TRITAX BIG BOX REIT PLC

Results for the 12 months ended 31 December 2021

Outstanding performance, continued delivery and accelerating development programme

Tritax Big Box REIT plc (the Group) reports its results for the 12 months to 31 December 2021.

	31 December 2021	31 December 2020	Change
Contracted annual rent roll	£195.6m	£180.6m	+8.3%
Operating profit[1]	£178.0m	£147.5m	+20.7%
Adjusted earnings per share[2]	8.23p	7.17p	+14.8%
Adjusted earnings per share (exc exceptional development management income)[3]	7.38p	6.91p	+6.8%
IFRS earnings per share – basic	55.39p	26.30p	+110.6%
Dividend per share	6.70p	6.40p	+4.7%
Dividend pay-out ratio (exc exceptional development management income)[3]	91%	93%	-2.0 pts
Total Accounting Return	30.5%	19.9%	+10.6 pts
EPRA net tangible assets per share	222.60p	175.61p	+26.8%
IFRS net asset value per share – basic	218.26p	169.92p	+28.4%
Portfolio value[4]	£5.48bn	£4.41bn	+24.3%
Loan to value (LTV)	23.5%	30.0%	-6.5 pts

Strong income and capital growth delivering record total accounting returns

- Adjusted EPS up 14.8% to 8.23p (2020: 7.17p) driven by development completions, portfolio rental growth and higher development management agreement (DMA) income. Adjusted EPS, excluding DMA income above our anticipated run-rate, grew 6.8% to 7.38p (2020: 6.91p).
- Dividend growth of 4.7% to 6.70p per share, 91% pay-out ratio when adjusted for exceptional DMA income[3].
- Record Total Accounting Return of 30.5% (2020: 19.9%), driven by execution of strategy and strong market conditions.

Long-term structural drivers underpin unprecedented demand in our market

- Strong market take-up of 42.4 million sq ft in 2021 (2020: 43.0 million sq ft), 64% higher than the annual average since 2010.
- Limited supply response has led to record low 1.6% market vacancy (2020: 4.1% vacancy) and strong rental growth.
- Opportunity for further prime market yield compression in 2022 as investor interest in logistics remains high.

Enhanced sustainability performance

- Sustainability initiatives improving environmental, social and governance (ESG) ratings:
    - GRESB: Four Green Stars = 81/100 (2020: Three Green Stars = 72/100) and awarded Leader for Development in the European and Global Industrial Listed Sectors.
    - Sustainalytics: Improved from 14.6 to 8.9 (Negligible Risk), Management Score 32.7 to 57.2 (Strong).
    - MSCI: Upgraded to BBB from BB.

Significant value gains reflecting quality of assets, and strength of performance across entire portfolio

- 24.3% increase in portfolio value to £5.48 billion (31 December 2020: £4.41 billion) from development gains, asset management activity and strong market conditions, including a capital valuation surplus of 19.1% (net of capex).
- Portfolio's high-quality, long-term and resilient income reflected in:
    - 100% rent collection achieved for both 2020 and 2021.
    - WAULT of 13.0 years as at 31 December 2021 (31 December 2020: 13.8 years).
    - 0% vacancy (2020: 0%).

Proactive portfolio management providing further value creation

- £15.0 million increase in contracted rent roll to £195.6 million, including £5.0 million generated from rent reviews achieving an 8.7% increase in passing rent across 32% of the portfolio, translating into EPRA like-for-like rental growth of 3.3% for the year.
- Like-for-like ERV growth of 7.5% over the year, with an 11.0% portfolio rental reversion at the year end.

- Acquired a state-of-the-art, 0.9 million sq ft facility in South West England, for £90 million at an attractive net initial yield of 5.1%, securing long-term income and value creation opportunities.
- Progressing assets disposals with target to dispose of £100-200 million in 2022.

Accelerating levels of development activity delivering income growth at an attractive yield on cost

- Development achievements during FY 2021 include:
  - 3.7 million sq ft of lease completions adding £24.0 million to contracted rent.
  - 1.3 million sq ft of developments under construction, with the potential to add a further £10.2 million to contracted rent, of which 21% has been let.
  - 3.0 million sq ft of new planning consents secured.
- Strong start to FY 2022 with 1.8 million sq ft of near-term development starts in Q1 2022, adding a potential £13.1 million of contracted rent, of which 56% has been pre-let.
- FY 2022 guidance increased to 3-4 million sq ft of starts and £350–400 million of capex into development, compared to long-term target run rate of 2-3 million sq ft per annum; maintaining 6-8% target yield on cost.
- Record levels of occupier demand across our portfolio with active negotiations on more than 10 million sq ft over 11 sites.
- Total near-term development pipeline of 8.8 million sq ft with £60-70 million of rent potential.

Positive outlook, driven by clear strategy, strong balance sheet and supportive market fundamentals

- Growing occupational demand/supply imbalance creating opportunities for the long-term and supporting rental growth.
- Accelerating delivery of our development activity to meet growing structural demand.
- Driving further value from our investment portfolio through asset management, acquisitions and disposals.
- Significant capacity to fund opportunities through balance sheet strength and potential asset disposals.

Aubrey Adams, Chairman of Tritax Big Box REIT plc, commented:

"This was an excellent year for Tritax Big Box. With all areas of our business performing well, we delivered our strongest results to date with total accounting returns of 30.5%. Our performance is underpinned by the alignment between our strategy, the extensive capabilities and activity of our Manager, and the long-term structural changes in our market. With a strong balance sheet, we have the financing capacity to accelerate our development programme, enabling us to capture a growing share of the unprecedented levels of occupier demand in the market. In parallel, we continue to actively manage our investment portfolio to maximise returns through lease reviews & extensions, physical extensions and acquiring and disposing of assets. This demand, combined with continued constrained supply, is contributing to strong rental growth and rising capital values, reinforcing our ability to deliver further attractive total returns to shareholders over the coming years."

The Group will hold a results webcast at 9.30am GMT today for analysts and investors:
To join, please register using the following link:
https://webcasting.brrmedia.co.uk/broadcast/6213b44689260561c63bf5a3

A replay of the webcast will be available at www.tritaxbigbox.co.uk/investors

Notes

1. Operating profit before changes in fair value and other adjustments.
2. See Note 12 to the financial statements for reconciliation.
3. The anticipated run rate for development management income is £3.0 - 5.0 million per annum over the medium term. Adjusted EPS becomes 7.38p when excluding development management income above £4 million. £18.9 million of development management income is included in the 8.23p Adjusted earnings per share in 2021 (2020 £8.6 million included in 7.17p Adjusted earnings per share).
4. The Portfolio Value includes the Group's standing assets as well as capital commitments on forward funded developments, land assets held at cost, the Group's share of joint venture assets and other property assets.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Tritax Group

Colin Godfrey (CEO, Fund Management) Tel: +44 (0) 20 8051 5060
Frankie Whitehead (CFO) bigboxir@tritax.co.uk
Ian Brown (Investor Relations)

Maitland/AMO (Communications Adviser)

James Benjamin

Tel: +44 (0) 7747 113 930
tritax-maitland@maitland.co.uk

The Company's LEI is: 213800L6X88MIYPVR714

NOTES:

Tritax Big Box REIT plc (ticker: BBOX) is dedicated to investing in supply chain logistics warehouse assets (Big Boxes) in the UK and is committed to delivering attractive and sustainable returns for Shareholders. Investing in and actively managing existing built investments, land suitable for logistics property development and developments predominantly delivered through pre-let forward funded basis, the Company focuses on well-located, modern logistics assets 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 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

CHAIRMAN'S STATEMENT

This was a record year for us, as we continued to successfully deliver our strategy and raised the funding to accelerate our development programme, against a backdrop of highly attractive occupational and investment markets. Critically, all elements of our business are performing, from our high-quality investment portfolio, which we actively manage and invest in, to our extensive development programme.

Financial performance

We delivered our strongest financial performance to date, with operating profit before changes in fair value and other adjustments of £178.0 million (2020: £147.5 million) and an EPRA Cost Ratio at an attractive 13.9% (2020: 14.2%). Adjusted earnings per share excluding exceptional development management agreement (DMA) income rose 6.8% to 7.38 pence (2020: 6.91 pence).

The attractions of our market contributed to further growth in the portfolio value, with a fair value gain of £840.9 million across the year. This produced a 26.8% increase in EPRA Net Tangible Assets to 222.60 pence per share (31 December 2020: 175.61 pence) and a Total Accounting Return of 30.5%.

The strength and quality of our occupier base was again reflected in our rent collection performance, with 100% of rent collected for both 2020 and now 2021.

Market backdrop

Our market has powerful, long-term structural growth drivers which have been accelerated by the global pandemic and other factors, such as Brexit. These include the continued growth in e-commerce, the consolidation of logistics networks into fewer, larger, more modern and efficient buildings, the need to build resilience into supply chains and the increasing focus on ESG. This includes the socio-economic benefits of our schemes, as well as environmental considerations, including our proactive work towards net zero carbon.

Record occupational demand and severely constrained supply is leading to very strong rental growth, which we are capturing through proactive asset management, lease re-negotiations, rent reviews and bringing forward activity within our extensive development portfolio. Attractive rental growth is also underpinning confidence in the investment market, with sharpening yields producing improved capital values.

Successful strategic implementation

In September 2021, we completed a significantly oversubscribed equity issue to raise gross proceeds of £300 million. This provides a sufficient level of funding for us to accelerate our near-term development programme. We have therefore increased our FY 2022 guidance to include development starts targeted across 3-4 million sq ft, ahead of our anticipated 2-3 million sq ft per annum long-term run rate. This will enable us to meet growing occupier demand, while further diversifying the portfolio by customer, geography and building size.

Our development sites are strategically located in areas of high demand, with good pools of labour and strong transport infrastructure. They can accommodate buildings for small urban and last journey logistics up to large national distribution centres. The sites are of appropriate size and location to open up quickly, so we can respond quickly to customer requirements, as well as having relatively modest infrastructure requirements, which contributes to the delivery of an attractive yield on cost. We work closely with occupiers and local stakeholders from the outset which enables us to create plans aligned to local need and supports our success rate to date in securing planning consents.

We have a low-risk, agile and intelligence-led approach to development and only develop buildings without a pre-let when we are confident in income delivery, with one or more occupiers indicating a clear requirement for that size of building in that location. Starting speculative construction gives us both a greater chance of capturing those lettings earlier and thereby accelerating income growth, in a shorter timeframe. Evidence within our portfolio supports that of the wider market, in which, speculatively developed assets are letting faster and often before construction has completed.

While our land portfolio provides a long-term pipeline of opportunities, we continue to focus rigorously on maximising value from our investment portfolio through asset management and investment acquisitions and disposals. We acquired one new asset during the year, in line with our strategy to make acquisitions in the right locations where they meet our core criteria. Current market pricing and the opportunities within our development portfolio mean we remain particularly disciplined and will only acquire assets at the right price and where we see potential for accretive performance. We remain committed to recycling capital through disposals, but we are patient sellers and look to balance sales with opportunities to reinvest the funds.

We work closely with our customers to add value for them and for us through active management. Our forensic analysis of customer supply chains enables us to understand their networks and operations in depth, supporting our asset management proposals and our development programme. The size of our development portfolio, the largest in the UK, increases the likelihood that we will have a suitable site for a customer's network expansion. The recently announced pre-let of a new building for B&Q is a great example of this, and the virtuous circle that can be created by leveraging our investment portfolio and understanding the needs of our customers to enhance our development activity.

Sustainability

ESG is fundamental to our strategy, and we develop new buildings to the highest standards, in line with our net zero carbon strategy. We firmly believe that assets with the highest ESG performance will create and preserve greater value for our shareholders and better support our customers' requirements. The investment portfolio has strong sustainability credentials and our asset management programme continues to improve the few assets that are not EPC grades A and B. The estimated cost of doing so is low, at around £4 million, principally targeted against the inclusion of LED lighting and roof mounted solar projects.

We are pleased to see our actions resulted in improved ESG scores, such as our overall four Green Stars GRESB rating and our ranking as the leader for development in the European and Global Industrial Listed Sectors, with a 97/100 score and five Green Stars for development. This reflects our leadership position in our sector and puts us in a strong position, as ESG factors will increasingly play a part in asset valuations and rental levels going forward.

Board changes

As previously announced, Sir Richard Jewson retired from the Board on 5 May 2021, at which point I became Chairman and Alastair Hughes became Senior Independent Director. Susanne Given also stepped down as a Non-Executive Director from 13 September 2021. On behalf of all members of the Board, I would like to reiterate my thanks to Sir Richard and Susanne for their valuable input.

We were pleased to welcome two new Non-Executive Directors during the year. Wu Gang was appointed with effect from 1 October 2021. He has a strong strategic and financial advisory background and a wealth of international experience gained during more than 25 years in investment banking in Asia and Europe. Elizabeth Brown joined the Board on 15 December 2021. She has a wealth of strategy and business development expertise, from both consulting and senior corporate roles. Both new Directors have been appointed to the Audit & Risk and Management Engagement Committees.

The Manager

The Board is delighted with the continued strong performance of the Manager, Tritax Management LLP, whose expertise and relationships are intrinsic to our success. The Manager has continued to reinforce its capabilities, through senior appointments and strengthening expertise in important areas such as supply chains, power and data analytics.

Dividends

We aim to deliver an attractive and progressive dividend. Our policy is for the first three quarterly dividends to each represent 25% of the previous full year dividend. We then use the fourth-quarter dividend to determine any progression and aim to achieve an overall pay-out ratio in excess of 90% of Adjusted earnings.

We base our dividend decision on the long-term and stable earning potential of the business. For this reason, we do not factor in the full effects of the more variable other operating income generated by our successful third-party Development Management Agreements (DMAs), instead choosing to reinvest these proceeds to support future earnings growth.

Having declared three interim dividends of 1.60 pence per share each, the Board declared an interim dividend in respect of the fourth-quarter of 1.90 pence per share, giving a total for the year of 6.70 pence (2020: 6.40 pence), up 4.7%. The pay-out ratio was 91% when adjusting for DMA income above the expected run rate.

Positive outlook

We have all the attributes we need for success, and we remain very positive on the outlook for our business.

The development activity we have already committed to since September and plan to commit to during the remainder of 2022, has the potential to increase rental income by c£36 million per annum when completed and fully let. Income generation will be linked to construction timelines and therefore we expect to see the full benefit of this activity in our earnings across a two to three year timeframe.

We are well placed to limit the impact of build cost inflation. We control more logistics focused development land than anyone else in the UK, which gives us bargaining power in the market. Coupled with our excellent, longstanding supplier relationships, this helps us to ensure competitive pricing and minimises any project delays. Both rental growth and yield compression are also helping to mitigate the impact of cost inflation. As a consequence we have maintained our 6-8% yield on cost guidance for developments.

While we see a lot of opportunity within our development pipeline, we continue to rigorously manage our investment portfolio to maximise value for shareholders. We are constantly appraising our investment assets and seek to identify opportunities to enhance returns through asset management, disposals and acquisitions.

We will maintain our disciplined approach to leverage, with our target LTV remaining in the 30-35% range over the medium term.

In 2022, we expect to deliver further dividend growth and look forward to the continuing delivery of attractive overall returns for our shareholders.

MANAGER’S REPORT

During the year, we benefited from the continued successful implementation of our strategy and exceptionally strong market conditions, which together helped us to deliver a record performance.

Market underpinned by long-term drivers

Long-term drivers continue to generate strong occupier demand

Three long-term drivers underpin occupier demand for logistics real estate in the UK. Our strategy is aligned to these drivers:

1. The accelerating growth of e-commerce

Changing shopping patterns have led to a rapid rise in e-commerce, as consumers demand faster and more convenient ways to make purchases. In response, companies have developed complex omnichannel supply chains, in which logistics real estate plays a fundamental role, from highly automated large-scale fulfilment centres to small urban / last journey warehouses.

The Covid-19 lockdowns accelerated the shift to e-commerce, with many people forced to shop online as physical stores were closed. Online sales accounted for 29% of total retail sales in 2021, up from 19% before the pandemic, having peaked in January 2021 at 38%[1]. We see considerable scope for this growth to continue, in turn producing further demand for logistics real estate.

Online retail supply chains require more warehouse space than traditional high street models. Research suggests every £1 billion of additional online sales typically generates demand for new logistics property of anywhere between 0.8 million sq ft and 1.4 million sq ft[2]. The value of online retail sales increased by a further £9.8 billion in 2021[1] and online retailers committed to 17 million sq ft[3] of space as they continued to build out their supply chains. Our development pipeline is well-placed to support new and existing customers in fulfilling this demand.

2. The need to increase productivity, reduce costs and boost resilience

The economic fallout from Covid-19 has intensified the pressure on corporate profitability and productivity. To protect margins and avoid price increases, companies are looking to lower their unit costs, in part by making distribution as efficient as possible.

Occupiers are consolidating older disparate units into larger distribution centres with the potential to generate significant cost economies of scale and optimising staffing and stock levels. They are also utilising high levels of automation and technology to stock and retrieve products in large volumes. These systems are typically found in large, modern logistics buildings.

Events such as Covid-19, Brexit and the blocking of the Suez Canal have highlighted the risks to long-term supply chains. Customers are enhancing their resilience by increasing their inventory onshore and / or manufacturing closer to end markets, resulting in greater demand for high-quality logistics space.

3. The drive to enhance sustainability performance

All organisations are under pressure to increase their sustainability, including reducing their environmental impact and protecting employee wellbeing. Such initiatives can also reduce energy costs and increase employee engagement, which is important in a highly competitive labour market.

Modern large-scale logistics assets feature enhanced insulation, LED lighting and large roof spaces capable of accommodating solar PV. These buildings are also more likely to meet the anticipated future regulatory requirements, such as the minimum rating of B for Energy Performance Certificates.

In addition, larger buildings lend themselves to better facilities for staff welfare, such as gyms, canteens and offices. Big sites also have more scope for green space, which can be used to support biodiversity and outdoor amenities.

The trading environment remains extremely strong, and this is set to continue

Occupational demand in 2021 consistent with the record levels of 2020

Occupiers seeking logistics space remained very active throughout 2021. Take-up was driven by a wide range of occupiers, with a strong showing from online retailers and third-party logistics providers (3PLs). This trend is reflected in the enquiries in our own development pipeline for buildings over 300,000 sq ft, with approximately two-thirds of interest from online retailers and 3PLs. 2021 saw another strong year of demand for buildings over 500,000 sq ft with 18 new lettings (2020: 23) totalling 16 million sq ft[3]

[1] Source: ONS
[2] Source: Knight Frank and UKWA
[3] Source: CBRE

Key statistics[4]

- Take-up in 2021 of 42.4 million sq ft (2020: 43.0 million sq ft) versus the annual average since 2010 of 25.9 million sq ft. Buildings over 500,000 sq ft accounted for 38% of total take-up (2020: 48%). Activity in the second half of the year was increasingly impacted by the limited availability of space.
- Build-to-suit developments accounted for 61% of take-up (by number of deals) in the 500,000+ sq ft market (2016-2019: 84%) as high occupier demand resulted in more take-up of speculative and second-hand space than has historically been the case.
- At the year end, total space under offer across the market was around 9.1 million sq ft, against 8.8 million sq ft at December 2020. 44% of space under offer at year end is for logistics buildings over 500,000 sq ft.

