	Investment property under construction £'000	Total £'000
As at 1 January 2016	720,891	260,695	176,268	1,157,854
Property additions[2]	268,265	158,881	160,367	587,513
Fixed rental uplift and tenant lease incentives[1]	7,752	2,478	-	10,230
Transfer of completed property to investment property	259,281	-	(259,281)	-
Change in fair value during the year	21,939	14,790	10,785	47,514
As at 31 December 2016	1,278,128	436,844	88,139	1,803,111
As at 1 January 2015	467,320	110,150	8,709	586,179
Property additions	152,983	133,363	176,372	462,718
Fixed rental uplift and tenant lease incentives[1]	2,132	74	-	2,206
Transfer of completed property to investment property	41,191	-	(41,191)	-
Change in fair value during the period	57,265	17,108	32,378	106,751
As at 31 December 2015	**720,891**	**260,695**	**176,268**	**1,157,854**

1 Included within the carrying value of investment property is £13.37 million (2015: £3.14 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed 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 £4.83 million in the year (2015: £21.42 million).

	31 December 2016 £'000	31 December 2015 £'000
Investment property at fair value per Group Statement of Financial Position	**1,803,111**	1,157,854

Licence fee receivable	**2,520**	4,602
Capital commitments	**82,401**	139,221
Restricted cash (note 18)	**5,648**	9,378
Total portfolio valuation*	**1,893,680**	1,311,055

* Including costs to complete on forward funded development assets.

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These costs are not provided for in the statement of financial position, refer to note 31.

Cash received in respect of future rent-free periods represents amounts which 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 generative throughout the lease and therefore includes this cash in the value.

Licence fees which have been billed but not received from the developer in relation to the property and 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 £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value:					
Investment properties	31 December 2016	1,803,111	-	-	1,803,111
Investment properties	31 December 2015	1,157,854	-	-	1,157,854

There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of Market Value (MV), which is defined in the RICS Valuation Standards, as:

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

Market Value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRS.

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques: 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: £838,500 - £5,563,733 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: 4.15% - 6.93%).

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 £'000	+5% in passing rent £'000	+0.25% in net initial yield £'000	-0.25% in net initial yield £'000
(Decrease)/increase in the fair value of investment properties as at 31 December 2016	(94,684)	94,684	(91,394)	101,158
(Decrease)/increase in the fair value of investment properties as at 31 December 2015	(65,553)	65,553	(63,563)	69,716

16. Investments
The Group comprises a number of companies, all subsidiaries included within these financial statements are noted below:

Country of

	Principal Activity	incorporation	Ownership %
TBBR Holdings 1 Limited	Investment Holding Company	Jersey	100%
TBBR Holdings 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 1 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 REIT Acquisition 4 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 5 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Tritax Acquisition 6 Limited	Investment Holding Company	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Acquisition 7 Limited	Investment Holding Company	Jersey	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 REIT Acquisition 10 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 11 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 12 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 13 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 14 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Acquisition 15 Limited	Investment Holding Company	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 REIT Acquisition 17 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 18 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Acquisition 19 Limited	Investment Holding Company	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Acquisition 20 Limited	Investment Holding Company	Jersey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 21 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 22 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 23 Limited	Investment Holding Company	UK	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	Investment Holding 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 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%

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-1855 Grand-Duchy of Luxembourg

17. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	**5,418**	2,110

Licence fee receivable	**2,520**	4,602
Prepayments and other receivables	**1,219**	98
VAT	-	12,923
	9,157	19,733

As at 31 December 2016, some trade receivables were past due but not impaired, as set out below.