After several years of strong demand for larger buildings, the lack of available suitable space and readily developable consented land for build-to-suit purposes presents a significant opportunity for us.

Record low supply is limiting overall take-up resulting in significant unsatisfied demand

High take-up and the net absorption of space has reduced ready to occupy space in the market to record low levels. This is resulting in competition for available units, rental tension and significant unsatisfied demand. This in turn has encouraged more speculative development. While the overall level of new development is above historic averages, speculative units across all size bands are being rapidly absorbed. Occupiers are moving increasingly early to secure space; 2021 has seen void rates for speculative units that have let fall further with many buildings now leasing ahead of practical completion[5].

Market dynamics are favourable across all size bands of logistics building. 2021 saw record levels of demand for smaller units with the limited availability of second-hand space resulting in 54% of deals (by number) being for speculatively developed units (2020: 49%)[3]. Tight market conditions for larger buildings have resulted in more speculative schemes being brought forward than is typically the case, but in the 500,000+ sq ft size range all bar one[3] building scheduled for completion in 2022 have been let or are under offer ahead of practical completion. In our view, construction of large logistics buildings will continue to be driven primarily by occupier-led build-to-suit opportunities, given the inherent barriers to entry. Significant barriers exist to developing these sites quickly as the planning system remains slow moving, and extensive infrastructure works can be required before a building can be constructed.

Key statistics:

- Vacant, ready to occupy logistics space declined to a record low of 1.6% at the end of 2021 (2020: 4.1%). A further 8.5 million sq ft (1.7%) of speculative space is under construction with a practical completion date of 2022[3].
- For assets over 500,000 sq ft, only one[5] existing building, which is being comprehensively refurbished, is available to let and one speculative building is currently under construction with a practical completion date of 2022[3].

Positive long-term rental growth prospects

The shortage of modern logistics space and persistent high levels of demand are driving rental growth. Since the start of the pandemic, prime rents have increased to new highs across all UK regions.

Key statistic:

- IPF UK Consensus Forecasts from November 2021 expect 2021-25 average annual rental value growth of 3.5%, up from 2.7% in June 2021[6].

Investors are attracted to the long-term fundamentals for logistics real estate

[4] All data from CBRE
[5] Savills
[6] IPF UK Consensus Forecasts, Autumn 2021. Based on data received from 20 organisations.

Logistics is one of the most sought-after sectors for real estate investment, with investors attracted by structural consumer trends, the occupational demand-supply imbalance, secure long-term income and increased sustainability performance of modern logistics buildings. Demand for logistics real estate has increased materially across all investor types. Higher transaction volumes have been driven primarily by both overseas investors and UK institutions, who are re-weighting their commercial property holdings by reducing exposure to traditional real estate sectors (such as retail and office) in favour of logistics. This demand has put further pressure on prime yields, which are at historic lows. Our development portfolio gives us an important advantage in these market conditions, by providing a pipeline of new assets at an attractive 6-8% target yield on cost.

Key statistics:

- Investment volumes reached a record £12.2 billion in 2021 up 63% on 2020[7].
- Capital allocations into logistics property represented 27% of all UK property investments in 2021, up from 22% in 2020 and well ahead of the longer-term average of 12%[3].
- Consequently, distribution warehouse yields compressed by 40 basis points in 2021 and are now as low as 3.5% for prime assets on 15-year or more lease terms[3].

Strategy aligned to market drivers

Our strategy has three interlinked and reinforcing components, which enable the delivery of sustainable income and capital growth. The strategy aligns with the market drivers described above and ensures we meet our wider responsibilities, whilst carefully managing risk.

The three elements of our strategy are:

1) Building a portfolio of high-quality assets attracting world-leading customers – delivering resilient and growing income.

2) Direct and active management – protecting, adding and realising both income and capital value.

3) Insight driven development and innovation – creating both attractive capital value and accretive income returns.

ESG is intrinsic to each of these elements. Our ESG approach encompasses:

- healthy and sustainable buildings – ensuring and demonstrating the resilient design of our assets;
- energy and carbon – achieving net zero carbon for all direct activities;
- nature and wellbeing – enhancing biodiversity and wellbeing on our land; and
- social value – creating a positive socio-economic impact through our investment.

Information on how we implemented the strategy during the year is set out in the following sections.

1) High-quality assets attracting world-leading customers

We have assembled an unrivalled portfolio of investment assets, let to an exceptional customer base that includes some of the world's largest and most successful companies. To generate attractive, stable and long-term returns for shareholders, our portfolio composition favours high-quality customers, long lease lengths, desirable locations, attractive building size and format, strong ESG characteristics, modern assets and income growth embedded in the leases.

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[7] Property Data (Distribution warehouse transactions greater than £5 million)

For 2021, we set the following priorities in relation to the Investment Portfolio:

Priority	Progress
Evaluate further acquisitions of standing assets, where we can either add value through asset management, take advantage of market mispricing and acquire attractive forward funded development opportunities.	We maintained discipline in our investment activity as yield compression made it harder to identify true value. Consequently, we acquired one value add asset in Avonmouth for £90 million which we believe was mispriced.
Seek to further diversify our portfolio through general portfolio management e.g. customer, building, geography, as well as increasing our exposure in the portfolio mix to value add investment opportunities and development.	Added new customers and locations through the Avonmouth acquisition and the development programme delivering new stabilised assets.
Target disposals of investments where we have the opportunity to recycle this capital into higher returning opportunities or to improve overall portfolio quality.	Decided not to undertake disposals of standing assets during the year, reflecting our view of the market and the performance associated with our portfolio (see *direct and active management* below), noting that we have begun marketing assets for sale in 2022.

Portfolio composition

The total portfolio comprises the Investment Portfolio and Development Portfolio.

The Investment Portfolio provides long-term stable and growing income and comprises:

- investment assets which are typically let and income producing;
- pre-let development assets which will become income producing once constructed;
- assets in the course of development which have been let during the course of speculative development and prior to practical completion of the construction; and
- developed buildings which have practically completed and which have yet to achieve a letting.

The Development Portfolio provides new assets for the Investment Portfolio through a combination of pre-let and speculative activity and comprises:

- land (with or without planning consent) (see insight driven development and innovation below);
- options over land; and
- assets in the course of construction which are not let

At the year end, the total portfolio was valued at £5.48 billion (31 December 2020: £4.41 billion), an increase of 24.3%.

Investment portfolio: 91.9% of GAV	Development portfolio: 8.1% of GAV
Foundation: 73.4%	Developments and land: 8.1%
Value Add: 18.5%	

Foundation assets provide long-term and high-quality income. They are typically let on long leases to customers with excellent covenant strength and are commonly new or modern buildings, in prime locations. Value Add assets offer the chance to grow income and capital values, as they present opportunities to create additional value through asset management or have customers with the potential to grow and improve in covenant quality. The mix of Foundation and Value Add assets enables us to deliver an attractive blended total return.

At 31 December 2021, the Investment Portfolio comprised 62 assets (31 December 2020: 59 assets), following the acquisition of an asset in Avonmouth described below and two assets in the Development Portfolio reaching practical completion (see *insight driven development and innovation*). The Investment Portfolio in aggregate totalled 33.7 million sq ft.

A secure and resilient customer base

We have a diversified base of 44 different customers, which we believe is the strongest customer line-up of any quoted logistics real estate business in Europe. As a proportion of the total contracted rent roll, 63.5% of our customers are in defensive and resilient sectors, such as e-commerce and food retail, and 66.1% are companies with parent revenues of over 10 billion in their respective local currencies (primarily GBP, USD and EUR).

Our top 10 customers are shown below:

Customer	% of contracted annual rent	Customer	% of contracted annual rent
Amazon	16.4%	Ocado	3.9%
Morrisons	5.9%	Argos	3.6%
Tesco	5.1%	Marks & Spencer	3.5%
Howdens	4.5%	B&Q	3.1%
Co-Op	4.3%	DSG	2.7%

A long-term, reliable income stream

At the year end, the weighted average unexpired lease term (WAULT) of the Investment Portfolio was 13.0 years (31 December 2020: 13.8 years). Foundation assets had a WAULT of 15.1 years (31 December 2020: 15.8 years).

Of total rents, 41.4% are generated by leases with 15 or more years to run. 19.1% of total rent comes from leases expiring within five years of the year end, which therefore provide near to medium-term asset management opportunities.

Embedded income growth and inflation protection

All our leases provide for upward-only rent reviews, with 53.6% of the rent roll being RPI/CPI linked, 28.5% open market, 9.7% fixed and 8.2% hybrid. 20.1% are reviewed annually and 79.9% on a five-yearly basis. The portfolio balances the certainty offered by fixed and inflation-linked leases with the ability to capture market growth from open market and hybrid reviews.

Approximately 56% of the rent roll has either a fixed or minimum increase at rent review. Across the Investment Portfolio this will produce a minimum average increase of 1.7% per annum when a review arises. Cap and collar arrangements cover approximately half of the rent roll and have an average range of 1.5% to 3.4%. We see this range as the minimum increase and aim to achieve higher rental growth across the portfolio through proactive management.

We have assembled the Investment Portfolio to benefit from a balance of rent review types helping to deliver annual income growth and a progressive dividend. Some 37% of the portfolio rent roll was subject to review in 2021. Including outstanding rent reviews from prior periods, total reviews were settled in respect of 32% of the portfolio, with the remainder expected to be completed in 2022. Due to the addition of completed development assets with annual reviews, 35% is now expected to be reviewed in 2022. Progress with rent reviews in 2021 is set out in the asset management section below.

At each valuation date, the estimated rental value (ERV) of the Investment Portfolio is independently assessed. At 31 December 2021, the ERV was £217.1 million, 11.0% above the passing rent for the properties. The like-for-like ERV growth for the 12 months to December 2021 was 7.5%. Open market rent reviews, lease expiries, new leases or lease regears give us the opportunity to capture this reversionary potential.

The portfolio had a 0% vacancy rate at the year end (31 December 2020: 0%).

Maximising returns in our investment portfolio through acquisitions and disposals

We constantly seek to enhance the returns of our investment portfolio for our shareholders. We undertake quarterly reviews of all assets within the portfolio evaluating factors such as potential future returns, location, quality and ESG credentials. We will seek to crystallise value through disposals, using the proceeds to both fund development activity and to acquire other investment assets. Through constant evaluation, and buying and selling of assets, we aim to optimise the performance of our investment portfolio. While we anticipate the majority of our asset acquisitions and disposals to be single assets, if we can accelerate our portfolio enhancement through larger portfolio acquisitions or disposals, we may consider such opportunities.

Acquiring assets with value creation potential

We continue to identify opportunities to purchase investments which we believe will provide accretive returns for shareholders. This may include opportunities where we can add value through active asset management, benefit from mispricing or use our market contacts and reputation to secure investments off-market.

In April 2021, we acquired a 0.9 million sq ft facility in the key logistics location of Avonmouth for £90 million. The acquisition added Accolade Wines Limited to the portfolio, one of the world's largest wine companies and the leading producer and distributor in the UK and Australia.

For more information on the acquisition, see the case study below.

Realising value and recycling capital through disposals

We constantly monitor and evaluate our portfolio, to identify assets where:

1) we have completed our asset management plans and maximised value;

2) the asset's investment characteristics no longer fit within the required portfolio profile; or

3) the asset's relative future performance may be below others in the portfolio, potentially due to risks associated with the asset or the customer.

Our approach to portfolio optimisation considers a wide range of criteria, including the asset's size, age, location and ESG credentials. We also consider the need to deliver a consistent and predictable level of earnings, so we look to balance disposals with income producing acquisitions and developments. We also consider conditions in the investment market and the stage of the market cycle.

We remain patient sellers and did not dispose of any standing assets in the year. This reflected the current strong position of our investment portfolio and our view of prevailing market conditions.

Priorities for 2022

Our priorities for the next 12 months in relation to the Investment Portfolio are:

- rotate out of assets which no longer fit the shape and balance of the portfolio and which are expected to deliver lower quartile future total returns;

- maintain our disciplined approach to acquisitions, ensuring they complement the portfolio and have potential for superior risk adjusted returns relative to the investment pillar; these may include opportunities to add value through active management or investments considered mispriced; and

- maintain the balance between low-risk foundation income and higher rental growth potential.

Case study – acquiring assets with value creation potential

We look to acquire assets where we can add value through active management or at the point of acquisition. The asset we acquired in Avonmouth during the year demonstrated both these characteristics.

The Avonmouth facility is an excellent fit with our strategy. It is let on a long lease with more than 12 years left at acquisition and is mission critical to its occupier, Accolade Wines, which has invested heavily in the building to make it Europe's largest wine production, warehouse and distribution centre. The location is also highly attractive, being close to the Port of Bristol which Accolade uses to import goods in shipping containers. Growth expectations for the port are contributing to rising demand and low vacancy rates in the area, offering the potential for sustained rental growth.

The asset was acquired at a net initial yield of 5.1%, which represented excellent value against current prime yields. This reflected our strong relationship with the vendor's agent and our credibility in the market, as a well-capitalised purchaser who could offer the vendor low execution risk. As a REIT, we were also able to structure the transaction in a way that benefited the vendor, by acquiring the corporate vehicle that held the asset. We have already benefited from significant value appreciation since purchase.

The asset also offers scope for active management. On purchase there was an attractive reversionary rental position, with five-yearly rent reviews. Since purchase, we have met regularly with the customer and are continuing discussions on opportunities to add further value, including terms for a roof mounted solar scheme, to compliment the asset's existing wind generated power source and enhance its EPC rating.

2) Direct and active management

Our active management priorities for 2021 were as follows:

Priority	Progress
Initiate rent reviews on the 37% of the portfolio up for review in the year, to drive income and capital values.	Rent reviews initiated as planned, with reviews on 32% of the portfolio agreed by the year end, increasing income by £5.0 million. We expect to conclude outstanding rent reviews during 2022.
Aim to secure further lease term extensions, to lengthen the portfolio's income profile.	Secured extensions on the Wincanton, Harlow and Rolls-Royce Motor Cars, Bognor Regis, assets. Proposals currently under consideration with 12 further customers. Commissioned specialist supply chain research to strengthen insight into customers' operations and network strategy, to assist with identifying opportunities and supporting proposals.
Pursue opportunities for physical building extensions and property improvements.	Two proposals for extensions of c.0.2 million sq ft currently under consideration with customers. One extension proposal with B&Q resulted in completion of a pre-let of a new facility for our Development portfolio. Owing to the rapid growth in e-commerce, some of our occupiers required additional space more immediately than the timescale required for a structural extension and thus we consented to the inclusion of extensive mezzanine floor structures at Marks & Spencer, Castle Donington and Hachette, Didcot, creating considerable additional internal storage.
Continue to propose and, where agreed, implement green initiatives.	Completed installation of solar PV schemes at Brakes Harlow and Amazon Littlebrook. Progressed discussions with further customers on Landlord funded solar PV and consented to two occupier implemented solar PV schemes with Amazon at Durham and

	Darlington. Increase in level of portfolio with an EPC (A-C) to 95%. Agreed five leases with green clauses and consented to the inclusion of an anaerobic digester to utilise food waste for Ocado at Dordon.

Understanding and supporting customers

Being close to customers is central to our business model. Understanding their businesses maximises our ability to identify and pursue opportunities to support their logistics needs. We are responsible for every customer interaction, as we perform most asset and property management activities ourselves, and we maintain regular contact with customers' key decision makers.

We build on this customer interaction by commissioning third-party supply chain research, which gives us detailed insights into a customer's entire logistics network, the role our assets play within it and their future business needs. This enables discussions with our customers about how our development pipeline could contribute to their network growth, supports our asset management proposals, provides an understanding of opportunity and risk relevant to our investment assets and thereby assists in our decisions to hold, sell or buy investments.

Risk management is fundamental to our approach. We therefore conduct ongoing covenant analysis of our customers, combining publicly available information and third-party opinions with our own insights. This enables us to mitigate customer-related risks by adjusting our exposure to stronger tenants and sectors, and identify opportunities to capture both capital and income growth. Our collection of 100% of rent over the last two years demonstrates the quality of our customers and the importance of our assets to them.

Similarly, we look to protect income by a procedural approach to property management. This commences at acquisition with detailed due diligence of surveys, including environmental items and a materials review, including key items like cladding. Extensive due diligence forms part of the basis of our asset business plans and sustainability action plans. This approach demonstrates a robust management regime for our insurers. In 2021, third-party specialist consultants undertook climate scenario risk modelling work across the whole portfolio and our management reporting and due diligence enabled strong assurance that all risks had already been considered, mitigation works completed and that appropriate insurance provisions are in place. Regular property inspections by our Property Management team also enables first hand checks and reporting.

Growing and lengthening income

We regularly engage with customers on lease proposals, including extending leases and extensions to buildings. During the year, we agreed lease extensions with:

- Wincanton, extending its lease on the Harlow asset by two years; and
- Rolls-Royce Motor Cars, extending the leases on both units at Bognor Regis by 10 years.

We continue to negotiate the terms of a new lease with Tesco on the Southampton asset, with the previous lease having expired in January 2021.

A further 12 lease proposals were under consideration by customers at the year end, including buildings extensions and ESG initiatives (see below).

During the year, we settled rent reviews on 18 properties, across 32% of the portfolio's annual contracted rent. The reviews achieved an average 8.7% increase on the previous passing rent, resulting in a cumulative £5.0 million of additional rent. This translates into EPRA like-for-like rental growth of 3.3% for the year. The table below shows a breakdown of these reviews by type:

	Number	% of Contracted	Growth in

		rent	passing rent
Index linked	9	18.3%	8.4%
Open market / hybrid	5	6.9%	9.1%
Fixed	4	6.6%	9.0%
Total	**18**	**31.8%**	**8.7%**

Enhancing ESG performance through asset management and engagement

Asset management initiatives that enhance ESG performance can benefit our business, our customers and society more generally. We can earn additional income and generate higher capital values, while prolonging the life of the asset, increasing its marketability to potential tenants and reducing the risk that the building becomes obsolete. Customers can benefit from lower operating costs, while environmental enhancements contribute towards their corporate commitments, such as net zero carbon targets. ESG is therefore a key part of our customer interactions and proposals. Every lease re-gear proposal which is submitted to a customer includes an ESG initiative.

We continue to discuss projects to add on-site solar PV energy generation and appointed specialist consultants to manage the assessment and delivery of these schemes. Every asset is assessed for the inclusion of roof mounted solar PV. Talks were ongoing covering 12.6m sq ft of the investment portfolio. Should all these projects proceed, they have the potential to generate savings of approximately 8,315 tonnes of carbon per year.

The installation of a solar scheme with Brakes at Harlow completed in December. This will generate additional green revenue for us, with a projected IRR of 7.5% pa. The scheme will generate 920 MWh of renewable energy and save 196 tonnes of carbon. Installation of the 3.5 MW solar PV scheme at the Littlebrook building let to Amazon also completed in the year. At the year end, 9.2m sq ft of assets included roof mounted solar PV.