Past due but not impaired		
< 30 days	**4,522**	1,202
30-60 days	**147**	-
60-90 days	**640**	853
90 days +	**109**	55
	5,418	2,110

18. Cash held at bank

	31 December 2016 £'000	31 December 2015 £'000
Cash and cash equivalents to agree with cash flow	**165,045**	59,208
Restricted cash	**5,648**	9,378
	170,693	68,586

Restricted cash 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 an account at the bank that has debt security over the asset to cover the periods of cash shortfall as set out in the lease. The restricted cash is not readily convertible to cash available on demand.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £165.05 million (2015: £59.21 million) as at the year-end, which excludes long-term restricted and ringfenced cash deposits totalling £5.65 million (2015: £9.38 million). Total cash held at bank as reported in the Group Statement of Financial Position is £170.69 million (2015: £68.59 million).

19. Trade and other payables

	31 December 2016 £'000	31 December 2015 £'000
Trade and other payables	**12,679**	19,969
Bank loan interest payable	**1,903**	1,326
Accruals	**3,574**	2,881
VAT	**195**	-
Tax liability	**284**	67
	18,635	24,243

The tax liability arises from the acquisition of a number of special purpose vehicles (SPV's) during the current and prior period. 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. Bank borrowings

A summary of the drawn and undrawn bank borrowings in the period is shown below:

	Bank borrowings drawn £'000	Bank borrowings undrawn £'000	Total £'000
As at 1 January 2016	385,041	184,485	569,526
New bank borrowings agreed in the year	72,000	-	72,000
Bank borrowings drawn in the year under existing facilities	239,485	(84,485)	155,000
Bank borrowings repaid in the year	(155,000)	-	(155,000)
Increase in Syndicated bank borrowings agreed in the year	-	50,000	50,000
As at 31 December 2016	**541,526**	**150,000**	**691,526**
As at 1 January 2015	203,644	13,172	216,816
Bilateral bank borrowings agreed in the year	84,740	21,313	106,053
Bank borrowings refinanced in the year	(253,343)	-	(253,343)
Syndicated bank borrowings agreed in the year	350,000	150,000	500,000
As at 31 December 2015	**385,041**	**184,485**	**569,526**

On 3 August 2016, the Group announced that it had agreed a new long-term, interest only, fixed rate term loan facility of £72 million with Canada Life Investments, secured against a portfolio of three standing assets. The facility, which was drawn in full immediately, is repayable on 30 April 2029 and has a fixed all-in rate payable of 2.64% per annum. The amounts drawn down under the facility will be segregated and non-recourse to the Company.

Each of the Group's debt facilities has either a floating or fixed interest charge which is payable quarterly. The weighted average margin payable by the Group on its debt portfolio as at the year-end was 1.43% (2015: 1.42%) above 3 month Libor or the referenced Gilt rate.

The Group has been in compliance with all of the financial covenants of the above facilities as applicable throughout the year covered by these financial statements.

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

	31 December 2016 £'000	31 December 2015 £'000
Bank borrowings drawn: due in more than one year	**541,526**	385,041
Less: Unamortised costs	**(8,026)**	(7,406)
Non-current liabilities: Bank borrowings	**533,500**	377,635

Maturity of bank borrowings

	31 December 2016 £'000	31 December 2015 £'000
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	**418,660**	385,041
Repayable in over 5 years	**122,866**	-
	541,526	385,041

On 1 August 2016, following completion of the Ocado distribution warehouse at Erith, 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 2020 to July 2023.

The weighted average term to maturity of the Group's debt as at the year-end is 4.8 years. The syndicated facility has a one-year extension option remaining, exercisable on the second anniversary 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 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. Interest rate caps and an interest rate swaps have been taken out in respect of each loan drawn to fix or cap the rate to which 3 month Libor can rise, with each running coterminous to the initial term of the respective loans.

The weighted average capped rate for the Group as at the year-end was 1.39% (2015: 1.52%), 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 2.82% (2015: 2.94%). The total premium payable in the year towards securing the interest rate caps was £1.69 million (2015: £8.33 million).

	31 December 2016 Drawn £'000	31 December 2015 Drawn £'000
Non-current assets: Interest rate derivatives	**3,173**	8,635

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. Due to a flattening of the yield curve stimulated by a reduction in medium term interest rates during the course of 2016, the interest rate derivative valuations have reduced in comparison to the previous year.

	31 December 2016 Drawn £'000	31 December 2015 Drawn £'000
Interest rate derivative valuation brought forward	**8,635**	2,379
Interest rate cap premium paid	**1,691**	8,325
Disposal of interest rate cap	**-**	(75)
Changes in fair value of interest rate derivatives	**(7,153)**	(1,994)
	3,173	8,635

As part of the Group refinancing in 2015, on repayment of the borrowings to Santander, the Group disposed of one interest rate cap held against the loan. The Group received proceeds of £0.08 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 term loan arrangements. As at the year-end date the total proportion of debt either hedged via interest rate derivatives or subject to fixed term loan agreements equated to 99.68%, as shown below.

	31 December 2016 Drawn £'000	31 December 2015 Drawn £'000
Total bank borrowings (note 20)	**541,526**	385,041
Notional value of interest rate derivatives	**539,813**	384,854
Proportion of hedged debt	**99.68%**	99.95%

Fair value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

	Date of valuation	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Asset measured at fair value:					
Interest rate derivatives	31 December 2016	3,173	-	3,173	-
Interest rate derivatives	31 December 2015	8,635	-	8,635	-

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 periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

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 2016 £'000	Fair value 31 December 2016 £'000	Book value 31 December 2015 £'000	Fair value 31 December 2015 £'000
Financial assets				
Interest rate derivatives	**3,173**	**3,173**	8,635	8,635
Trade and other receivables[1]	**7,970**	**7,970**	6,786	6,786
Cash held at bank	**170,693**	**170,693**	68,586	68,586
Financial liabilities				
Trade and other payables[2]	**18,351**	**18,351**	24,176	24,176
Bank borrowings	**541,526**	**543,620**	385,041	385,041

1 Excludes VAT certain prepayments, other debtors and forward funded prepayments.
2 Excludes tax and VAT liabilities.

Interest rate derivatives are the only financial instruments classified at fair value through profit and loss. 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 £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Liabilities measured at fair value:					
Bank borrowings	31 December 2016	69,906	-	69,906	-
Bank borrowings	31 December 2015	-	-	-	-

In August 2016, the Group arranged a fixed rate loan totalling £72 million for 13 years. 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 reference was the Treasury 6% 2028 Gilt, 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.

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 profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £2.71 million or a decrease of £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 balance sheet 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. Any rentals past due as at the period end were received shortly after the year-end.

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 £'000	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
31 December 2016						
Bank borrowings	-	2,656	7,967	499,861	85,940	596,424
Trade and other payables	-	18,351	-	-	-	18,351
	-	21,007	7,967	499,861	85,940	614,775
31 December 2015						
Bank borrowings	-	1,947	5,842	413,599	-	421,388
Trade and other payables	-	24,176	-	-	-	24,176
	-	26,123	5,842	413,599	-	445,564

Included within the contracted payments is £54.90 million (2015:£36.35 million) of bank 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 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 target of 40% of the Group's gross assets.

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels which include loan to value (LTV), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year-end was 30.0% (2015: 33.2%).

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 2016 Number	**31 December 2016 £'000**	31 December 2015 Number	31 December 2015 £'000
Issued and fully paid at 1 pence each	**1,105,159,529**	**11,051**	**677,840,088**	**6,778**
At beginning of period - £0.01 Ordinary Shares	677,840,088	6,778	470,495,220	4,705
Shares issued in relation to further Equity issuance	426,441,838	4,265	206,878,516	2,068
Shares issued in relation to management contract	877,603	8	466,352	5
At end of year	**1,105,159,529**	**11,051**	**677,840,088**	**6,778**

On 27 January 2016, the Company announced that it intended to proceed with a proposed Open Offer, institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 124 pence per share. Following this on 12 February 2016 the Company announced it has exercised its right to increase the size of the issue, due to excess demand, to £200 million. As a result, a total of 161,290,323 Ordinary Shares were issued at a price of 124 pence per Ordinary Share, of which 53,513,170 Ordinary Shares were issued pursuant to the Open Offer, 7,435,906 Ordinary Shares were issued pursuant to the Offer for Subscription, 60,018,666 Ordinary Shares were issued under the Placing and 40,322,581 Ordinary Shares were issued under the Tap Issue.