During the year, the UK Government commenced a consultation process in respect of the Minimum Energy Efficiency Standards (MEES) Regulations, with an expectation that the minimum acceptable Energy Performance Certificate (EPC) grade may increase from D to B in 2030. Our target is to improve all EPCs to at least a C grade by 2023 and we accelerated our original target to achieve at least a B grade by 2026. At the year end, 95% of the portfolio was grade C or above, up from 90% at the start of the year. This improvement has been driven by the completion of new buildings in the development programme as well as improvements made to certain Investment assets. Three assets representing 4.5% of the portfolio are rated D and are targeted for initiatives such as replacement LED lighting or solar PV installation, which will improve their EPCs and achieve our 2023 target.

We continue to progress our plans to implement green leases where possible, by incorporating best practice green lease clauses in each new lease or lease variation. Green leases encourage cooperation between us and our customers, as they include clauses that set out specific environmental requirements, for example that the tenant will provide ESG data, will operate sustainably and that the landlord will consent to all feasible requests for sustainability upgrades. We agreed green lease clauses during the year on five leases. We continue to progress our biodiversity strategy which included the installation of beehives at Littlebrook and varied planting in landscaping projects, to support local biodiversity and our national ecosystem.

We have a three-year partnership with Schoolreaders, a literacy charity that provides reading support for young children. The charity provides volunteers in the counties where our assets are located, thus benefitting the communities of our customers. We are proud to have sponsored the campaign to raise funds and increase awareness of its services. The success of the campaign has enabled the charity to reach an additional 2,500 children with weekly reading support.

We were also the lead sponsor of an all-female crew, The Mothership, which took part in the Talisker Whisky Atlantic Challenge ocean rowing race in December 2021. The crew included Jo Blackshaw, Investor Relations Director at Tritax. The team embraced core Tritax values and were united by their passion to empower women and children to discover new experiences and opportunities without limitation. Coming in second in the women's race, the crew raised close to £70K for Noah's Ark Children's Hospice, Felix Fund and Women in Sport.

Priorities for 2022

Our priorities for the next 12 months in relation to our asset management programme are:

- complete all outstanding open market rent reviews;
- complete further lease extensions, incorporating ESG initiatives and green lease clauses; and
- agree terms to extend a property or alternatively secure an additional pre-let for our Development portfolio with a current customer.

3) Insight driven development and innovation

We control the UK's largest land portfolio for logistics development, capable of delivering approximately 39 million sq ft of logistics space.

As well as its scale, the portfolio is diversified in terms of geography and in the range of unit sizes that can be constructed. This maximises the scope of occupier solutions that can be offered and the quantum of development that can be undertaken.

It provides an ongoing source of development activity, creating a pipeline of new, high quality investments into our core investment portfolio. The development programme is a key driver of portfolio returns, targeting a yield on cost of 6-8% through an appropriate combination of pre-let and speculative developments.

We have an experienced, multi-functional in-house team with a long track record of successful delivery, both in terms of obtaining planning consents and delivering new buildings. The land portfolio has taken over 10 years to assemble, with its scale and diversity very difficult for our competitors to replicate. This forms an effective barrier to entry and provides us with an important competitive advantage in the marketplace.

The vast majority of the land portfolio is held through long-term option agreements. The capital efficiency and flexibility provided by these options allows us to align the pace and scale of development activity to market demand.

The land portfolio is actively managed to ensure that land utilised for development (following the receipt of a detailed planning consent) is replenished by new sites where infrastructure and servicing works are ongoing or by schemes being advanced through the planning process. This dynamic process enables the land portfolio to create a controlled supply of new development opportunities on an on-going basis.

Our Investment Policy limits land and development exposure to 15% of GAV and within this total speculative development exposure cannot exceed 5% of GAV. We are operating well within those limits at the year end, with land and development exposure totalling 8.1% (2020: 8.6%) and speculative exposure 1.6% (2020: 0%).

At the year end, the development portfolio comprised 8.1% of the company's Gross Asset Value. While currently representing a small proportion of the overall portfolio, primarily due to the capital efficient way land is held through long-term options, the development land has the potential to more than double the size of the business.

More detail on our development pipeline was presented to investors on 27 January 2022, the presentation and recording of the seminar can be found here link.

A year of significant progress

This was a successful year for the development programme, as we made good progress with the developments in build and continued to deliver new planning consents and infrastructure works, giving us a growing number of sites in a credible delivery state.

The equity raise in September 2021, provides the necessary funding to support an acceleration in our near-term development programme. With an increasing number of occupier conversations moving from high level discussions, into detailed negotiations, we have growing visibility in terms of targeted near-term starts and the level of income delivery associated with these assets. From this acceleration in the development programme, when taking those assets that were either under construction at the year end as well as those assets with a targeted start date in 2022, we have visibility over the potential to add £36 million of incremental rent to the portfolio. The timeframe attached to rental income recognition will be linked to construction timeframes and therefore a c12-18 month period should be reflected between construction commencement and income generation. Therefore, when looking at the targeted development starts in 2022, we would expect to see the benefit to earnings flowing through by 2024.

A year of significant progress

2021 was a year of significant progress for the development programme on all fronts: we completed a substantial amount of new pre-let development, made good progress with infrastructure and other site preparation works, commenced construction of further phases of development and continued to secure new planning consents and upgrade existing consents.

Our priorities for 2021 in relation to the Development Portfolio were as follows:

Priority	**Progress**
Aim to successfully complete the developments currently under construction, in accordance with development budget and programme.	Five developments reached practical completion totalling 3.7 million sq ft, with the remainder of projects in build on track.
Commence development of a number of smaller units, to open up sites and replace recently let speculatively built stock.	Started development of 1.3 million sq ft of space, across nine units, with an average size of c150,000 sq ft.
Further progress new and existing planning applications across the development portfolio.	Secured new planning consents on 3.0 million sq ft and submitted applications on a further 2.1 million sq ft.
Progress site infrastructure works on consented sites to facilitate letting delivery.	Progressed site infrastructure works to enable up to 2.3 million sq ft of logistics space.
Look to secure further pre-let developments.	Secured 1.1 million sq ft of pre-lets/lettings during construction.
Continue to target 2-3 million sq ft of development activity per annum.	Accelerated development activity, with new target of 3-4 million sq ft, reflecting strong occupational market.

Development activity in 2021

Key development activity in the year included:

- 3.7 million sq ft of lease completions adding £24.0 million to contracted rent, of which 100% was pre-let or let during construction;
- 3.0 million sq ft of new planning consents secured; and
- 1.3 million sq ft of developments starts with the potential to add approximately £10.2 million to contracted rent, of which 21% has been pre-let to date.

3.7 million sq ft of lease completions

Four pre-let developments totalling 3.2 million sq ft were completed and became income producing during the year. These were the developments for Co-Op in Biggleswade, DPD in Bicester, Amazon in Littlebrook and Ocado in Bicester. A fifth asset, a 0.5 million sq ft speculative development at Littlebrook, was let to Ikea prior to the building's completion. In total, the five developments added £24.0 million to the annual passing rent roll.

The facility constructed for DPD in Bicester asset was our first net zero carbon in construction building (see Enhancing sustainability through development for more information).

3.0 million sq ft of new planning consents secured

We continued to improve and upgrade the planning status of the land portfolio during the year and maintained our high levels of planning success. At Symmetry Park Merseyside we secured a detailed consent for a 0.2 million sq ft logistics facility and outline consent for a further 0.8 million sq ft of distribution space. We also secured detailed consent for 0.7 million sq ft at Rugby and hybrid consent for 1.4 million sq ft at Wigan.

The Group submitted planning applications on 2.1 million sq ft of space that were still awaiting determination at the year end. These included units at Rugby, Littlebrook, Middlewich and Gloucester.

In response to the heightened level of activity experienced in 2021, the unprecedented level of occupier demand and increased visibility of interest in the near-term development pipeline, we increased our estimate of target development starts to 3-4 million sq ft in 2022, above our longer-term target of 2-3 million sq ft per annum. The equity raise undertaken in September 2021 provides the necessary funding to support this acceleration in our near-term programme (see Financial Review for more information).

We divide the development portfolio into three categories:

1) *Current development pipeline:* buildings under construction.

2) *Near-term development pipeline*: anticipated development starts during the next three years, split between development starts within twelve months, and expected starts in the subsequent 12-24 months.

3) *Future development pipeline:* longer-term development opportunities, primarily held under land option agreements.

1) Current development pipeline – 1.3 million sq ft

The Group's current development pipeline comprises buildings under construction.

During 2021, we commenced construction of nine buildings on a speculative basis, across schemes at Aston Clinton, Middlewich, Biggleswade and Bicester. These units total 1.3 million sq ft and have the potential to add £10.2 million to the annual rent roll.

We will consider undertaking speculative development only when there is demonstrable pent-up demand, limited supply and where we have good visibility on specific occupier requirements for the proposed scheme. Speculative development is usually focused on smaller and mid-sized units and can be considered where site constraints limit building configurations or to "open up" and provide credibility to a new scheme by demonstrating development activity.

This considered approach can be seen at our scheme in Aston Clinton where two buildings totalling 0.3 million sq ft have been let during the course of construction, representing c.70% or £2.4 million of the potential rent deliverable from this scheme.

While the primary intention is to create income-producing assets to grow the Group's investment portfolio, we will occasionally develop an asset for freehold sale, where working with an occupier will improve our ability to bring forward a planning consent, open up a site and accelerate the capture of development profit.

In line with this approach, we agreed to sell a 0.1 million sq ft parcel of land at Biggleswade, having worked with the purchaser to secure planning for 0.6 million sq ft of warehouse space on previously unallocated land.

At the reporting date, we had the following assets in the current development pipeline. The total estimated cost to completion is £65.4 million.

	Estimated costs to completion					
	Total	Period			Total sq ft	Contractual rent / ERV
Location, Unit	£m	H1 2022 £m	H2 2022 £m	H1 2023 £m	m	£m

Aston Clinton, Units 4-6	20.2	11.0	9.2	-	0.4	3.2
Middlewich 1A, Units 11-12	7.6	7.6	-	-	0.2	1.3
Bicester Phase 1 Plot C	14.7	7.6	7.1	-	0.3	2.1
Biggleswade Phase 2, Units 2-4	22.9	17.9	5.0	-	0.4	3.6
Total	**65.4**	**44.1**	**21.3**	**-**	**1.3**	**10.2**
Of which is pre-let	**14.0**				**0.3**	**2.4**

2) Near-term development pipeline – 8.8 million sq ft

The Group's near-term development pipeline comprises anticipated development starts within the next three-year period. This category is further broken down into development starts targeted within the next 12 months, and development starts which are expected to occur within the subsequent 12-24 months. This excludes assets which were under construction at the year end as these are included in the current development pipeline.

In January 2022, due to the increasing visibility over the level of occupational requirements and the positioning of the development portfolio in terms of being able to satisfy this demand, we increased our guidance to target 3-4 million sq ft of development starts for 2022. Beyond this, our longer-term guidance remains, which is to target the delivery of 2-3 million sq ft per annum.

At the year end, the Group's near-term development pipeline spanned 8.8 million sq ft, which consisted of developments with a targeted start date within 12 months totalling 3.7 million sq ft and developments with a targeted start date in the subsequent 12 – 24 months totalling 5.1 million sq ft each with a potential rental income of £25-30 million and £35-40 million respectively.

2022 development activity

2022 has commenced strongly, with 1.8 million sq ft of near-term development starts so far in Q1 2022, adding a potential £13.1 million of contracted rent, of which 56% has been pre-let.

This development activity includes two pre-lets: a 0.6 million sq ft HQ warehouse in Glasgow let to HarperCollins and a 0.4m sq ft logistics facility in Doncaster let to B&Q, both on 15-year leases with CPI linked reviews.

In addition, speculative construction has begun across our sites at Merseyside, Littlebrook and Kettering. The building sizes across these sites range from 0.1 million to 0.3 million sq ft and are being constructed in locations where there is evidence of pent-up demand, a limited supply of modern buildings and where occupier discussions are well advanced.

The table below analyses the near-term development pipeline at the year end. This supports our expectation of commencing 3-4 million sq ft of new development in FY22, through an appropriate combination of pre-let activity and speculative development:

	Total sq ft	**Current book value**	**Estimated cost to completion**	**ERV**	**Estimated gross yield on cost**
		£m	**£m**	**£m**	**%**
Near term starts within 12 months	3.7m	£100.9	£336.0	£27.1	6-8%
Near term starts within the following 12-24 months	5.1m	£72.2	£563.5	£41.8	6-8%

8.8m	**£173.1**	**£899.5**	**£68.9**	**6-8%**

The current pipeline under construction at the year end, together with the near-term pipeline expected to commence in 2022, have the potential to add £36 million of contracted rent to the portfolio when these buildings are completed over the subsequent 12-24 month period. We would therefore expect to see the full earnings benefit of these developments coming through by 2024.

3) Future development pipeline

The Group's future development pipeline comprises the strategic land portfolio and is predominantly controlled under longer-term option agreements.

As at year end, the future development pipeline comprised 1,370 acres with the potential to support 28.5 million sq ft of logistics development.

Options provide a capital efficient way of gaining exposure to land through the limited upfront costs needed to secure these positions. This structure also reduces development risk, as the land is only acquired following the receipt of a planning consent and maximises flexibility in terms of the timing and quantum of land drawdowns.

The longer-term pipeline has sites at various stages of the planning process with multiple sites being currently promoted through local plans. The longer-term pipeline relates to sites where construction starts are expected to occur beyond three years.

The Group owns or is in the process of exercising the land option across approximately 17% of the total land portfolio and controls 83% through long-term option agreements.

Development Management Agreements (“DMA”)

Under a DMA, we typically manage the delivery of an asset for a third-party funder, in return for a fee and/or profit share. We will not own the asset at any point and DMAs are therefore not included within our asset portfolio. DMAs can provide us with an attractive source of additional income for shareholders, with no capital requirements.

We had a DMA on our scheme in Banbury which has now been fully developed out. Construction completed just prior to Christmas on the final unit of 0.1 million sq ft. This unit was let at the beginning of January and the letting concludes our involvement at Banbury.

The treatment and impact of DMA income on our performance is discussed in more detail in the Financial Review.

Cost inflation being mitigated

Like many developers in the UK, we are experiencing cost inflation for key raw materials which is feeding through to our development projects. This issue is primarily being caused by the significant supply chain disruption experienced as a result of Covid-19 and Brexit. Labour costs are also increasing as a result of the widespread reduction in labour availability that is hitting many sectors across the economy, including the construction industry.

We are well placed to mitigate the impact of increasing build costs. Our development platform has excellent relationships with key suppliers in the construction supply chain that have been built up over many years. In addition, the scale of our development programme means we have greater buying-power compared to most other developers in the logistics sector. These factors help us to secure beneficial pricing and gain priority in reserving essential building materials which keeps cost increases and potential project delays to a minimum.

The favourable market conditions being experienced in the logistics market are driving rental growth and asset value appreciation which are also helping to mitigate the adverse impact of build cost inflation. As a result, we remain confident in our guidance of delivering an attractive 6-8% yield on cost on our overall development programme with nearer-term projects likely to be delivered towards the lower end of this range and medium to longer-term projects towards the higher end.

Enhancing ESG through development

Our commitment to sustainable development is reflected in our standards and objectives for construction, which across the development portfolio acquired through the acquisition of DB Symmetry, include achieving a minimum of BREEAM Very Good, an EPC A grade and net zero carbon to the point of practical completion.

During the year, we completed our first net zero carbon development for DPD at Bicester with the project serving as a pilot study to explore ways we can reduce embodied carbon from construction. Having modelled the construction to provide a baseline for improvement, we worked with the contractor to identify ways to reduce embodied carbon. This resulted in carbon savings of 535 tonnes or 9% against the baseline. The final carbon balance has been offset through projects that align with the UK Green Building Council's guidance. The project highlighted further areas for carbon reductions, which we will look to implement on future developments.

The five new developments completed in the year contributed to increasing the proportion of A-C grade EPCs across the portfolio from 90% to 95%. We have also continued to increase the proportion of the portfolio with Green Building certification, which is up to 50% from 43% as at January 2021.

Enhancing biodiversity is an important part of our ESG strategy, inline with forthcoming legislation. During the year, we completed biodiversity assessments at Middlewich, Merseyside, Biggleswade and Rugby, enabling us to compensate for the reductions in habitat that would otherwise have occurred. Future initiatives may include creating new on-site and off-site habitats by planting woodlands, hedgerows and new wildflower meadows.

Enhancing wellbeing is increasingly an important consideration for occupiers. We have conducted a review of our standard base specification against WELL Standard factors, meaning that future occupiers will be able to tailor their workspace with wellness as a priority and ensures occupiers can work towards a WELL accreditation if they wish.

As part of our comprehensive regeneration of a redundant power station at Littlebrook in Dartford, that now includes developments for Amazon and Ikea, we have begun a partnership with a local football club and an associated skills initiative, with funding of £215,000 over five years. The site also enjoys a number of nature and wellbeing features, such as cycle paths, walking paths and an apiary to repopulate a locally endangered Dartford bee.

Priorities for 2022

Our priorities for the next 12 months in relation to our development programme are:

- commence construction of 3 - 4 million sq ft high performing, sustainable buildings in line with our net zero carbon strategy;
- continue to identify pre-lets and occupiers to lease the speculative programme;
- position the development portfolio to deliver 2-3 million sq ft of logistics space over the longer-term - but be ready to respond to higher levels of demand in the near term;
- secure further planning consents to ensure the targeted level of development can be maintained; and
- secure further options on additional land to replenish the overall development land portfolio.

Case study – generating value through successful development

Our development site at Biggleswade exemplifies our ability to create value through the development portfolio and generate additional opportunities for value creation.

Biggleswade is a highly attractive location for occupiers. It is situated on the A1, giving fast access to the M25, M1 and A14, and the town offers a large and growing workforce, with skills appropriate for the logistics sector. As with several other key sites in our development portfolio, it offered us the chance to secure an initial piece of development land and then grow our holding over time, by agreeing further options with the relevant landowners.

Our initial plan for phase 1 of the site was to develop around 1 million sq ft of space on a speculative basis, across several units. Having obtained planning consent and received considerable occupier interest, the business showed its agility by quickly adapting its plans, when the opportunity arose to secure a pre-let with Co-Op on a single 661,000 sq ft facility. This unit was completed in February 2021 and, following the customer's fit out, became fully operational in early 2022.

With the pre-let signed and the site successfully opened up, the team agreed an option on the phase 2 land and subsequently obtained planning consent for 577,000 sq ft across four units. This was achieved despite the land not being allocated within the local authority plan, reflecting the shortage of employment land within the borough, our strong relationship with the local authority and the support of an occupier, Bond International. Bond has since agreed to acquire one of the units, of 112,000 sq ft, and we are seeing strong interest in the three remaining units, which are scheduled for completion in autumn 2022.

This success had led to us securing options on phases 3 and 4 at Biggleswade, which between them have the potential to deliver a further 2.1 million sq ft of space. Phase 3 is already attracting occupier interest on a pre-let basis and, while planning has not yet been submitted, the local authority is supportive of further applications, and we are working closely with them to bring the scheme forward.