On 27 May 2016 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 410,710 Ordinary Shares at an issue price per Ordinary Share of 121.09 pence.

On 26 September 2016 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 466,874 Ordinary Shares at an issue price per Ordinary Share of 124.48 pence.

On 28 September 2016, the Company announced that it intended to proceed with a proposed Open Offer, institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 132 pence per share. Following this on 14 October 2016, the Company announced it had exercised its right to increase the size of the issue, due to demand significantly exceeding the target level, to £350 million. As a result, a total of 265,151,515 Ordinary Shares were issued at a price of 132 pence per Ordinary Share, of which 76,364,364 Ordinary Shares were issued pursuant to the Open Offer, 29,628,265 Ordinary Shares were issued pursuant to the Offer for Subscription, 83,401,310 Ordinary Shares were issued under the Placing and 75,757,576 Ordinary Shares were issued under the Tap Issue.

25. Share premium
The share premium relates to amounts subscribed for share capital in excess of nominal value:

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	52,738	272,536
Share premium on Ordinary Shares issued in relation to further equity issuance	545,735	226,931
Share issue expenses in relation to further Equity issuance	(10,159)	(4,625)
Transfer to capital reduction reserve (see note 26)	-	(442,619)
Share premium on Ordinary Shares issued to management	1,070	515
Balance at end of year	589,384	52,738

26. Capital reduction reserve

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	**605,758**	184,444
Transfer from share premium	-	442,619
Fourth interim dividend for the period ended 31 December 2015	**(20,335)**	(3,764)
First interim dividend for the year ended 31 December 2016	**(26,026)**	(4,707)
Second interim dividend for the year ended 31 December 2016	**(13,020)**	(9,446)
Third interim dividend for the year ended 31 December 2015	-	(3,388)
Balance at end of year	**546,377**	605,758

Please refer to note 14 for details of the declaration of dividends to Shareholders.

27. Retained earnings

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	**175,828**	41,844

Retained profit for the year	**91,895**	133,984
Balance at end of year	**267,723**	175,828

Retained earnings relate 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.

Net asset values have been calculated as follows:

	31 December 2016 £'000	31 December 2015 £'000
Net assets per Group Statement of Financial Position	**1,414,535**	841,102
EPRA NAV (See notes to the EPRA performance measures)	**1,426,185**	845,673
Ordinary Shares:		
Issued share capital (number)	**1,105,159,529**	677,840,088
Basic net asset value per share	**128.00p**	124.09p
Dilutive shares in issue (number)	**533,132**	415,179
Diluted net asset value per share	**127.93p**	124.01p
Basic EPRA NAV per share	**129.05p**	124.76p
Dilutive shares in issue (number)	**533,132**	415,179
Diluted EPRA NAV per share	**129.00p**	124.68p

EPRA NAV is calculated as net assets per the Consolidated Statement of Financial Position excluding fair value adjustments for debt-related derivatives.

29. Operating leases

The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
31 December 2016	84,654	354,073	1,014,435	1,453,162
31 December 2015	49,828	194,416	476,899	721,143

The Group's investment properties are leased to single tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward only rent reviews which are linked to either RPI/CPI, open market or with fixed uplifts.

30. Transactions with related parties

For the year ended 31 December 2016 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 £2.74 million (2015: £2.34 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £1.25 million (2015: £0.84 million), of which £0.67 million (2015: £0.50 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 £1.55 million (2015: £0.72 million) in respect of agency services for the year; this represents a total of 36% of agency fees paid by the Group during the year. There were £0.04 million (2015: £0.07) of 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.