FINANCIAL REVIEW

We delivered another strong financial performance during the year, as the continued successful delivery of the strategy and the positive market conditions contributed to further growth in net rental income, earnings and net tangible assets per share. In addition, we are gaining increasing visibility on future income growth capable of being generated through our near-term development pipeline and as a result have increased our capex target for development activity for the forthcoming year (see below for further details).

The total dividend for the year was 6.70 pence per share (2020: 6.40 pence), representing growth of 4.7%. This contributed to a record year for Total Accounting Return of 30.5% (2020: 19.9%), with growth driven by market fundamentals translating into yield compression across our investment portfolio, capital profits generated via our development programme and further rental growth.

Rent collection remained very strong. Having successfully collected all the rent due for 2020, we have achieved 100% collection of rent due for 2021.

The share issue in September 2021 raised gross proceeds of £300 million at 204.00 pence per share, a premium to the prevailing EPRA net tangible asset per share at the date of the issue of 194.22 pence. In January 2022, the Company increased its guidance, targeting development starts in 2022 of 3-4 million sq ft. This issue of equity was raised with increasing visibility over an acceleration in our development activity and the implications this has on near-term financing requirements. This de-risks the financing of our development programme for the next 12 to 18 months and means that we start 2022 in a well-capitalised position as we seek to capture this opportunity. As a result of the issue and the further growth in the portfolio valuation, the LTV ratio stood at 23.5% at 31 December 2021 (2020: 30.0%). At the same date, we had undrawn committed borrowing facilities of £550 million.

For 2021, we set the following priorities in relation to our financial performance:

Priority	**Progress**
Continue to place an emphasis on high rent collection levels.	100% of rent collected for the last two years.
Deliver growth in both earnings and net asset value.	Adjusted EPS[1] up 6.8% to 7.38p and EPRA net tangible assets per share up 26.8% to 222.60p.
Ensure we maintain sufficient liquidity levels to meet its strategic needs.	Oversubscribed £300 million share issue completed, to finance the strategy for the next 12-18 months. £550 million undrawn debt commitment as at 31 December 2021.
Maintain a strong balance sheet position with our loan to value within guidance of up to 35% LTV.	LTV at the year end of 23.5%.

1 Excluding exceptional development management income

Capital allocation framework

Effectively implementing our strategy requires us to carefully evaluate the sources of financing and the uses to which we put it, with the aim of delivering an attractive long-term return for shareholders.

Sources

We have the following sources of capital available, which we can use in isolation or in combination:

- debt financing, with leverage within our stated target range;
- sale of existing investment assets;
- sale of development land;

- partnerships, such as joint ventures;
- raising additional equity, when in shareholders' interests; and
- development management income, which when above our medium-term guidance levels are reinvested into the business.

Uses

Our strategy presents us with several options for deploying capital. We rigorously evaluate opportunities on both an absolute basis and relative to other opportunities. As market dynamics continue to evolve, we will adapt where we deploy capital as necessary.

Our opportunities include:

- investing in and asset managing existing assets;
- acquiring assets that meet our investment criteria;
- developing assets on land we own; and
- progressing and adding to our existing land bank.

Presentation of financial information

The financial information is prepared under IFRS. Our subsidiaries are consolidated at 100% and its interests in joint ventures are equity accounted for.

The Board sees Adjusted EPS (excluding exceptional development management income) as the most relevant measure when assessing dividend distributions. Adjusted EPS[1] is based on EPRA's Best Practices Recommendations and excludes items considered to be exceptional, non-recurring or not supported by cash flows, and includes the developer's licence fees that we receive on forward funded developments.

Financial results

Net rental income

Net rental income for the year was 14.3% higher at £184.6 million (2020: £161.5 million). The growth was the result of:

- a full year of income from lettings secured in 2020;
- five assets (DPD Bicester, Co-Op Biggleswade, Amazon Littlebrook, Ikea Littlebrook and Ocado Bicester) becoming income producing following practical completion during the year;
- net rental income from the Avonmouth asset acquired in April 2021 and a full year of income from the asset acquired in Southampton in November 2020;
- rental growth secured through rent reviews and our active asset management programme, with reviews settled delivering increases to passing rent of 8.7% in the year across those assets; less
- a full year of income foregone from the assets sold in 2020.

At the year end, the contracted annual rent roll was £195.6 million across 62 investments assets (31 December 2020: £180.6 million across 59 assets). This includes £0.8 million relating to pre-let assets in construction at 31 December 2021.

1 Excluding exceptional development management income

Administrative and other expenses

Administrative and other expenses, which includes all the operational costs of running the Group, totalled £25.5 million for the year (2020: £22.6 million). Growth in the average NAV resulted in the Investment Manager fee increasing by £2.8 million to £20.7 million in the year.

Our operating cost base remains low and transparent, and the EPRA Cost Ratio (including vacancy cost) for the year was lower at 13.9% (2020: 14.2%), reflecting the operational cost benefits of further scale.

Operating profit

Operating profit before changes in fair value and other adjustments was £178.0 million (2020: £147.5 million).

As noted in the discussion of our development programme, we earn fees and/or profit share from managing developments for third parties. By its nature, this other operating income is more variable than property rental income, and it is included within Adjusted earnings as it is supported by cash flows. We recognised £18.9 million of other operating income from these agreements in the year (2020: £8.6 million). This is above the anticipated £3-5 million run-rate for this income over the medium term and we have therefore highlighted its impact on earnings within the *profit and earnings* section below.

Share-based payment charge and contingent consideration

The structure of the Tritax Symmetry transaction led to senior members of the Symmetry team becoming B and C shareholders. Under IFRS, the structure of the Tritax Symmetry transaction has led to the B and C shareholders' value being split between:

i) contingent consideration, which is determined by certain provisions under the shareholder agreement between Tritax Symmetry HoldCo and the Tritax Symmetry Management Shareholders; and

ii) a share-based payment charge, which is the compensation the B and C shareholders will receive as a result of their economic right held to their share of future performance of the Tritax Symmetry Development Assets.

During 2021, £5.5 million (2020: £5.9 million) was charged to the Group Statement of Comprehensive Income in respect of share-based payment charges. A further £4.2 million (2020: £2.9 million) was charged in respect of the changes in the fair value of contingent consideration.

Financing costs

Net financing costs for the year were £40.1 million (2020: £37.6 million), excluding the improvement in the fair value of interest rate derivatives of £2.8 million (2020: £2.3 million reduction). The average cost of debt was steady across year at 2.26% (2020: 2.17%), and the movement in net financing costs was therefore the result of changes in the average debt drawn during the year, which was £1.5 billion compared with £1.3 billion in 2020.

Tax

We have continued to comply with our obligations as a UK REIT and therefore are exempt from corporation tax on the property rental business.

We received an exceptional tax credit of £3.9 million in the year. On acquisition of Tritax Symmetry, a deferred tax provision was made for trading assets which were subsequently appropriated to investment property, resulting in a tax liability which offset the deferred tax provision on acquisition. This tax charge was fully provided for within the Tritax Symmetry completion balance sheet and it was therefore not charged to the Group Statement of Comprehensive Income. Following the submission of tax computations for 2019 and with no appropriation required for one particular scheme, we received a refund in the year of £3.9 million for appropriation tax previously paid.

The other operating income received under DMA contracts has resulted in a tax charge of £2.4 million for 2021. The underlying tax credit, being the net of the sums mentioned above, was therefore £1.5 million for the year (2020: £0.1 million charge).

Profit and earnings

Profit before tax is significantly influenced by the movement in property valuations (see below) and was £971.1 million for the year (2020: £449.5 million). This resulted in basic earnings per share (EPS) of 55.39 pence (2020: 26.30 pence) and basic EPRA EPS of 7.47 pence (2020: 6.17 pence).

Adjusted EPS for 2021 was 8.23 pence (2020: 7.17 pence). The calculation of Adjusted EPS can be found in note 12 to the financial statements. When removing the income generated from development management agreements, which we consider to be non-recurring and in excess of the anticipated run-rate over the medium term, Adjusted EPS[1] was 7.38 pence (2020: 6.91 pence). This excess DMA income is reinvested back into the business with a view to generating recurring property rental income.

1 Excluding exceptional development management income

Dividends

Since 1 January 2021, the Board has declared the following interim dividends:

Declared	Amount per share	In respect of three months to	Paid/to be paid
6 May 2021	1.60p	31 March 2021	1 June 2021
28 July 2021	1.60p	30 June 2021	23 August 2021
21 October 2021	1.60p	30 September 2021	17 November 2021
2 March 2022	1.90p	31 December 2021	31 March 2022

The total dividend for the year was therefore 6.70 pence per share, an increase of 4.7% on the 6.40 pence paid in respect of 2020. The pay-out ratio for the year was 91% when compared against Adjusted EPS[1] of 7.38 pence (2020: 93%).

Portfolio valuation

CBRE independently values the Group's Investment assets that are leased, pre-leased or have commenced construction. These assets are recognised in the Group Statement of Financial Position at fair value. Colliers independently values all optioned land and owned land which has no current construction activity. Land options and any other property assets are recognised at cost, less amortisation or impairment charges under IFRS.

The share of joint ventures relates to 50% interests in two sites at Middlewich and Northampton, relating to land and land options. These two sites are equity accounted for and appear as a single line item in the Statement of Comprehensive Income and Statement of Financial Position.

The total portfolio value at 31 December 2021, including all remaining contractual commitments on forward funded developments and our share of joint ventures, was £5.48 billion:

	31 December 2021 £m	31 December 2020 £m
Investment properties	5,249.1	4,053.5
Other property assets	4.0	9.4
Land options (at cost)	201.5	228.1
Share of joint ventures	25.6	28.5

Remaining forward funded development commitments	-	87.7
Portfolio value	**5,480.2**	**4,407.2**

The gain recognised on revaluation of our Investment properties was £840.9 million (2020: £351.1 million). This portfolio valuation surplus was therefore 19.1% across our investment and development assets, net of capital expenditure. The main drivers of this increase include:

- the continued strength of the market and market yield compression, with 43 bps of like-for-like compression recognised across the year, taking our portfolio equivalent yield to 4.1% (31 December 2020: 4.5%);
- capital gains reflected across our development portfolio which included five assets which reached practical completion in the year and a further nine assets where construction commenced during the year end*;* and
- the contribution from capitalising the rental growth achieved across the investment portfolio.

Capital expenditure

We acquired one asset in an off-market transaction during the year, for £90 million net of costs, reflecting a net initial yield of 5.1%.

We were targeting the deployment of £200-250 million during 2021 into development. This year, we exceeded that target, investing a total of £274.3 million into a combination of land options, owned land and assets under construction.

Total capital expenditure for the year therefore was £371.8 million (2020: £302.2 million).

In January 2022, due to a notable increase in the level of occupier demand across the development portfolio, the Company increase its development guidance to target capital expenditure into development of £350-£400 million in 2022.

Embedded value within land options

Under IFRS, land options are recognised at cost and subject to impairment review. As at 31 December 2021, our investment in land options totalled £201.5 million (31 December 2020: £228.1 million).

As the land under option approaches the point of receiving planning consent, any associated risk should reduce and the fair value should increase. When calculating our EPRA NTA, we therefore make a fair value mark-to-market adjustment for land options. At the year end, the fair value of land options was £66.0 million greater (31 December 2020: £80.1 million greater) than aggregate costs expended to date.

Net assets

The year-end EPRA NTA per share was 222.60 pence (31 December 2020: 175.61 pence), up 26.8%. The primary driver of this increase was due to the growth in value of the property portfolio, as described above.

The Total Accounting Return for the year, which is the growth in EPRA NTA plus dividends paid, was 30.5% (2020: 19.9%).

Equity capital

On 30 September 2021, the Company announced the results of a placing, retail offer and direct subscription for new Ordinary Shares. In total, 147,058,823 new Ordinary Shares were issued at 204 pence per share, raising gross proceeds of £300 million. The issue price represented a discount of 5.3% to the closing price on 29 September 2021 of 215.40 pence and a premium of 5.0% to the EPRA net tangible assets per share at 30 June 2021 of 194.22 pence.

Debt capital

At 31 December 2021, we had the following borrowings:

Lender	Maturity	Loan commitment £m	Amount drawn at 31 December 2021 £m
Loan notes			
2.625% Bonds 2026	Dec 2026	250.0	249.5
2.86% Loan notes 2028	Feb 2028	250.0	250.0
2.98% Loan notes 2030	Feb 2030	150.0	150.0
3.125% Bonds 2031	Dec 2031	250.0	247.5
1.5% Green Bonds 2033	Nov 2033	250.0	246.4
Bank borrowings			
RCF (syndicate of seven banks)	Dec 2023/24	350.0	-
RCF (syndicate of six banks)	Jun 2024/26	200.0	-
Helaba	Jul 2025	50.9	50.9
PGIM Real Estate Finance	Mar 2027	90.0	90.0
Canada Life	Apr 2029	72.0	72.0
Total		**1,912.9**	**1,356.3**

There was one change to our debt facilities during the year, with the maturity date of £190 million of the £200 million RCF extended by 12 months to June 2026.

Green finance

In November 2020, we launched our Green Finance Framework and issued £250 million of unsecured Green Bonds. During 2021, we deployed and allocated the proceeds of this issue against our green initiatives, including our sustainable development projects. This paves the way for growing our green portfolio in a manner that supports further Green Bond issuance in future.

Information on the allocation of the Green Bond proceeds can be found in our Green Finance Report, which is available at: https://www.tritaxbigbox.co.uk/media/4yinh0fz/tritax-big-box-reit-plc-bbox-publication-of-base-listing-particulars-and-green-finance-framework-17-11-20.pdf

Interest rates and hedging

Of our debt commitments, 69% (31 December 2020: 69%) is at fixed interest rates. For our variable rate debt, our hedging strategy is to use interest rate caps which run coterminous with the respective loan. These allow us to benefit from current historically low interest rates, while minimising the effect of a significant increase in interest rates in the future.

Combined with the fixed-rate debt, our derivative instruments hedged 100.0% of our drawn debt as at the year end. As a consequence, we had a capped cost of debt of 2.53% (31 December 2020: 2.49%) at the year end. The all-in running cost of borrowing at 31 December 2021 was 2.26% (31 December 2020: 2.17%).

Debt maturity

At 31 December 2021, our debt had an average maturity of 6.5 years (31 December 2020: 7.4 years).

Loan to value (LTV)

We have a conservative leverage policy, with a medium-term LTV target of 30%-35%. At the year end, the LTV was 23.5% (31 December 2020: 30.0%), reflecting the receipt of proceeds from the equity issue ahead of their deployment and valuation growth recorded across the property portfolio. Please also see notes to the EPRA and other key performance indicators for further details on the LTV calculation.

Net debt and operating cash flow

Net debt at the year end was £1,285.2 million (31 December 2020: £1,297.9 million), as below:

	31 December 2021 £m	31 December 2020 £m
Gross debt drawn	1,356.3	1355.7
Less: Cash	(71.1)	(57.8)
Net debt	**1,285.2**	**1,297.9**

Net operating cash flow plus licence fees received was £196.1 million for the year (2020: £140.2 million). Net cash flow used in investing activities during the year was £327.3 million (2020: £150.2 million).

Going concern

We continue to have a healthy liquidity position, with strong levels of rent collection, a favourable debt maturity profile and substantial headroom against its financial covenants.

The Directors have reviewed our current and projected financial position over a five-year period, making reasonable assumptions about its future trading performance, including any potential longer-term effects of Covid-19. Various forms of sensitivity analysis have been performed, in particular regarding the financial performance of our customers. As at 31 December 2021, our property values would have to fall by approximately 50% before our loan covenants are breached at the corporate level.

At the year end, we had an aggregate of £550 million of undrawn commitments under its senior debt facilities, of which £65.4 million (see note 32) was committed under various development contracts. Our loan to value ratio stood at 23.5%, with the debt portfolio having an average maturity term of approximately 6.5 years. During the year, we raised £300 million through a heavily oversubscribed share issue, as well as agreeing an extension to the maturity of our £200 million revolving credit facility (see note 23), indicating that additional liquidity is available at attractive rates.

As at the date of approval of this report, we had substantial headroom within our financial loan covenants. Our financial covenants have been complied with for all loans throughout the year and up to the date of approval of these financial statements. As a result, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, which is considered to be to 31 March 2023.

Credit rating

The Company has a Baa1 long-term credit rating from Moody's Investor Services. In December 2021, Moody's improved the Company's outlook to Baa1 (positive) from Baa1 (stable). This reflects the Company's growing scale and continued focus on high-quality logistics assets, supported by even stronger sector fundamentals and the benefit of controlling and owning the UK's largest land portfolio. The positive outlook reflects Moody's expectation that the Company will continue to generate growing cash flow and maintain good liquidity, while retaining high occupancy levels and a balanced growth strategy. The change applies to the long-term issuer rating.

Priorities for 2022

Our priorities for 2022 in relation to our financial performance and position are:

- to target further growth in both earnings and net asset value and therefore provide attractive Total Accounting Returns to shareholders;
- to maintain a strong balance sheet and loan to value within the guidance of up to 35%; and
- to increase capital expenditure deployed into development, the 2022 target is £350 - £400 million.

Alternative Investment Fund Manager (AIFM)

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

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

Investing in the Manager's capabilities

As Manager, we continue to invest in our capabilities, so we can provide the highest standards of service to the Group as it grows. We have recruited a new Head of Research and continued to expand our data analytics team, to underpin our intelligence-led approach to the market. We have also appointed a new ESG Director, a new Head of People Development and a new Director of Strategic Power as we seek to strengthen our in-house capabilities and remain at the forefront of innovation.

To ensure we have insight into how engaged our employees are, we conducted a staff satisfaction survey in March 2021. There was an overall engagement score of 74%, above the benchmark of 71%, with the results providing insight into how further improvements can be made. All employees receive annual and interim reviews, which includes analysis of training requirements. Training is undertaken formally through specialist courses or informally through "lunch and learn" events. ESG is embedded in reporting formats across all areas of the business. The Manager achieved ISO14001, demonstrating appropriate environmental management systems and processes.

The Group is also benefitting from the Manager becoming part of global asset manager abrdn (ASI). This gives us access to a wide range of specialist resource. Examples include aligning our approach on climate change and collaborating on approaches to ESG data management, in addition to utilising central resource functions to increase efficiencies to the benefit of the Group's shareholders.

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low-risk returns to Shareholders, by executing the Group's Investment Policy and operational strategy. Set out below are the key performance indicators we use to track our progress. For a more detailed explanation of performance, please refer to the Manager's Report.

KPI	Relevance to strategy	Performance
1. Total accounting return (TAR)	TAR calculates the change in the EPRA Net Tangible Assets (EPRA NTA) over the period plus dividends paid. It 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.	30.5% for 2021 (2020: 19.9%).
2. Dividend	The dividend reflects our ability to deliver a low-risk but growing income stream from our portfolio and is a key element of our TAR.	6.70p per share (2020: 6.40p)
3. EPRA NTA per share[1]	The EPRA NTA reflects our ability to grow the portfolio and to add value to it throughout the lifecycle of our assets.	222.60p at 31 December 2021 (31 December 2020: 175.61p).
4. Loan to value ratio (LTV)	The LTV measures the prudence of our financing strategy, balancing the potential amplification of returns and portfolio diversification that come with using debt against the need to successfully manage risk.	23.5% at 31 December 2021 (31 December 2020: 30.0%).
5. Adjusted earnings per share	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	8.23p for 2021 (2020: 7.17p). Excluding exceptional development management income Adjusted EPS was 7.38p (2020: 6.91p) See note 12.
6. Total Expense Ratio (TER)	This is a key measure of our operational performance. Keeping costs low supports our ability to pay dividends.	0.79% for 2021 (2020: 0.86%).
7. Weighted average unexpired lease term (WAULT)	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	13.0 years at 31 December 2021 (31 December 2020: 13.8 years).
8. GRESB[2] score	The GRESB score reflects the sustainability of our assets and how well we are managing ESG risks and opportunities. Sustainable assets protect us against climate change and help our customers operate efficiently.	81/100, 4 Green Star rating for 2021. (2020: 72/100, 3 Green Star rating).

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

[2] Global Real Estate Sustainability Benchmark (GRESB)

EPRA PERFORMANCE INDICATORS

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

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

Measure and Definition	Purpose	Performance
1.EPRA Earnings (Diluted) See note 12	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.	£131.2m / 7.47p per share (2020: £105.5m and 6.17p).
2. EPRA Net Tangible Assets See note 28	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	£4,157.6m / 222.60p per share as at 31 December 2021 (31 December 2020: £3,019.1m / 175.61p per share).
3. EPRA Net Reinstatement Value (NRV)	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	£4,535.7m / 242.84p per share as at 31 December 2021 (31 December 2020: £3,325.1m / 193.41p per share).
4. EPRA Net Disposal Value (NDV)	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	£4,095.5m / 219.27p per share as at 31 December 2021 (31 December 2020: £2,860.1m / 166.36p per share).
5 EPRA Net Initial Yield (NIY)	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	3.56% as at 31 December 2021 (31 December 2020: 4.18%).
6 EPRA 'Topped-Up' NIY	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	3.75% as at 31 December 2021 (31 December 2020: 4.38%).
7. EPRA Vacancy	A "pure" (%) measure of investment property space that is vacant, based on ERV.	0% as at 31 December 2021 (31 December 2020: 0%).
8. EPRA Cost Ratio	A key measure to enable meaningful measurement of the changes in a company's operating costs.	13.9% as at 31 December 2021 (2020: 14.2%). Both the 2021 and 2020 ratios are the same, inclusive or exclusive of vacancy costs.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for risk management and internal controls, with the Audit & Risk Committee reviewing the effectiveness of the risk management process on its behalf. We aim to operate in a low-risk environment, focusing on a single subsector of the UK real estate market to deliver an attractive, growing and secure income for shareholders, together with the opportunity for capital appreciation. The Board recognises that effective risk management is important to our success. Risk management ensures a defined approach to decision making that decreases uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

Approach to managing risk

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

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

Risk appetite

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

Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out below. They have the potential to materially affect our business. Some risks are currently unknown, while others that we currently regard as immaterial, and have therefore not included here, may turn out to be material in the future. The principal risks are the same as detailed in the 2020 Annual Report, with the key changes being i) the introduction of a new risk relating to physical and transitional risks from climate change, and ii) the consolidation of previous risks in relation to debt financing into one risk (Risk 6), along with the consolidation of previous risks in relation to development, into one risk (Risk 5).

Emerging risks

As well as the Principal risks, the Directors have identified a number of emerging risks which are considered as part of the formal risk review. Emerging risks encompass those that are rapidly evolving, for which the probability or severity are not yet fully understood. As a result, any appropriate mitigations are also still evolving, however, these emerging risk are not considered to pose a material threat to the Company in the short term. This could, however, change depending on how these risks evolve over time. Senior members of the Manager are responsible for day-to-day matters and have a breadth of experience across all corporate areas; they consider emerging risks and any appropriate mitigation measures required. These emerging risks are then raised as part of the bi-annual risk assessment where it is considered whether these emerging risks have the potential to have a materially adverse affect on the Company. The emerging risks that could impact the Company’s performance cover a range of subjects which include but are not restricted to climate change, technological advancement, inflation and supply chain disruption. The Board is mindful of current events involving Russia and the Ukraine, which, at present is uncertain and evolving day by day. With no direct exposure to Europe, we are currently not seeing any significant impact on our business but we will continue to monitor the situation closely. The Audit & Risk Committee has also considered emerging risks following Covid-19 such as changes in the regulatory environment or tax regimes as a result of the pandemic.

PROPERTY RISK

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

Net probability
Medium

Net Impact
Medium -The default of one or more of our tenants would immediately reduce revenue from the relevant asset(s). If the tenant cannot remedy the default and we have to evict the tenant, there may be a continuing reduction in revenues

until we are able to find a suitable replacement tenant, which may affect our ability to pay dividends to Shareholders. The circumstances around Covid-19 have led to certain sectors including certain parts of the retail sector being negatively impacted, this will impact the financial strength of some of our Customers.

Mitigation
Our investment policy limits the 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 and the group of the covenants. 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. We continually monitor and keep the strength of our tenant covenant's under review. In addition, we focus on assets let to tenants with strong financial covenant strength, and assets that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) was less than 16.5% as at 31 December 2021.

2. Portfolio strategy - the ability of the Company to execute on its strategy and deliver performance.

Net Probability
Low

Net impact
Medium – An adverse change in the performance of our property portfolio may lead to lower returns for Shareholders or a breach of our banking covenants. Market conditions may lead to a reduction in the revenues we earn from our property assets, which may affect our ability to pay dividends to Shareholders. A severe fall in values may result in a fall in our NAV as well as a need to sell assets to repay our loan commitments.

Mitigation
The Group is focused on a single sector of the commercial property market, the investment 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 support our asset values and overall portfolio performance. We undertake ongoing reviews of asset performance along with a review over the balance of our portfolio, split between Foundation, Value Add and Land as well as considerations over covenant, location and building type. Our asset performance is regularly appraised and where we feel the assets are mature in terms of performance, they are ear-marked for potential disposal. Our development portfolio is executed in a low-risk manner, with significant capital targeted for deployment once we have secured a pre-let agreement.

3. Competition for investment in the Big Box sector - with increasing competition in the investment market this may restrict our ability to grow the portfolio.

Net Probability
Medium

Net Impact
Low – Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources, thereby partly restricting the ability to grow our NAV, deliver value to shareholders, further diversify the portfolio and add additional liquidity to our shares. Post the effects of Covid-19, logistics assets are arguably even more sought after than before and therefore competition is likely to increase for the most prime assets. This has been observed during 2021 with yields being bid down to record low levels.

Mitigation
In 2021 the investment market was particularly strong, this saw increased competition bid down investment yields to record low levels. The strength of the market has increased the competition for UK logistics assets. Despite this, 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 large development pipeline and a number of current asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio. We own and control one of the largest development land banks in the UK, which significantly reduces the risk that competition will impact our ability to grow and enhance shareholder value.

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

Net Probability

High

Net impact
Medium – Our focus on the Big Box sector means we directly rely on the distribution requirements of UK retailers and manufacturers. Insolvencies and CVA's among the larger retailers and online retailers could affect our revenues and property valuations. The probability of certain retailers defaulting has increased post Covid-19, however a greater proportion of sales are being made online which compensates for this, these orders are fulfilled via the assets that we invest in.

Mitigation
The diversity of our institutional-grade tenant base means the impact of default of any one of our tenants is low. In addition to our due diligence on tenants before an acquisition or letting, 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. We have also increasingly been diversifying our tenant exposure to various sub-sectors of the retail sector i.e. online, food, homeware, fashion, other. Our fashion retail exposure is c.3% of contracted rent. The risk around traditional retail is mitigated by the increase in online retail sales, the transition to omnichannel shopping, and this has driven occupational demand in 2021. Our portfolio is modern and of a high-quality nature and therefore is attractive to those with an online presence.

5. Execution of Development business plan - there may be a higher degree of risk within our development portfolio.

Net Probability
Low

Net impact
Low - Our development activities are likely to involve a higher degree of risk than is associated with standing assets. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default. Very recently we have seen small delays to construction starts due to the availability of certain raw materials as well as inflationary increases to construction costs, which we will continue to monitor and mitigate where we can. If any of the risks associated with our developments materialise, this could affect the value of these assets or result in a delay to lease commencement. The occupational market is very strong and the UK is experiencing the lowest level of vacancy rates ever, this should be positive from a development perspective for TBBR.

Mitigation
The Company has a significant development pipeline, it represents c.8% of our gross assets as of 31 December 2021. Our development strategy is low risk and we target only investing significant capital into a development project once a pre-let agreement has been secured. Our appetite for speculative development is low and we have a limit of 5% of GAV exposed to speculative developments within our Investment Policy. The risk of cost overruns is mitigated by our experienced development team which includes a thorough procurement and tender process on all contracts, including agreeing fixed priced contracts. We undertake thorough covenant analysis and ongoing reviews of our contractors and secure guarantees in relation to build contracts where possible. In respect of pre-let forward funded developments, any risk is low, and mitigated by the fact the developer takes on a significant amount of construction risk and the risk of cost over-runs.

FINANCIAL RISK

6. Debt financing

Net Probability
Medium

Net impact
Medium – Without sufficient debt funding, we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, either to increase the level of debt or re-finance existing debt, this may impair our ability to maintain our targeted dividend level and deliver attractive returns to shareholders. Interest rates on the majority of our debt facilities are fixed term, however we do have an exposure to variable rate debt.

Mitigation
The Group has diversified sources of long-term unsecured borrowings in the form of £500 million in Public Bonds, £400 million in Unsecured Private Loan Notes and £250 million in Green Bonds. We also have £550 million of bank finance available split across two revolving credit facilities, and £212.9 million of secured debt across three separate facilities. This helps keep lending terms competitive. This access to multiple debt markets should enable the Group to

raise future liquidity in a more efficient and effective manner via an unsecured platform whilst at competitive rates. The Board keeps our liquidity and gearing levels under review, as well as monitoring the bank covenants and any associated headroom within covenant levels. We have undrawn headroom of £550 million within our current debt commitments, at 31 December 2021. The Group aims, where reasonable to minimise the level of debt with Sonia exposure, by using hedging instruments with a view to keeping variable rate debt approximately 90%+ hedged.

CORPORATE RISK

7. We rely on the continuance of the Manager

Net Probability
Low

Net impact
Medium – We continue to rely on the Manager's services and its reputation in the property market. As a result, the Company's performance will, to a large extent, be underpinned by the Manager's abilities in the property market and its ability to asset manage and develop its property portfolio. Termination of the Investment Management Agreement would severely affect the Company's ability to effectively manage its operations and may have a negative impact on the share price of the Company.

Mitigation
Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 24 months' written notice. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship. Following the acquisition of 60% of the Manager by Abrdn, this enhances the resources available to the Manager.

TAXATION RISK

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

Net Probability
Low

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

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

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

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

POLITICAL RISK

9. Disruptive Brexit

Net Probability
Medium

Net impact
Low – The UK left the EU in January 2020 and following the transition period up to 31 December 2020, the EU and UK have reached an agreement on a new partnership. This agreement sets out the rules that apply between the EU and the UK as of 1 January 2021. Economic volatility is not a new risk for the Group; however, until some of the implications, which include longer term trade relationships become clearer, the exact impact on the Company and its customers remains uncertain.

Mitigation

The Group operates with a focus in the UK Big Box market which has a supply shortage against current levels of demand, which, along with the structural shift to online retailing will assist in supporting portfolio and sector performance. We have regular engagement with key occupiers to understand how Brexit is affecting their businesses and whether this is affecting their need for logistics space. The Group is currently well positioned with long and secure leases and a diverse blue chip tenant line up, with a focus on tenants with financial strength, which are well positioned to withstand any uncertainty in the UK economy. For those businesses that may need to stock more inventory onshore due to concerns surrounding import delays, this is likely to lead to greater demand for warehousing space in the UK which is an opportunity for us. With our existing landbank we are able to work with our occupiers to support them with the development of new assets.

OTHER RISKS

10. Severe economic downturn

Net Probability
High

Net impact
Low – A severe downturn in the economy could impact a number of the Groups tenants, contractors, and service providers, which could mean a loss of rent income and disruption to operations. The probability of this is deemed moderate as following the Covid-19 outbreak during 2020 and subsequent impact on the economy, despite there now being a vaccine, global markets are still very sensitive to new variants and the number of cases. Elements of the economy such as hospitality and travel still remain effected.

Mitigation
A severe economic downturn could be caused by civil unrest, terrorism, war or a pandemic. On 23 March 2020 the Covid-19 pandemic caused the UK Government to place the UK into lockdown and issue significant support to the UK economy. Throughout 2020 there were various forms of restrictions placed on the freedom of movement due to the virus, which caused the UK to enter a recession in the year. Whilst there has been some return to normality following the roll out of the vaccine, it is a virus which is still impacting on a global scale.

The Group mitigates the impact of this by investing in high-quality investment assets that operate in a sector that has strong structural drivers and a supply demand imbalance in favour of landlords. The Group monitors its Customer’s financial health regularly and where possible enters into long leases.

The Manager continues to monitor the business continuity plan of its suppliers to ensure the impact to the Group and its service providers is minimised. Members of the Manager’s staff, have a working week that now involves some element of working virtually.

The Manager continues to monitor the impact that Covid-19 has had on the Groups assets and its tenants in order to protect the Groups cash flow regarding rent collection, impact on dividends and banking covenants.

Covid-19 has accelerated behavioural patterns such as online shopping, which, as a result led to the highest level of occupational take-up in 2020, which we expect to be surpassed in 2021. This is highly supportive of our business model.

11. Physical and transitional risks from climate change

Net probability
Medium

Net Impact
Medium - There is a risk of physical damage to the property portfolio as a result environmental related factors such as flood risk and rising temperatures.

As institutional investors focus their capital towards more energy efficient buildings, there is the risk that less energy efficient buildings do not perform as well as those with the highest ESG credentials.

ESG requirements are likely to increase over time and therefore the impact of a failure to comply with regulatory standards has the potential to affect the performance of the Company in the future.

The costs of carbon pricing could increase in the future therefore increasing the future construction costs associated with our development pipeline and therefore reducing development profits.

Mitigation
The Manager operates with a dedicated sustainability team as well as an ESG Committee who take operational responsibility for the Company’s ESG matters. The Manager regularly reports to the Board, including monitoring against the Company’s stated sustainability targets and providing updates on future initiatives.

The Company has a modern portfolio, with strong ESG credentials which include 95% of the portfolio having and EPC rating of A-C, these properties should be more appealing to occupiers and therefore perform well relative to others.

ESG is embedded within our investment and development processes such that climate related risks are looked at when purchasing assets and minimum standards of BREEAM Very Good and net zero carbon are targeted for development. We are also confident that due diligence assessments, internal procedures and insurance cover adequately mitigate these ESG risks.

We also actively participate and engage in several Real Estate and Sustainability organisations (such as EPRA, Sustainalytics and the World Green Building Council) to ensure we are aware of future initiatives and challenges. We measure and report annually on our key ESG metrics to demonstrate how we are managing our ESG risks.

TBBR engaged with a third party to conduct climate change risk assessments in 2021 to understand the impacts of climate change on the portfolio, using various scenario analysis. From a physical risk perspective, the findings suggested that the portfolio is unlikely to be materially affected under a 2.0 degree global warming scenario.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Gross rental income	6	**184.7**	161.6
Service charge income	6	**5.1**	4.6
Service charge expense	7	**(5.2)**	(4.7)
Net rental income		**184.6**	161.5
Gross operating income		**24.7**	28.3
Other operating costs		**(5.8)**	(19.7)
Other operating income	6	**18.9**	8.6
Administrative and other expenses	8	**(25.5)**	(22.6)
Operating profit before changes in fair value and other adjustments[1]		**178.0**	147.5
Changes in fair value of investment properties	14	**840.9**	351.1
Gain on disposal of investment properties	14	**2.0**	0.1
Share of profit/(loss) from joint ventures	16	**0.1**	(0.1)
Impairment of intangible and other property assets		**(2.9)**	(0.4)
Share-based payment charge	22	**(5.5)**	(5.9)
Changes in fair value of contingent consideration payable	22	**(4.2)**	(2.9)
Operating profit		**1,008.4**	489.4
Finance expense	10	**(40.1)**	(37.6)
Changes in fair value of interest rate derivatives	24	**2.8**	(2.3)
Profit before taxation		**971.1**	449.5
Taxation	11	**1.5**	(0.1)
Profit and total comprehensive income		**972.6**	449.4
Earnings per share – basic	12	**55.39p**	26.30p
Earnings per share – diluted	12	**55.31p**	26.30p

[1] Operating profit before changes in fair value of investment properties and contingent consideration payable, gain on disposal of investment properties, share of profit/(loss) from joint ventures, impairment of intangible and other property assets and share-based payment charges.