31. Capital commitments

The Group had capital commitments of £82.4 million in relation to its forward funded pre-let development assets outstanding as at 31 December 2016 (31 December 2015: £138.96 million). All commitments fall due within one year from the date of this report.

32. Subsequent events

On 22 February 2017, the Company announced that it has completed on the land and exchanged contracts to provide forward funding for the development of a new distribution centre at Sigma Park, Didcot, Oxfordshire, pre-let to Hachette UK Ltd. The Development represents an investment of £29.24 million.

On 1 March 2017, the Company announced that it had completed and drawn down on a new 10 year loan facility with PGIM. The new loan was for a total of £90 million has a fixed interest rate payable of 2.54%.

33. 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. The investment price was £101.80 million.

COMPANY BALANCE SHEET

Company Registration Number: 08215888

	At 31 December 2016 £'000	At 31 December 2015 £'000

	Note		
Non-current assets			
Investment in subsidiaries	4	**812,666**	547,810
Total non-current assets		**812,666**	547,810
Current assets			
Trade and other receivables	5	**363,488**	186,507
Cash held at bank	6	**109,813**	22,381
Total current assets		**473,301**	208,888
Total assets		**1,285,967**	756,698
Current liabilities			
Trade and other payables	7	**(5,007)**	(2,903)
Loans from group companies		**(51,233)**	(53,224)
Total current liabilities		**(56,240)**	(56,127)
Total liabilities		**(56,240)**	(56,127)
Total net assets		**1,229,727**	700,571
Equity			
Share capital	8	**11,051**	6,778
Share premium reserve	9	**589,384**	52,738
Capital reduction reserve	10	**546,377**	605,758
Retained earnings		**82,915**	35,297
Total equity		**1,229,727**	700,571
Net asset value per share - basic	11	**111.27p**	103.35p
Net asset value per share - diluted	11	**111.22p**	103.29p
EPRA net asset value per share -	11	**111.22p**	103.29p

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 those financial statements. The profit attributable to the Parent Company for the year ended 31 December 2016 amounted to £47.62 million (31 December 2015: £27.01 million).

These financial statements were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

Richard Jewson
Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

	Undistributable reserves		**Distributable reserves**		
	Share capital	**Share premium**	**Capital reduction reserve**	**Retained earnings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
1 January 2016	**6,778**	**52,738**	**605,758**	**35,297**	**700,571**
Total comprehensive income	**-**	**-**	**-**	**47,618**	**47,618**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (February 2016)	1,613	198,387	-	-	200,000
Share issue expenses in relation to Equity issue (February 2016)	-	(3,896)	-	-	(3,896)
Shares issued in relation to further Equity issue (October 2016)	2,652	347,348	-	-	350,000
Share issue expenses in relation to Equity issue (October 2016)	-	(6,263)	-	-	(6,263)
Shares issued in relation to management contract	8	1,070	-	-	1,078
Share based payments	-	-	-	1,250	1,250
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(1,250)	(1,250)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2015 (3.00p)	-	-	(20,335)	-	(20,335)
First interim dividend in respect of year ended 31 December 2016 (3.10p)	-	-	(26,026)	-	(26,026)
Second interim dividend in respect of year ended 31 December 2015 (1.50p)	-	-	(13,020)	-	(13,020)

31 December 2016	**11,051**	**589,384**	**546,377**	**82,915**	**1,229,727**
1 January 2015	**4,705**	**272,536**	**184,444**	**8,285**	**469,970**
Total comprehensive income	**-**	**-**	**-**	**27,012**	**27,012**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (March 2015)	1,591	173,409	-	-	175,000
Share issue expenses in relation to further Equity issue (March 2015)	-	(3,547)	-	-	(3,547)
Shares issued in relation to further Equity issue (June 2015)	477	53,522	-	-	53,999
Share issue expenses in relation to Equity issue (June 2015)	-	(1,078)	-	-	(1,078)
Shares issued in relation to management contract	5	515	-	-	520
Share based payments	-	-	-	836	836
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(836)	(836)
Cancellation of share premium account	-	(442,619)	442,619	-	-
Dividends paid:					
Third interim dividend for the period ended 31 December 2014 (0.80p)	-	-	(3,764)	-	(3,764)
First interim dividend for the year ended 31 December 2015 (1.00p)	-	-	(4,707)	-	(4,707)
Second interim dividend for the year ended 31 December 2015 (1.50p)	-	-	(9,446)	-	(9,446)
Third interim dividend for the year ended 31 December 2015 (0.50p)	-	-	(3,388)	-	(3,388)
31 December 2015	**6,778**	**52,738**	**605,758**	**35,297**	**700,571**

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 thousand (£'000), 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 being 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 written off 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 period 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 period 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 periods. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

2. Taxation

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
UK corporation tax	-	-

3. Dividends paid

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share (Third interim for 31 December 2014 at 0.80 pence per Ordinary share)	**20,335**	3,764
First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share (31 December 2015: 1.00p)	**26,026**	4,707
Second interim dividend in respect of year ended 31 December 2016 at 1.55 pence per Ordinary Share (31 December 2015: 1.50p)	**13,020**	9,446
Third interim dividend in respect of year ended 31 December 2015 at 0.50 pence per Ordinary Share	-	3,388
Total dividends paid	**59,381**	21,305
Total dividends paid for the year	**4.65p**	3.00p
Total dividends unpaid but declared for the year	**1.55p**	3.00p
Total dividends declared for the year	**6.20p**	6.00p

On 1 August 2016, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2016 to 30 June 2016 of 3.10 pence per Ordinary Share, which was payable on 25 August 2016 to Ordinary Shareholders on the register on 18 August 2016.

On 28 September 2016, the Company announced the declaration of a second interim dividend in respect of the period 1 July 2016 to 30 September 2016 of 1.55 pence per Ordinary Share which was payable on 27 October 2016 to Shareholders on the register on 14 October 2016.

On 7 March 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 September 2016 to 31 December 2016 of 1.55 pence per Ordinary Share will be payable on or around 3 April 2017 to Shareholders on the register on 16 March 2017.

4. Investments

	Shares £'000	**Loan £'000**	**Total £'000**
As at 1 January 2016	547,810	-	547,810
Increase in investments via share purchase	264,856	-	264,856
As at 31 December 2016	812,666	-	812,666
As at 1 January 2015	254,424	30,270	284,694
Increase in investments via share purchase	293,386	-	293,386
Increase in investments via loan	-	(30,270)	(30,270)
As at 31 December 2015	547,810	-	547,810

The Company has the following subsidiary undertakings as at 31 December 2016:

	Principal Activity	**Country of incorporation**	**Ownership %**
TBBR Holdings 1 Limited	Investment Holding Company	Jersey	100%

TBBE Holdings 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 1 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 REIT Acquisition 4 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 5 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Tritax Acquisition 6 Limited	Investment Holding Company	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Acquisition 7 Limited	Investment Holding Company	Jersey	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 REIT Acquisition 10 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 11 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 12 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 13 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 14 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Acquisition 15 Limited	Investment Holding Company	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 REIT Acquisition 17 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 18 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Acquisition 19 Limited	Investment Holding Company	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Acquisition 20 Limited	Investment Holding Company	Jersey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 21 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 22 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 23 Limited	Investment Holding Company	UK	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	Investment Holding 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 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%

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-1855 Grand-Duchy of Luxembourg

5. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Amounts receivable from Group companies	**362,796**	186,346
Prepayments	**40**	18

Other receivables	**652**	143
	363,488	186,507

All amounts fall due for repayment within one year.