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**At 31 December 2021 £m**	At 31 December 2020 £m
Non-current assets			
Intangible assets		**1.7**	2.0
Investment property	14	**5,249.1**	4,053.5
Investment in land options	15	**201.5**	228.1
Investment in joint ventures	16	**25.6**	28.5
Other property assets	21	**4.0**	9.4
Trade and other receivables	18	**2.0**	2.0
Interest rate derivatives	24	**1.8**	0.1
Total non-current assets		**5,485.7**	4,323.6
Current assets			
Trade and other receivables	18	**37.1**	25.1
Cash at bank	19	**71.1**	57.8
Total current assets		**108.2**	82.9
Total assets		**5,593.9**	4,406.5
Current liabilities			
Deferred rental income		**(38.6)**	(36.1)
Trade and other payables	20	**(85.9)**	(69.3)
Tax liabilities	11	**(4.3)**	(1.9)
Total current liabilities		**(128.8)**	(107.3)
Non-current liabilities			
Trade and other payables	20	**(2.0)**	(2.0)
Interest rate derivatives	24	**-**	(1.1)
Bank borrowings	23	**(207.6)**	(206.7)
Loan notes	23	**(1,137.6)**	(1,136.4)
Amounts due to B and C shareholders	22	**(41.4)**	(31.7)
Total non-current liabilities		**(1,388.6)**	(1,377.9)
Total liabilities		**(1,517.4)**	(1,485.2)
Total net assets		**4,076.5**	2,921.3
Equity			
Share capital	27	**18.7**	17.2
Share premium reserve	27	**762.0**	466.5
Capital reduction reserve	27	**964.5**	1,078.9
Retained earnings	27	**2,331.3**	1,358.7
Total equity		**4,076.5**	2,921.3
Net asset value per share – basic	28	**218.26p**	169.92p
Net asset value per share – diluted	28	**218.18p**	169.92p
EPRA net tangible asset per share – basic	28	**222.60p**	175.61p

EPRA net tangible asset per share – diluted	28	**222.52p**	175.61p

These financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Aubrey Adams, Chairman

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2021		**17.2**	**466.5**	**1,078.9**	**1,358.7**	**2,921.3**
Profit for the year and total comprehensive income		–	–	–	**972.6**	**972.6**
		17.2	**466.5**	**1,078.9**	**2,331.3**	**3,893.9**
Contributions and distributions:						
Shares issued in relation to equity issue	27	**1.4**	**298.5**	–	–	**299.9**
Share issue costs		–	**(5.8)**	–	–	**(5.8)**
Shares issued in relation to management contract	27	**0.1**	**2.8**	–	–	**2.9**
Share-based payments		–	–	–	**2.7**	**2.7**
Transfer of share-based payments to liabilities to reflect settlement		–	–	–	**(2.7)**	**(2.7)**
Dividends paid	13	–	–	**(114.4)**	–	**(114.4)**
31 December 2021		**18.7**	**762.0**	**964.5**	**2,331.3**	**4,076.5**
1 January 2020		17.1	446.7	1,188.1	909.3	2,561.2
Profit for the year and total comprehensive income		–	–	–	449.4	449.4
		17.1	446.7	1,188.1	1,358.7	3,010.6
Contributions and distributions:						
Shares issued in relation to equity consideration	27	0.1	19.9	–	–	20.0
Share issue costs		–	(0.1)	–	–	(0.1)
Share-based payments		–	–	–	2.4	2.4
Transfer of share-based payments to liabilities to reflect settlement		–	–	–	(2.4)	(2.4)
Dividends paid	13	–	–	(109.2)	–	(109.2)
31 December 2020		17.2	466.5	1,078.9	1,358.7	2,921.3

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Cash flows from operating activities			
Profits for the period (attributable to the shareholders)		**972.6**	449.4
Add: tax (credit)/charge		**(1.5)**	0.1
Add: changes in fair value of contingent consideration payable		**4.2**	2.9
Add: finance expense		**40.1**	37.6
Add: changes in fair value of interest rate derivatives		**(2.8)**	2.3
Add: share-based payment charges		**5.5**	5.9
Add: impairment of intangible and other property assets		**2.9**	0.4
Add: amortisation of other property assets		**5.4**	4.5
Add: share of (profit)/loss from joint ventures		**(0.1)**	0.1
Less: changes in fair value of investment properties		**(840.9)**	(351.1)
Less: gain on disposal of investment properties		**(2.0)**	(0.1)
Accretion of tenant lease incentive	14	**(7.2)**	(9.3)
Increase in trade and other receivables		**(12.0)**	(4.0)
Increase in deferred income		**1.7**	0.7
Increase in trade and other payables		**26.2**	15.0
Cash generated from operations		**192.1**	154.4
Taxation credit/(charge)	11	**4.0**	(16.8)
Net cash flow generated from operating activities		**196.1**	137.6
Investing activities			
Additions to investment properties		**(316.9)**	(279.0)
Additions to land options		**(15.0)**	(7.6)
Additions to joint ventures		**(0.5)**	(0.7)
Net proceeds from disposal of investment properties		**4.2**	132.3
Licence fees received		–	2.5
Interest received		–	0.1
Dividends received from joint ventures		**0.9**	2.2
Net cash flow used in investing activities		**(327.3)**	(150.2)
Financing activities			
Proceeds from issue of Ordinary Share capital		**302.8**	–
Cost of share issues		**(5.8)**	–
Bank borrowings drawn	23	**245.5**	289.5
Bank and other borrowings repaid	23	**(245.5)**	(339.5)
Amounts received on issue of loan notes	23	**–**	246.2
Loan arrangement fees paid		**(0.7)**	(2.1)
Bank interest paid		**(37.5)**	(35.5)
Dividends paid to equity holders		**(114.3)**	(109.6)
Net cash flow generated from financing activities		**144.5**	49.0
Net increase in cash and cash equivalents for the year		**13.3**	36.4
Cash and cash equivalents at start of year	19	**57.6**	21.2
Cash and cash equivalents at end of year	19	**70.9**	57.6

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the results of Tritax Big Box REIT plc (the "Company") and its subsidiaries (together, the "Group") and were approved by the Board for issue on 2 March 2022. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information.

The nature of the Group's operations and its principal activities are set out in the Strategic Report.

Accounting policies

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The comparative information disclosed relates to the year ended 31 December 2020.

The Group's financial statements have been prepared on a historical cost basis, other than as explained in the accounting policies below.

The consolidated financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest £0.1 million, except where otherwise indicated.

The Group has chosen to adopt European Public Real Estate Association ("EPRA") best practice guidelines for calculating key metrics such as net asset value and earnings per share (www.epra.com/finance/financial-reporting/guidelines).

2.1. Going concern

Given the impact of Covid-19 on the UK economy, the Board has paid particular attention to the appropriateness of the going concern basis in preparing these financial statements. Any going concern assessment considers the Group's financial position, cash flows, liquidity and capital commitments including its continued access to its debt facilities and headroom under financial loan covenants.

The Directors have considered the cash flow forecasts for the Group for a period of 12 months from the date of approval of these financial statements. These forecasts include the Directors' assessment of the impact of Covid-19 on the Group and include various levels of stress testing of financial forecasts with consideration over downside scenarios. The Directors have reviewed the current and projected financial position of the Group, making varying assumptions about its future trading performance. Various forms of sensitivity analysis have been performed having a particular regard to the current financial performance of the Group's customers, taking into account any discussions held with the customer surrounding their rental obligations. The analysis also included sensitivities over the following; portfolio valuation movements due to market volatility, rates of rent collection, the risk around any customer default, future levels of inflation and future interest rate movements.

To date, the impact on the Group from Covid-19 has been limited. Whilst the Group had a greater level of arrears than it would ordinarily expect with regards to rental income at the end of the prior year, the Group has received 100% of all rent falling due in respect of both 2020 and 2021. The Directors have also considered the arrears position in light of IFRS 9, expected credit loss model; see note 18 for further details.

As at 31 December 2021, the Group had an aggregate £550 million of undrawn commitments under its senior debt facilities, of which £65.4 million was committed under various pre-let development contracts. The Group's loan to value ratio stood at 23.5%, with the debt portfolio having an average maturity term of approximately 6.5 years. As at the date of approval of this report, the Group has substantial headroom within its financial loan covenants, which include loan to value covenants at 60% on its tightest loans. The Group's financial covenants have also been complied with for all loans throughout the year and up to the date of approval of these financial statements. As at 31 December 2021, property values would have to fall by approximately 50% before loan covenants at the corporate level are breached.

The Directors have assessed the Group's ability to continue as a going concern and are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the Directors are satisfied that the Group has the resources to continue in business until at least 31 March 2023.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Other operating income

Other operating income is receivable from development management agreements in place with third parties. Development management income is recognised in the accounting period in which the services are rendered and a significant reversal is not expected in future periods.

Judgement is exercised in identifying performance obligations including achieving a pre-let, managing the building of an asset and arranging for lease completion. Certain performance obligations, such as achieving a pre-let or letting, are recognised at a point in time and others, such as managing the construction of an asset, are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services. Management determines the stage of completion of an asset by assessing the total costs incurred on a project, as a proportion of the total costs expected to be incurred. A judgement is formed over the level of other operating income to be recognised in any accounting period, which also takes into account any associated costs borne under the development management agreements.

Land options

Measurement

Land options, and other non-financial assets, are initially capitalised at cost and considered for any impairment indication annually. The impairment review includes consideration of the resale value of the option, likelihood of achieving planning consent and current recoverable value as determined by an independent valuer. In the calculation of the resale value or recoverable value of land options, several estimates are required which includes the expected size of the development, expected rental and capitalisation rates, estimated build costs, the time to complete the development and anticipated progress with achieving planning consent, as well as the associated risks of achieving the above.

B and C Shares

As part of the acquisition of Tritax Symmetry which completed on 19 February 2019, shares were issued in Tritax Symmetry Limited to the management shareholders of Tritax Symmetry ("Symmetry Management Shareholders") in the form of B and C shares (the "B and C Shares"). The terms of these shares are complex and as a result the Directors have had to make a number of judgements in order to conclude on the appropriate accounting treatment. The significant judgements applied in relation to the B and C Shares were as follows:

1. Subject to remaining in continued employment these shares entitle the holders to 13% of the Adjusted NAV of Tritax Symmetry Limited. Were an individual to leave employment and be deemed a bad leaver, the amount payable is the lower of the value of the shares on the completion date and 60% of Adjusted NAV. The Directors have therefore concluded that the unconditional amount payable to the B and C shareholders, being 60% of the value of the B and C Shares on acquisition, should be treated as contingent consideration in accordance with IFRS 3. The fair value of the contingent consideration is remeasured at each reporting date. Any additional amounts paid to the B and C shareholders as a result of their continued service is accounted for as payment for the provision of post-combination services.
2. The B and C Shares have put options in place at various points in time over an eight-year period from completion, along with a put and call option at the end of eight years from the completion date. The B and C Shares are not considered to represent a present ownership interest in the Group as an element of the amount due to the B and C shareholders is dependent on them continuing to remain in employment and provide services to the Group. Therefore, the Directors have concluded that the B and C Shares do not represent a non-controlling interest and the amounts owed to the B and C shareholders should instead be presented as a financial liability.
3. When settled the B and C Shares are settled 25% in cash with the remaining 75% settled in either cash or shares at the discretion of the Company. Both elements are considered to represent share-based payments as the amounts due are based on the Adjusted NAV of the underlying business of Tritax Symmetry Limited. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group. In accordance with IFRS 2 this is accounted for as a cash settled share-based payment. In conformity with the requirements of IFRS 2 for cash settled share-based payments, the share-based payment charge is the fair

value of the settlement value of the B and C Shares in Tritax Symmetry Limited, established by a Monte Carlo simulation model and reassessed at each reporting date.

Business combinations

The Group acquires subsidiaries that own property and other property interests. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or deferred tax arises. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company.

Estimates

Fair valuation of investment property

The market value of investment property is determined by an independent property valuation expert (see note 14) to be the estimated amount for which a property should exchange on the date of the valuation in an arm's-length transaction. Properties have been valued on an individual basis. The valuation expert uses recognised valuation techniques and the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book"). Factors reflected comprise current market conditions including net initial yield applied, annual rents and estimated rental values, lease lengths, location and building specification which would include climate-related considerations. The net initial yield, being the most significant estimate, is subject to changes depending on the market conditions which are assessed on a periodic basis. The significant methods and assumptions used by the valuers in estimating the fair value of investment property, together with the sensitivity analysis on the most subjective inputs, are set out in note 14.

4. Summary of significant accounting policies

4.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, as at the year-end date. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Tritax Big Box Plc transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact on or changes in accounting policies from the transition.

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 UK logistics assets and land options with a view to developing logistics and holding these for investment purposes. The Directors consider that these properties have similar economic characteristics in nature and as a result they have been reported as a single reportable operating business. All of the Group's revenue and assets are based in the United Kingdom.

4.4. Investment property and investment property under construction

Investment property comprises completed property that is held to earn rentals or for capital appreciation, or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to investment property. For further details see Accounting Policy note 4.15.1.

Investment property is recognised once practical completion is achieved and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Group profit or loss in the year in which they arise under IAS 40 "Investment Property".

Long leaseholds are accounted for as investment property as they meet the criteria for right of use assets.

Investment properties under construction are financed by the Group where the Group enters into contracts to forward fund the development of a pre-let property. All such contracts specify a fixed amount of consideration. The Group also directly enters into construction contracts to develop logistics assets, in the form of pre-let development, with an allowance of up to 5% of GAV in speculative development (with no pre-let secured). Investment properties under construction are initially measured at cost (including the transaction costs), which reflect the Group's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits, which are expected to accrue to the Group. Capitalised expenditure also includes finance costs incurred on qualifying assets under construction. All other property expenditure is expensed in the Group profit or loss as incurred.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Group profit or loss in the year of retirement or disposal.

4.5. Financial instruments

Fair value hierarchy

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

4.5.1. Financial assets

The Group classifies its financial assets into one of the categories discussed below. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from tenant default (being the failure of a tenant to timely pay rent due) to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Group Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

4.5.2. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value; and the amounts due to B and C shareholders. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

4.6. Forward funded pre-let investments

The Group enters into forward funding development agreements for pre-let investment property. The Group will enter into a forward funding agreement with a developer and simultaneously enter into an agreement for lease with a prospective tenant willing to occupy the building once complete.

4.6.1. Licence fees receivable

During the period between initial investment in a forward funded agreement and the rent commencement date under the lease, the Group receives licence fee income on certain property transactions. 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 investment property and are initially recognised as a receivable. Any economic benefit of the licence fee is reflected within the Group profit or loss as a movement in the fair value of investment property and not within gross rental income. Licence fees received are treated as gross receipts within the Group Cash Flow Statement. In addition, IAS 16.21 indicates that income and expenses from operations that are not to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended, should be recognised in profit or loss.

4.7. Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

The Group does not have any joint operations.

Joint ventures are initially recognised in the Group Statement of Financial Position at cost. Subsequently joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group profit or loss.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Provision for impairment in value is made where there is objective evidence that the investment in a joint venture has been impaired.

4.8. Goodwill

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the Group profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Group profit or loss on the acquisition date as a gain on bargain purchase or negative goodwill.

4.9. Intangible assets

As a result of the acquisition of Tritax Symmetry in 2019, the DMA between the Company and Tritax Symmetry Management Limited is assessed as a favourable contract. It is recognised as an intangible asset on the Group Statement of Financial Position and is amortised over the original eight year term of the DMA. The favourable element of the DMA was assessed with reference to a reasonable mark-up that may be expected for these services if the agreement were set up at arm's length, discounted over the eight-year period.

4.10. Land options

Land options are classified as non-financial assets as they are non-liquid assets with no active market and they cannot be readily converted into cash. The options are exercisable at a future date subject to receiving planning consent. They are initially carried at cost and are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the option is written down accordingly as a charge to the Group profit or loss. Once the options are exercised and the land is drawn down, they are transferred into investment property.

4.11. Impairment of assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including intangible assets, investment in joint ventures and land options are subject to annual impairment tests, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, its cash-generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in Group profit or loss. An impairment loss recognised for goodwill is not reversed.

4.12. Business combination

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Under the Definition of a Business (Amendments to IFRS 3 "Business Combinations"), to be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional "concentration test" is also applied; where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. Therefore the Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where an acquisition is considered to be a business combination the consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Group Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Any excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired is treated as goodwill. Where the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds the fair value of the purchase consideration, the difference is treated as gain on bargain purchase and credited to the Group profit or loss. The results of acquired operations are included in the Group profit or loss from the date on which control is obtained until the date on which control ceases.

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

Where amounts payable for the acquisition of a business are subject to a contingent consideration arrangement in which the payments are automatically forfeited if employment terminates, the amounts are treated as remuneration for post-combination services rather than consideration for the acquisition of a business.

4.13. Share-based payments

The Company has entered into an agreement with the Symmetry Management Shareholders where future amounts payable are based on the Adjusted NAV of Tritax Symmetry Limited and subject to certain provisions around continuing employment. 25% of the amounts payable are to be settled in cash with the remaining 75% settled in cash or shares at the discretion of the Company. Where the Company has a present obligation to settle the amounts in cash, either through its stated intention or past practice, the Company accounts for the amounts as cash settled share-based payments. The fair value of the cash settled obligation is recognised over the vesting period and presented as a liability in the Group Statement of Financial Position. The liability is remeasured at each reporting date with the charge to the profit or loss updated over the vesting period.

4.14. Dividends payable to shareholders

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

4.15. Property income

4.15.1. Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in gross rental income in the Group profit or loss. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, where the Directors are reasonably certain that the rental uplift will be agreed. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is invoiced, either monthly or quarterly in advance, and for all rental income that relates to a future period this is deferred and appears within current liabilities on the Group Statement of Financial Position.

For leases, which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term.

Tenant lease incentives are recognised as a reduction of gross rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

When the Group enters into a forward funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once practical completion has taken place the formal lease is signed, at which point rental income commences to be recognised in the Group profit or loss from the rent commencement date.

4.15.2. Other operating income

The other operating income is generated through the Group providing development management services to third parties. It is recognised on an accruals basis in the period in which the services have been rendered, performance obligations have been satisfied and a significant reversal is not expected in future periods.

4.16. Finance income

Finance income is recognised as interest accrues on cash balances held by the Group. Interest charged to a tenant on any overdue rental income is also recognised within finance income.

4.17. Finance costs

Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings. Any finance costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that takes a period of time to complete are capitalised as part of the cost of the asset. All other finance costs are expensed to the Group profit or loss in the period in which they occur.

4.18. Taxation

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

5. New standards issued

5.1. New standard issued and effective from 1 January 2021

The following new accounting amendment has been applied in preparing the consolidated financial statements:

IFRS Phase 2 amendments for interest rate benchmark (IBOR) reform provide a practical expedient to account for changes in the basis for determining contractual cash flows of financial assets and financial liabilities as a result of IBOR reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis.

There was no material effect from the adoption of other amendments to IFRS effective in the year. They have no significant impact to the Group significantly as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

5.2. New standards issued but not yet effective

Amendments to IAS 1 on Classification of liabilities as Current or Non-Current are effective for the financial years commencing on or after 1 January 2023 and are to be applied retrospectively. It is not expected that the amendments may have an impact on the presentation and classification of liabilities in the Group Statement of Financial Position based on rights that are in existence at the end of the reporting period.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

6. Total property income

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Rental income – freehold property	**146.5**	122.8
Rental income – long leasehold property	**30.9**	29.4
Spreading of tenant incentives and guaranteed rental uplifts	**7.2**	9.3
Other income	**0.1**	0.1
Gross rental income	**184.7**	161.6
Property insurance recoverable	**3.9**	3.6
Service charges recoverable	**1.2**	1.0
Total property insurance and service charge income	**5.1**	4.6
Total property income	**189.8**	166.2

There was one individual tenant representing more than 10% of gross rental income present during either year.

Included in the £18.9 million of other operating income, was a charge of £5.4 million (2020: £4.5 million) being amortisation of other property assets. The other operating income is generated through the Group providing development management services to third parties.

7. Service charge expenses

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Property insurance expense	**4.0**	3.7
Service charge expense	**1.2**	1.0

Total property expenses	**5.2**	4.7

8. Administrative and other expenses

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Investment management fees	**20.7**	17.9
Directors' remuneration (note 9)	**0.4**	0.4
Auditor's fees		
Fees payable for the audit of the Company's annual accounts	**0.4**	0.3
Fees payable for the review of the Company's interim accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.1**	0.1
Total Auditor's fee	**0.6**	0.5
Development management fees	**0.8**	0.7
Corporate administration fees	**0.5**	0.5
Regulatory fees	**0.1**	0.1
Legal and professional fees	**1.3**	1.3
Marketing and promotional fees	**0.5**	0.5
Other costs	**0.6**	0.7
Total administrative and other expenses	**25.5**	22.6

The Auditor provided audit services in respect of joint ventures of £nil (2020: £7,500).

9. Directors' remuneration

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Directors' fees	**0.3**	0.3
Employer's National Insurance	**0.1**	0.1
	0.4	0.4

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report.

10. Finance expense

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest payable on bank borrowings	**6.1**	7.6
Interest payable on loan notes	**29.8**	26.3
Commitment fees payable on bank borrowings	**2.0**	1.6
Swap interest payable	**0.4**	0.2
Borrowing costs capitalised against development properties	**(0.7)**	–
Amortisation of loan arrangement fees	**2.5**	1.9
	40.1	37.6

11. Taxation

a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December	Year ended 31 December

	2021 £m	2020 £m
UK corporation tax charge	**(2.4)**	(0.1)
Appropriation tax refund	**3.9**	
Tax credit/(charge)	**1.5**	(0.1)

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2021.

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit on ordinary activities before taxation	**971.1**	449.5
Theoretical tax at UK corporation tax rate of 19.00% (31 December 2020: 19.00%)	**184.5**	85.4
REIT exempt income	**(23.8)**	(19.0)
Non-taxable items	**(160.7)**	(66.7)
Permanent differences/tax losses not recognised	–	(1.8)
Tax refund	**(3.9)**	–
Residual losses	**6.3**	2.2
Total tax charge	**2.4**	0.1

Non-taxable items include income and gains that are derived from the property rental business and are therefore exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

REIT exempt income includes property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

The current year tax liability of £4.3 million (2020: £1.9 million) relates to tax payable on non-property profits arising in the year and appropriation tax charges in relation to the business combination which occurred in 2019.

12. Earnings per share

Earnings per share (EPS) are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are dilutive instruments outstanding, basic and diluted earnings per share are shown below.

In relation to the dilutive shares to be issued in respect of the B and C Shares, the Directors have indicated a current intention to settle these 100% in cash. The calculation of basic and diluted earnings per share is based on the following:

For the year ended 31 December 2021	Net profit attributable to Ordinary Shareholders £m	Weighted average number of Ordinary Shares[1] '000	Earnings per share pence
Basic EPS	**972.6**	**1,755,927**	**55.39**
Add: Shares to be issued on outstanding investment manager's fees		**668**	
Add back: Dilutive share based payment charge	**1.7**		
Add back: Fair value movement in contingent consideration	**4.2**	**8,017**	
Add back: Dilutive shares in respect of B and C shareholders		**4,462**	
Diluted EPS[2]	**978.5**	**1,769,074**	**55.31**
Adjustments to remove:			
Dilutive share based payment charge	**(1.7)**		
Changes in fair value of contingent consideration payable	**(4.2)**		
Changes in fair value of investment property	**(840.9)**		

Changes in fair value of interest rate derivatives	**(2.8)**		
Gain on disposal of investment properties	**(2.0)**		
Amortisation of other property assets	**5.4**		
Refund of corporation tax	**(3.9)**		
Share of profit from joint ventures	**(0.1)**		
Impairment of intangible contract and other property assets	**2.9**		
EPRA EPS	**131.2**	**1,755,927**	**7.47**
Add: Shares to be issued on outstanding investment manager's fees		**668**	
EPRA diluted EPS[2]	**131.2**	**1,756,595**	**7.47**
Adjustments to include:			
Licence fee receivable on Forward Funded Developments	**7.3**		
Fixed rental uplift adjustments	**(6.2)**		
Share-based payments charges	**5.5**		
Changes in fair value of contingent consideration payable	**4.2**		
Amortisation of loan arrangement fees and intangibles (see note 10)	**2.5**		
Adjusted EPS[4]	**144.5**	**1,755,927**	**8.23**
Add back: Shares to be issued on outstanding investment manager's fees		**668**	
Adjusted diluted EPS	**144.5**	**1,756,595**	**8.22**

1. Based on the weighted average number of Ordinary Shares in issue throughout the year.
2. Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).
3. Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C shareholders that could potentially be settled as equity. The share-based payments charges are dilutive to basic EPS only at year end.
4. Relates to dilutive effect of shares to be issued on outstanding investment manager's fees.

For the year ended 31 December 2020	**Net profit attributable to Ordinary Shareholders £m**	**Weighted average number of Ordinary Shares[1] '000**	**Earnings per share pence**
Basic EPS and diluted EPS[2]	**449.4**	**1,708,504**	**26.30**
Adjustments to remove:			
Changes in fair value of investment property	(351.1)		
Changes in fair value of interest rate derivatives	2.3		
Gain on disposal of investment properties	(0.1)		
Amortisation of other property assets	4.5		
Share of loss from joint ventures	0.1		
Impairment of intangible contract	0.4		
EPRA EPS and EPRA diluted EPS[2]	105.5	1,708,504	6.17
Adjustments to include:			
Licence fee receivable on Forward Funded Developments	12.9		
Fixed rental uplift adjustments	(6.4)		
Share-based payments charges	5.9		
Changes in fair value of contingent consideration payable	2.9		
Amortisation of loan arrangement fees and intangibles (see note 10)	1.8		
Adjusted EPS and Adjusted diluted EPS	122.6	1,708,504	7.17

1. Based on the weighted average number of Ordinary Shares in issue throughout the year.
2. Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).
3. Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C shareholders that could potentially be settled as equity. The share-based payments charges were non-dilutive at prior year end.

Adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. The metric reduces EPRA earnings by other non-cash items credited or charged to the Group Statement of Comprehensive Income, such as fixed rental uplift adjustments and amortisation of loan arrangement fees. Licence fees received during the period are added to earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments. The Board compares the Adjusted earnings to the available distributable reserves when considering the level of dividend to pay.

The adjustment for licence fees receivable is calculated by reference to the proportion of the total period of completed construction during the year, multiplied by the total licence fee receivable on a given forward funded asset. Licence fees will convert into rental income once practical completion has occurred and therefore rental income will flow into EPRA and Adjusted earnings from this point.

Fixed rental uplift adjustments relate to adjustments to net rental income on leases with fixed or minimum uplifts embedded within their review profiles. The total minimum income recognised over the lease term is recognised on a straight-line basis and therefore not supported by cash flows during the early term of the lease, but this reverses towards the end of the lease.

Share-based payment charges relate to the B and C shareholders. Whilst impacting on earnings, this value is considered capital in nature from the perspective it relates to an equity holding in Tritax Symmetry Limited. It is therefore removed from Adjusted earnings.

13. Dividends paid

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Fourth interim dividend in respect of period ended 31 December 2020 at 1.7125 pence per Ordinary Share (fourth interim for 31 December 2019 at 1.7125 pence per Ordinary Share)	**29.5**	29.2
First interim dividend in respect of year ended 31 December 2021 at 1.6000 pence per Ordinary Share (31 December 2020: 1.5625 pence)	**27.5**	26.6
Second interim dividend in respect of year ended 31 December 2021 at 1.6000 pence per Ordinary Share (31 December 2020: 1.5625 pence)	**27.5**	26.7
Third interim dividend in respect of year ended 31 December 2021 at 1.6000 pence per Ordinary Share (31 December 2020: 1.5625 pence)	**29.9**	26.7
Total dividends paid	**114.4**	109.2
Total dividends paid for the year	**4.80p**	4.69p
Total dividends unpaid but declared for the year	**1.90p**	1.713p
Total dividends declared for the year	**6.70p**	6.40p

On 2 March 2022, the Company will approve the fourth interim dividend for declaration in respect of the year ended 31 December 2021 of 1.90 pence per share payable on 31 March 2022. The total dividends declared for the year of 6.70 pence are all property income distributions (PID).

14. Investment property

In accordance with IAS 40, investment property are stated at fair value as at 31 December 2021. The investment property has been independently valued by CBRE Limited ("CBRE") and Colliers International Valuation UK LLP ("Colliers"), both accredited independent valuers with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment properties being valued. CBRE values all investment property with leases attached or assets under construction. Colliers values all land holdings and land options. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13.

The valuer, in forming its opinion, makes a series of assumptions, which are typically market related, such as net initial yields and expected rental values, and are based on the valuer's professional judgement. The valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently. There have been no changes to the assumptions made in the year as a result of Covid-19 or other factors such as climate change.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board. It is the view of the Company, that ESG factors will increasingly play a part in asset valuations in the future. For example, assets with the highest standards of ESG are likely to command the highest rental levels and have the least future capex requirements with regards to meeting ESG standards.

All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	Investment property freehold £m	**Investment property long leasehold £m**	**Investment property under construction £m**	**Total £m**
As at 1 January 2021	**2,885.3**	**696.1**	**472.1**	**4,053.5**
Property additions[1]	**89.6**	**–**	**260.0**	**349.6**
Property disposed in the year	**–**	**–**	**(2.1)**	**(2.1)**
Fixed rental uplift and tenant lease incentives[2]	**6.5**	**0.7**	**–**	**7.2**
Transfer of completed property to investment property	**681.1**	**–**	**(681.1)**	**–**
Change in fair value during the year	**546.2**	**115.7**	**179.0**	**840.9**
As at 31 December 2021	**4,208.7**	**812.5**	**227.9**	**5,249.1**

	Investment property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2020	2,578.0	640.8	322.4	3,541.2
Property additions[1]	73.1	0.1	210.6	283.8
Property disposed in the year	(131.9)	–	–	(131.9)
Fixed rental uplift and tenant lease incentives[2]	7.5	1.8	–	9.3
Transfer of completed property to investment property	203.0	–	(203.0)	–
Change in fair value during the year	155.6	53.4	142.1	351.1
As at 31 December 2020	2,885.3	696.1	472.1	4,053.5

1. Licence fees deducted from the cost of investment property under construction totaled £nil in the year (2020: £14.2 million).
2. Included within the carrying value of investment property is £59.5 million (2020: £52.3 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

	31 December 2021 £m	31 December 2020 £m
Investment property at fair value per Group Statement of Financial Position	**5,249.1**	4,053.5
Capital commitments under forward funded development and other contracts	**9.2**	87.7
Total investment property valuation*	**5,258.3**	4,141.2

* Including costs to complete under forward funded development and other contracts.

Capital commitments under forward funded development contracts represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. Costs committed under other contracts of £9.2 million have been provided for in the Group Statement of Financial Position in 2021.

The Group has other capital commitments which represent commitments made in respect of direct construction, asset management initiatives and development land (refer to note 32).

Cash received in respect of future rent-free periods represents amounts that were topped up by the vendor on acquisition of the property to cover future rent-free periods on the lease. The valuation assumes the property to be income generating throughout the lease and therefore includes this cash in the value.

Licence fees that have been billed but not received from the developer in relation to the property are included within trade and other receivables. The valuation assumes the property to be income generating and therefore includes this receivable in the value.

Fees payable under the DMA totalling £1.0 million (2020: £nil) have been capitalised in the year being directly attributable to completed development projects during the year.

The valuation summary is set out in the Strategic Report.

Fair value hierarchy

The Group considers that all of its investment properties fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

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

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

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

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

Valuation techniques

The yield methodology approach is used when valuing the Group's properties which uses market rental values capitalised with a market capitalisation rate. This is sense-checked against the market comparable method (or market comparable approach) where a property's fair value is estimated based on comparable transactions in the market.

For investment property under construction and the majority of land held for development, properties are valued using a residual method approach. Under this approach, the valuer initially assesses the investment value (using the above methodology for completed properties). Then, the total estimated costs to complete (including notional finance costs and developer's profit) are deducted from the value to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (such as the potential cost overruns and letting risks). Land values are sense-checked against the rate per acre derived from actual market transactions.

The key unobservable inputs made in determining fair values are as follows:

Unobservable input: estimated rental value (ERV)

The rent per square foot at which space could be let in the market conditions prevailing at the date of valuation.

Passing rents are dependent upon a number of variables in relation to the Group's property. These include: size, location, tenant covenant strength and terms of the lease.

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.

	Unobservable Inputs	
	ERV range £ psf	**net initial yield range %**
2021	**3.91 - 13.75**	**2.67 – 6.31**
2020	3.91 – 12.85	3.15 – 6.28

Sensitivities of measurement of significant unobservable inputs

As set out within significant accounting estimates and judgements above, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £m	+5% in passing rent £m	+0.25% in initial yield £m	-0.25% net initial yield £m
(Decrease)/increase in the fair value of investment properties as at 31 December 2021	**(251.1)**	**251.1**	**(321.3)**	**368.5**

(Decrease)/increase in the fair value of investment properties as at 31 December 2020	(201.3)	201.3	(226.7)	255.5

15. Investment in land options

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Opening balance	**228.1**	**226.0**
Costs capitalised in the year	**15.0**	**9.1**
Transferred to investment property	**(41.6)**	**(5.4)**
Disposals	**-**	**(1.6)**
Closing balance	**201.5**	**228.1**

The average maturity date across land options held is approximately seven years (2020: eight years) term remaining.

Fees payable under the DMA totalling £3.4 million (2020: £3.3 million) have been capitalised in the year being directly attributable to the ongoing development projects.

16. Investment in joint ventures

As at 31 December 2021 the Group has two joint ventures which have been equity accounted for. There were no equity accounted joint ventures prior to the acquisition of Tritax Symmetry in February 2019.

The Group has the following joint ventures as at 31 December 2021:

	Principal activity	**Country of incorporation**	**Ownership**	**Joint venture partner**
HBB (J16) LLP	Property development	UK	50%	HB Midway Limited
Magnitude Land LLP	Property investment	UK	50%	Pochin Midpoint Limited

The registered office for the above joint ventures is: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA.

Net investment	Total 100% £m	**Group's share £m**
At beginning of year	57.0	**28.5**
Total comprehensive income	0.2	**0.1**
Impairment of JV asset	(5.2)	**(2.6)**
Capital repaid	(1.8)	**(0.9)**
Cash contributed	1.0	**0.5**
As at 31 December 2021	51.2	**25.6**

The joint ventures have a 31 December year end. The aggregate amounts recognised in the Group Statement of Financial Position and Statement of Comprehensive Income are as follows:

Comprehensive Income Statement

Year ended 31 December 2021	Total 100% £m	**Group's share £m**
Administrative expenses	0.2	**0.1**
Profit before taxation	0.2	**0.1**
Taxation	–	**–**
Total comprehensive Profit	0.2	**0.1**

Statement of Financial Position

As at 31 December 2021	Total 100% £m	**Group's share £m**
Investment property	5.0	**2.5**
Options to acquire land	48.6	**24.3**
Non-current assets	**53.6**	**26.8**
Other receivables	1.0	**0.5**
Cash	(0.6)	**(0.3)**
Current assets	**0.4**	**0.2**
Trade and other payables	(2.8)	**(1.4)**
Current liabilities	**(2.8)**	**(1.4)**
Net assets	**51.2**	**25.6**

The Group's share of contingent liabilities in the joint ventures is £nil (December 2020: £nil).

17. Investments

The Group comprises a number of Special Purpose Vehicle (SPV) subsidiaries. All SPV subsidiaries that form these financial statements are noted within the Company financial statement in note 5.

18. Trade and other receivables

Non-current trade and other receivables	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Cash in public institutions	**2.0**	2.0

The cash in public institutions is a deposit of £2.0 million paid by certain tenants to the Company, as part of their lease agreements.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Trade receivables	**7.1**	21.8
Prepayments, accrued income and other receivables	**25.7**	1.7
VAT	**4.3**	1.6
	37.1	25.1

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The expected credit loss provision as at 31 December 2021 was £0.1 million (31 December 2020: £0.2 million). No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

19. Cash held at bank

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash and cash equivalents to agree with cash flow	**70.9**	57.6

Restricted cash	**0.2**	0.2
	71.1	57.8

Restricted cash is cash where there is a legal restriction to specify its type of use, i.e. this may be where there is a joint arrangement with a tenant under an asset management initiative.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £70.9 million (2020: £57.6 million) as at the year end, which excludes long-term restricted and ring-fenced cash deposits totalling £0.2 million (2020: £0.2 million). Total cash held at bank as reported in the Group Statement of Financial Position is £71.1 million (2020: £57.8 million).

20. Trade and other payables

Non-current trade and other payables	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Other payables	**2.0**	2.0

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Trade and other payables	**66.6**	52.7
Bank loan interest payable	**6.0**	6.0
Accruals	**13.3**	10.6
	85.9	69.3

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

21. Business combination

The Group acquired an 87% economic interest in Tritax Symmetry on 19 February 2019, a development group with ownership of a combination of land and land options.

The B and C Shares issued to Symmetry Management Shareholders are treated as a combination of both contingent consideration for the acquisition of a 13% economic interest in the Symmetry Portfolio and a 13% economic right held to their share of future performance of the Tritax Symmetry Development assets. This is as a result of certain vesting conditions attached to the B and C Shares over the first five years of the contract (see note 22 below).

A non-controlling interest has not been recognised at the acquisition date for the 13% economic interest held by the Symmetry Management Shareholders due to the put and call options attached to the shares issued, which are expected to be exercised on or around the eighth anniversary of the acquisition at the latest. The Symmetry Management Shareholders have a put option, on the third to eighth anniversary of the acquisition allowing them to sell 1.5% of their 13% economic interest to the Company at each date. The Company has a call option, to buy any remaining economic interest still due to the Symmetry Management Shareholders on the eighth anniversary.

During the year, other property assets were amortised by a charge of £5.3 million (2020: £4.5 million) resulting in a net position on the Group Statement of Financial Position of £4.0 million (2020: £9.4 million).

22. Amounts due to B and C shareholders

Amounts due to B and C shareholders comprise the fair value of the contingent consideration element of B and C Shares along with the fair value of the obligation under the cash settled share-based payment element of B and C Shares.

Amounts due to B and C shareholders are detailed in the table below:

31 December 2021	**Contingent consideration £m**	**Share-based payment £m**	**Fair value £m**
Opening balance	**22.5**	**9.2**	**31.7**
Fair value movement recognised	**4.2**	**–**	**4.2**
Share-based payment charge	**–**	**5.5**	**5.5**
Closing balance	**26.7**	**14.7**	**41.4**

31 December 2020	Contingent consideration £m	Share-based payment £m	Fair value £m
Opening balance	19.6	3.3	22.9
Fair value movement recognised	2.9	–	2.9
Share-based payment charge	–	5.9	5.9
Closing balance	22.5	9.2	31.7

The Group considers that the amounts due to the B and C shareholders fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

1. Contingent consideration

The B and C Shares vest over a five-year period and require the Symmetry Management Shareholders to, amongst other things, remain in the employment of the Symmetry ManCo for the vesting period. The value of the amount due (subject to certain vesting conditions) is the lower of 50% of the adjusted NAV of Tritax Symmetry at the relevant future point in time and the value of the B and C Shares at the original completion date. Based on the above, the range of possible outcome is between £nil to £38 million. In accordance with IFRS 3 "Business Combinations" the unconditional amount due under shareholders agreement is accounted for as contingent consideration.

The adjusted NAV of Tritax Symmetry is the NAV of Tritax Symmetry at the reporting date, adjusted for various matters impacting on the fair value of those land options where planning permission has been obtained but the land has not been acquired along with the elimination of profits created from the Tritax Symmetry investment assets.

2. Share-based payment

In accordance with IFRS 3 "Business Combinations" the requirement to remain in continued employment in order to realise the full value of the B and C Shares has resulted in the excess value (over and above the amount recognised as contingent consideration) being accounted for as payments for post combination services which reflect the 13% economic right held to their share of future performance of the Tritax Symmetry Development assets over and above the completion NAV. The amount due to Symmetry Management Shareholders is based on the adjusted NAV of Tritax Symmetry and is settled in cash to the value of 25% with the balance settled in either cash and/or shares in the Company, at the sole discretion of the Company.