6. Cash held at bank

	31 December 2016 £'000	31 December 2015 £'000
Cash held at bank	**109,813**	22,381
	109,813	22,381

7. Trade and other payables

	31 December 2016 £'000	31 December 2015 £'000
Trade and other payables	**1,585**	140
Accruals	**3,422**	2,763
	5,007	2,903

8. Share capital

The share capital relates to amounts subscribed for share capital at its nominal value:

	31 December 2016 Number	**31 December 2016 £'000**	31 December 2015 Number	31 December 2015 £'000
Issued and fully paid at 1p each	**1,105,157,529**	**11,051**	**677,840,088**	**6,778**
At beginning of year - £0.01 Ordinary Shares	677,840,088	6,778	470,495,220	4,705
Shares issued in relation to further Equity issuance	426,441,838	4,265	206,878,516	2,068
Shares issued in relation to management contract	877,603	8	466,352	5
At end of year	**1,105,159,529**	**11,051**	**677,840,088**	**6,778**

On 27 January 2016, the Company announced that it intended to proceed with a proposed Open Offer, institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 124 pence per share. Following this on 12 February 2016 the Company announced it has exercised its right to increase the size of the issue, due to excess demand, to £200 million. As a result, a total of 161,290,323 Ordinary Shares were issued at a price of 124 pence per Ordinary Share, of which 53,513,170 Ordinary Shares were issued pursuant to the Open Offer, 7,435,906 Ordinary Shares were issued pursuant to the Offer for Subscription, 60,018,666 Ordinary Shares were issued under the Placing and 40,322,581 Ordinary Shares were issued under the Tap Issue.

On 27 May 2016 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 410,710 Ordinary Shares at an issue price per Ordinary Share of 121.09 pence.

On 26 September 2016 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 466,874 Ordinary Shares at an issue price per Ordinary Share of 124.48 pence.

On 28 September 2016, the Company announced that it intended to proceed with a proposed Open Offer, institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 132 pence per share. Following this on 14 October 2016, the Company announced it had exercised its right to increase the size of the issue, due to demand significantly exceeding the target level, to £350 million. As a result, a total of 265,151,515 Ordinary Shares were issued at a price of 132 pence per Ordinary Share, of which 76,364,364 Ordinary Shares were issued pursuant to the Open Offer, 29,628,265 Ordinary Shares were issued pursuant to the Offer for Subscription, 83,401,310 Ordinary Shares were issued under the Placing and 75,757,576 Ordinary Shares were issued under the Tap Issue.

9. Share premium

The share premium relates to amounts subscribed for share capital in excess of nominal value:

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	52,738	272,536
Share premium on Ordinary Shares issued in relation to further equity issuance	545,735	226,931
Share issue expenses in relation to further Equity issuance	(10,159)	(4,625)
Transfer to capital reduction reserve (see note 26)	-	(442,619)
Share premium on Ordinary Shares issued to management	1,070	515
Balance at end of year	589,384	52,738

10. Capital reduction reserve

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	**605,758**	184,444
Transfer from share premium	-	442,619
Fourth interim dividend for the period ended 31 December 2015	**(20,335)**	(3,764)
First interim dividend for the year ended 31 December 2016	**(26,026)**	(4,707)
Second interim dividend for the year ended 31 December 2016	**(13,020)**	(9,446)
Third interim dividend for the period ended 31 December 2015	-	(3,388)
Balance at end of year	**546,377**	605,758

Please refer to note 13 for details of the declaration of dividends to Shareholders.

11. Net asset value per share (NAV)

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 period. As there are dilutive instruments outstanding, both basic and diluted NAV per share are shown below:

Net asset values have been calculated as follows:

	31 December 2016 £'000	31 December 2015 £'000
Net assets per Company Balance Sheet	**1,229,727**	700,571
EPRA NAV	**1,229,727**	700,571
Ordinary Shares:		
Issued share capital (number)	**1,105,159,529**	677,840,088
Net asset value per Share - Basic	**111.27p**	103.35p
Potentially issuable dilutive shares (number)	**533,132**	415,179
Net asset value per Share - Diluted	**111.22p**	103.29p
EPRA net asset value per Share - Diluted	**111.22p**	103.29p

EPRA NAV is calculated as net assets per the Company Balance Sheet excluding fair value adjustments for debt-related derivatives.

12. 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 31 of the Group accounts.

13. Guarantees

The Company provides a full guarantee on behalf of each obligation in respect of each and every lender with regards to the Group £550 million syndicated debt facility, as signed on 2 October 2015.

14. Subsequent Events

The Company has capitalised £76.0 million of its intercompany receivable from TBBR Holdings 1 Limited and therefore increasing the carrying value of its investment in subsidiaries and reduces the amounts receivable from Group companies.

NOTES TO THE EPRA PERFORMANCE MEASURES

1. EPRA Earnings per share

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Total comprehensive income (attributable to Shareholders)	91,895	133,984
Adjustments to remove:		
Changes in fair value of investment properties	(47,514)	(106,751)
Changes in fair value of interest rate derivatives	7,153	1,994
Profits to calculate EPRA Earnings per share	**51,534**	**29,227**
Weighted average number of Ordinary Shares	873,562,775	621,514,696
EPRA earnings per share - basic	**5.90p**	**4.70p**
Dilutive shares to be issued	533,132	415,179
EPRA earnings per share - diluted	**5.90p**	**4.70p**

2. EPRA NAV per share

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Net assets at end of period	1,414,535	841,102
Adjustments to calculate EPRA NAV:		
Changes in fair value of interest rate derivatives - 2016	7,079	-
Changes in fair value of interest rate derivatives - 2015	1,994	1,994
Changes in fair value of interest rate derivatives - 2014	2,577	2,577
EPRA Net assets	**1,426,185**	**845,673**
Shares in issue at 31 December 2016	1,105,159,529	677,840,088
Dilutive shares in issue	533,132	415,179
	1,105,692,661	678,255,267
Dilutive EPRA NAV per share	**129.00p**	**124.68p**

3. EPRA NNNAV per share

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
EPRA Net assets	1,426,185	845,673
Include		
Fair value of financial instruments	(11,650)	(4,571)
Fair value of debt[1]	2,094	-
EPRA NNNAV	**1,416,629**	**841,102**
Shares in issue at 31 December 2016	1,105,159,529	677,840,088
Dilutive shares in issue	533,132	415,179
	1,105,692,661	678,255,267
EPRA NNNAV per share	**128.12p**	**124.01p**

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 2016 £'000	Year ended 31 December 2015 £'000
Investment Property - wholly owned	1,803,111	1,157,854
Less: development properties	(88,139)	(176,268)
Completed property portfolio	1,714,972	981,586
Allowance for estimated purchasers' costs	116,618	66,748
Gross up completed property portfolio valuation (B)	1,831,590	1,048,334
Annualised contracted rental income	99,664	68,368
Less: contracted rental income in respect of development properties	(9,110)	(16,432)
Property outgoings	(75)	(16)
Annualised net rents (A)	86,128	51,847
Contractual increases for fixed uplifts	4,351	73
Topped up annualised net rents (C)	90,479	51,920
EPRA Net Initial Yield (A/B)	**4.70%**	**4.95%**
EPRA Topped Up Net Initial Yield	**4.95%**	**4.95%**

5. EPRA Vacancy Rate

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Annualised estimated rental value of vacant premises	-	-
Portfolio estimated rental value[1]	97,945	54,821
EPRA Vacancy Rate	**0%**	**0%**

1 Excludes development properties

6. EPRA Cost Ratio

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Property operating costs	75	16
Administration expenses	11,708	7,830
Total costs including and excluding vacant property costs (A)	11,783	7,846
Total gross rental	74,656	43,784
Total EPRA cost ratio (including and excluding vacant property costs)	**15.8%**	**17.9%**

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