The fair value of the B and C Shares has been calculated using a Monte Carlo simulation model, for the cash settled element of the liability. This approach has the benefits of being flexible, not reliant on a single case scenario and removes the inherent difficulties with determining discount rate to assign to a particular class of share as the risk would change every time the NAV moved. The change in volatility assumptions does not lead to a significant change in the resulting fair values of the B and C Shares because there are limited hurdles attached to them and it is assumed that all will be exercised at some point over the eight year horizon. The key unobservable inputs for the Monte Carlo simulation purposes are the net initial yield of completed developments, future costs of debt and the timing of the completion of the developments.

The Company has the legal option of settling the share-based payment either via cash or equity, with a minimum of 25% being settled in cash. The Directors have a current intention to maximise the cash element of the settlement as they believe this would minimise dilution to existing shareholders. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group.

Amounts due to B and C shareholders are shown as a liability at fair value in the Group Statement of Financial Position. The liability is fair valued at each reporting date with a corresponding charge recognised in the Group profit or loss over the vesting period. For the year ended 31 December 2021, £5.5 million (2020: £5.9 million) was charged in the Group profit or loss for the share-based payment.

23. Borrowings

The Group has a £200 million unsecured revolving credit facility ("RCF") with a syndicate of relationship lenders comprising Banco Santander S.A. London Branch, Barclays Bank plc, BNP Paribas London Branch, HSBC UK Bank plc, The Royal Bank of Scotland International Limited London Branch and Wells Fargo Bank N.A. London Branch. In June 2021, the termination date in respect of £190 million of the £200 million RCF was extended from 14 June 2024 to 14 June 2026.

The group also has a second RCF of £350 million which provides the Group with a significant level of operational flexibility. The syndicate for the £350 million unsecured RCF comprises Barclays Bank plc, BNP Paribas London Branch, HSBC Bank plc, Sumitomo Mitsui Banking Corporation, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch. The termination date of £300 million of the £350 million RCF is 10 December 2024, and the remaining £50 million is 10 December 2023.

The Group has a £250 million unsecured green bond, maturing on 27 November 2033. The notes have an interest rate of 1.5%. An amount equivalent to the net proceeds of each Green Finance Transaction ("GFT") has been used to acquire, finance or refinance, in whole or in part, new or existing Eligible Green Projects ("EGPs") that met the Eligibility Criteria. The Group had published a Green Finance Report that detailed the allocation of net proceeds of Green Finance Transactions and associated impact metrics during the year.

As at 31 December 2021, 69% (2020: 69%) of the Group's debt facility commitments are fixed term, with 31% floating term (2020: 31%). When including interest rate hedging the Group has fixed term or hedged facilities totalling 100% of drawn debt (see note 24).

As at 31 December 2021, the weighted average running cost of debt was 2.26% (2020: 2.17%) and the Group's average capped cost of debt was 2.53% (2020: 2.49%). As at the same date the Group had undrawn debt commitments of £550.0 million.

The Group has been in compliance with all of the financial covenants across the Group's bank facilities as applicable throughout the period covered by these financial statements.

The London Interbank Offered Rate (LIBOR) has been phased out from the end of 2021 and is expected to be replaced by various alternative risk-free-rates (RFRs) across the Global Financial Markets. The cessation of LIBOR took effect from 31 December 2021, this is an industry-wide change driven by the regulators. Financial regulatory authorities had expressed their concern that the interbank lending market which LIBOR is intended to reflect is no longer sufficiently active or liquid.

As a result and during the year, the Company transitioned all of its borrowings subject to a variable rate of interest from Libor to Sonia (Sterling Overnight Index Average). Sonia is an overnight rate, whereas Libor was a term rate. Sonia is close to a risk free measure of borrowing costs. It is compounded over a lending period to produce a backward-looking term interest rate.

From 1 January 2022, all borrowings under these agreements will attract an interest rate of the borrowing margin, plus Sonia, plus a credit adjustment spread equal to 11.93 bps. It is expected that this change in risk free rate will not lead to a material change in overall borrowing costs.

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

Bank borrowings

	Bank borrowings drawn £m	Bank borrowings undrawn £m	Total £m
As at 1 January 2021	**212.9**	**550.0**	**762.9**
Bank borrowings drawn in the year under existing facilities	**245.5**	**(245.5)**	**–**
Bank borrowings repaid in the year under existing facilities	**(245.5)**	**245.5**	**–**
As at 31 December 2021	**212.9**	**550.0**	**762.9**

	Bank borrowings drawn £m	Bank borrowings undrawn £m	Total £m
As at 1 January 2020	262.9	500.0	762.9
Bank borrowings drawn in the year under existing facilities	289.5	(289.5)	–
Bank borrowings repaid in the year under existing facilities	(339.5)	339.5	–
As at 31 December 2020	212.9	550.0	762.9

Any associated fees in arranging the bank borrowings and loan notes that are unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

Bank borrowings drawn

	31 December 2021 £m	31 December 2020 £m

Bank borrowings drawn: due in more than one year	**212.9**	212.9
Less: unamortised costs on bank borrowings	**(5.3)**	(6.2)
	207.6	206.7

Loan notes

Bonds	**31 December 2021 £m**	31 December 2020 £m
2.625% Bonds 2026	**249.5**	249.3
3.125% Bonds 2031	**247.5**	247.3
2.860% USPP 2028	**250.0**	250.0
2.980% USPP 2030	**150.0**	150.0
1.500% Green Bonds 2033	**246.4**	246.2
Less: unamortised costs on loan notes	**(5.8)**	(6.4)
	1,137.6	1,136.4

The weighted average term to maturity of the Group's debt as at the year end is 6.5 years (31 December 2020: 7.4 years).

Maturity of borrowings

	31 December 2021 £m	31 December 2020 £m
Repayable between one and two years	**–**	–
Repayable between two and five years	**300.3**	50.9
Repayable in over five years	**1,056.0**	1,304.8
	1,356.3	1,355.7

24. Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has entered into a number of interest rate derivatives. A number of interest rate caps and one interest rate swap have been taken out in respect of the Group's variable rate debt to fix or cap the rate to which three-month Libor can rise. Each runs coterminous to the initial term of the respective loans. With effect from 1 January 2022, the interest rate derivatives have been transitioned to Sonia, as this is the risk free rate now adopted by the Group's variable rate loan facilities.

The weighted average capped rate, excluding any margin payable, for the Group as at the year end was 1.11% (2020: 1.10%), which effectively caps the level to which Sonia can rise to, therefore limiting any effect on the Group of an interest rate rise. The interest rate derivatives mean that the Group's borrowing facilities at the year end have an all-inclusive capped interest rate payable of 2.53% (2020: 2.49%). The total premium payable in the year towards securing the interest rate caps was £nil (2020: nil).

	31 December 2021 £m	31 December 2020 £m
Non-current assets: interest rate derivatives	**1.8**	0.1
Non-current liabilities: interest rate derivatives	**-**	(1.1)

The interest rate derivatives are valued by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the mark-to-market values of the derivatives are taken to the Group profit or loss.

	31 December 2021 £m	31 December 2020 £m
Interest rate derivative valuation brought forward	**(1.0)**	1.3
Changes in fair value of interest rate derivatives	**2.8**	(2.3)
	1.8	(1.0)

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed-rate loan arrangements. As at the year-end date the total proportion of drawn debt either hedged via interest rate derivatives or subject to fixed-rate loan agreements equated to 100.00%, as shown below:

	31 December 2021 Drawn £m	31 December 2020 Drawn £m
Total borrowings drawn (note 23)	**1,356.3**	1,355.7
Notional value of effective interest rate derivatives and fixed-rate loans	**1,356.3**	1,355.7
Proportion of hedged debt	**100.00%**	100.00%

Fair value hierarchy

The fair value of Group's interest rate derivatives is recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end. This valuation technique falls within Level 2 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the years, nor have there been any transfers between Level 2 and Level 3 during any of the years.

25. 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 amounts due to B and C shareholders, bank borrowings and interest rate derivatives. The main purpose of bank borrowings and derivatives is to finance the acquisition and development of the Group's investment property portfolio and hedge against the interest rate risk arising.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Book value 31 December 2021 £m	**Fair value 31 December 2021 £m**	Book value 31 December 2020 £m	Fair value 31 December 2020 £m
Financial assets				
Interest rate derivatives	**1.8**	**1.8**	0.1	0.1
Trade and other receivables[1]	**31.3**	**31.3**	21.8	21.8
Cash held at bank	**71.1**	**71.1**	57.8	57.8
Financial liabilities				
Interest rate derivatives	**-**	**-**	(1.1)	(1.1)
Trade and other payables[2]	**85.9**	**85.9**	71.3	71.3
Amounts due to B and C shareholders	**41.4**	**41.4**	31.7	31.7
Borrowings	**1,356.3**	**1,405.3**	1,355.7	1,496.9

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

Interest rate derivatives and amounts due to B and C shareholders are the only financial instruments measured at fair value through profit and loss. All other financial assets and all financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

The following table sets out the fair value of those financial liabilities measured at amortised cost where there is a difference between book value and fair value.

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Borrowings	**31 December 2021**	**1,352.5**	**1,187.3**	**165.2**	**–**

Borrowings	31 December 2020	1,446.1	1,271.7	174.4	–

The Group has two fixed-rate loans totalling £162 million, provided by PGIM (£90 million) and Canada Life (£72 million). The fair value is determined by comparing the discounted future cash flows using the contracted yields with the reference gilts plus the margin implied. The reference gilts used were the Treasury 1.25% 2027 Gilt and Treasury 4.75% 2030 Gilt respectively, with an implied margin that is unchanged since the date of fixing. The loans are considered to be a Level 2 fair value measurement. For all other bank loans there is considered no other difference between fair value and carrying value.

The fair value of financial liabilities traded on active liquid markets, including the 2.625% Bonds 2026, 3.125% Bonds 2031, 1.5% Bonds 2033, 2.860% USPP 2028 and 2.980% USPP 2030, is determined with reference to the quoted market prices. These financial liabilities are considered to be a Level 1 fair value measure.

The fair value of the financial liabilities at Level 1 fair value measure were £1,187.3 million (2020: £1,271.1 million) and the financial liabilities at Level 2 fair value measure were £165.2 million (2020: £174.4 million).

Risk management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group’s cash balances, bank borrowings along with a number of interest rate derivatives entered into to mitigate interest rate risk.

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on the Group profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.3 million (2020: £0.3 million) or a decrease of £0.3 million (2020: £0.3 million). The difference between the increase and decrease absolute figure is due to the interest rate caps in place.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions. Credit risk is mitigated by tenants being required to pay rentals in advance under their lease obligations. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement.

Outstanding trade receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. We conduct ongoing covenant analysis of our customers and strengthened our team to support this work during the period. The analysis combines publicly available financial and trading information with our own observations and customer conversations as well as the opinions of third-party professionals to form a view over the credit risk of counter-parties under our leases.

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the Group Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition and on an ongoing annual basis. A small number of tenants had entered into payment plans during the prior year which continued for part of the current year, as a result of the impact of Covid-19. All payments have currently been received in line with the payment plans and there are no payment plans continuing. Therefore we do not currently foresee any issues with the recoverability of the remaining payment plan balances.

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk arises from the Group’s management of working capital, the finance charges, principal repayments on its borrowings and its commitments under forward funded development arrangements. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group’s assets are property investments and are therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management, ensuring it has appropriate levels of cash and available drawings to meet liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<3 months £m	3-12 months £m	Between 1-2 years £m	Between 2-5 years £m	More than 5 years £m	Total £m
31 December 2021						
Borrowings	**8.7**	**26.2**	**34.9**	**404.3**	**1,153.9**	**1,628.0**
Amounts due to B and C shareholders	**–**	**–**	**–**	**–**	**41.4**	**41.4**
Trade and other payables	**85.9**	**–**	**–**	**–**	**2.0**	**87.9**
	94.6	**26.2**	**34.9**	**404.3**	**1,197.5**	**1,757.3**
31 December 2020						
Borrowings	8.7	26.1	34.8	154.9	1,437.5	1,662.0
Amounts due to B and C shareholders	–	–	–	–	31.7	31.7
Trade and other payables	69.3	–	–	–	2.0	71.3
	78.0	26.1	34.8	154.9	1,471.2	1,765.0

Included within the contracted payments is £265.1 million (2020: £299.2 million) of loan interest payable up to the point of maturity across the facilities.

26. Capital management

The Board, with the assistance of the Investment Manager, monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion and to maintain sustainable returns for shareholders. The Group considers proceeds from share issuances, bank borrowings and retained earnings as capital. The Group's policy on borrowings is as set out below:

The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, while maintaining flexibility in the underlying security requirements, and the structure of both the portfolio and the REIT Group.

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 30% - 35% 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 23.5% (2020: 30.0%) and there is substantial headroom within existing covenants.

Debt is drawn 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.

27. Equity reserves

Share capital

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

Issued and fully paid at 1 pence each	**31 December 2021 Number**	**31 December 2021 £m**	31 December 2020 Number	31 December 2020 £m
Balance at beginning of year – £0.01 Ordinary Shares	**1,719,141,878**	**17.2**	1,706,974,948	17.1
Shares issued in relation to further Equity issuance	**147,058,823**	**1.4**	–	–
Shares issued in relation to management contract	**1,580,609**	**0.1**	–	–
Shares issued in relation to the consideration for a corporate acquisition	–	–	12,166,930	0.1
Balance at end of year	**1,867,781,310**	**18.7**	1,719,141,878	17.2

Share premium

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

Capital reduction reserve

In 2015 and 2018, the Company by way of Special Resolution cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £422.6 million and £932.4 million respectively were transferred from the share premium account into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve. Movements in the current year relate to dividends paid.

Retained earnings

Retained earnings relates to all net gains and losses not recognised elsewhere.

28. Net asset value (NAV) per share

Basic NAV per share is calculated by dividing net assets in the Group Statement of Financial Position attributable to ordinary equity holders of the Parent by the number of Ordinary Shares outstanding at the end of the year. As there are dilutive instruments outstanding, both basic and diluted NAV per share are shown below.

	31 December 2021 £m	31 December 2020 £m
Net assets per Group Statement of Financial Position	**4,076.5**	2,921.3
EPRA NTA	**4,157.6**	3,019.1
Ordinary Shares:		
Issued share capital (number)	**1,867,781,310**	1,719,141,878
Basic net asset value per share	**218.26p**	169.92p
Dilutive shares in issue (number)	**668,309**	–
Diluted net asset value per share	**218.18p**	169.92p

	31 December 2021			31 December 2020		
	EPRA NTA £m	**EPRA NRV £m**	**EPRA NDV £m**	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
NAV attributable to shareholders	**4,076.5**	**4,076.5**	**4,076.5**	2,921.3	2,921.3	2,921.3
Revaluation of land options	**66.0**	**66.0**	**66.0**	80.1	80.1	80.1
Mark-to-market adjustments of derivatives	**16.9**	**16.9**	**–**	19.7	19.7	–
Intangibles	**(1.7)**	**–**	**–**	(2.0)	–	–
Fair value of debt	**–**	**–**	**(47.0)**	–	–	(141.3)
Real estate transfer tax[1]	**–**	**376.3**	**–**	–	304.0	–
NAV	**4,157.7**	**4,535.7**	**4,095.5**	3,019.1	3,325.1	2,860.1

NAV per share	**222.60p**	**242.84p**	**219.27p**	175.61p	193.41p	166.36p
Dilutive NAV per share	**222.52p**	**242.75p**	**219.19p**	175.61p	193.41p	166.36p

1 EPRA NTA and EPRA NDV reflect IFRS values which are net of RETT (real estate transfer tax). RETT are added back when calculating EPRA NRV.

See Notes to EPRA NAV calculations for further details.

29. Operating leases

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

	<1 year £m	2-5 years £m	>5 years £m	Total £m
31 December 2021	**191.5**	**719.8**	**1,825.6**	**2,736.9**
31 December 2020	157.8	615.4	1,499.1	2,272.3

The Group's investment properties are leased to single tenants, with the exception of one asset which is leased to two separate tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward-only rent reviews that are linked to either RPI/CPI, open market or with fixed uplifts. The weighted average unexpired lease term is 13.0 years (2020: 13.8 years).

30. Transactions with related parties

For the year ended 31 December 2021, all Directors and some of the Members 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 £5.7 million (2020: £4.5 million).

The total expense recognised in the Group profit or loss relating to share-based payments under the Investment Management Agreement was £2.7 million (2020: £2.4 million), of which £1.5 million (2020: £1.2 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. £nil were paid to SG Commercial in the year ended 31 December 2021 (31 December 2020: £0.3 million) in respect of agency services for the year; this represents a total of nil (2020: 11%) of agency fees paid by the Group during the year and £nil was outstanding as at the year ended 31 December 2021 (31 December 2020: £ 0.2 million).

On 1 October 2020, there were three new Members of the Manager, namely Nicholas Preston, Frankie Whitehead and James Watson. On 1 February 2021, Alasdair Evans and Philip Redding were also appointed as new Members of the Manager. They are also Members of SG Commercial. Of these Frankie Whitehead and Philip Reading are considered as key management personnel. The other six Members of the Manager were Mark Shaw (resigned 1 April 2021), Colin Godfrey, James Dunlop, Henry Franklin, Petrina Austin and Bjorn Hobart, who are also Members of SG Commercial.

During the year the Directors who served during the year received the following dividends: Richard Jewson: £1,494 (2020: £5,584), Aubrey Adams: £13,345 (2020: £11,944), Susanne Given: £nil (2020: £nil), Alastair Hughes: £2,279 (2020: £2,240), Richard Laing: £3,051 (2020: £2,933), Karen Whitworth £1,277 (2020: £750) Wu Gang £nil (2020: £nil) and Elizabeth Brown £nil (2020: £nil) . See note 9 and Directors' Remuneration Report for further details.

During the year the Members of the Manager received the following dividends: Mark Shaw: £nil (2020: £121,639), Colin Godfrey: £149,570 (2020: £119,353), James Dunlop: £145,509 (2020: £115,362), Henry Franklin: £107,003 (2020: £86,776), Petrina Austin: £18,004 (2020: £13,338), Bjorn Hobart: £20,349 (2020: £14,624), Frankie Whitehead £7,888 (2020: £6,097) and Philip Reading £118 (2020: £nil).

31. Reconciliation of liabilities to cash flows from financing activities

	Borrowings £m	Derivative financial instruments	Loan notes £m	Total £m

		£m		
Balance on 1 January 2021	**206.8**	**1.0**	**1,136.5**	**1,344.3**
Cash flows from financing activities:				
Bank borrowings advanced	**245.5**	–	–	**245.5**
Bank borrowings repaid	**(245.5)**	–	–	**(245.5)**
Amounts received on the issue of loan notes	–	–	–	–
Loan arrangement fees paid	**(0.4)**	–	**(0.5)**	**(0.9)**
Non-cash movements:				
Change in creditors for loan arrangement fees payable	**0.1**	–	**0.2**	**0.3**
Amortisation of loan arrangement fees	**1.1**	–	**1.4**	**2.5**
Fair value movement	–	**(2.8)**	–	**(2.8)**
Balance on 31 December 2021	**207.6**	**(1.8)**	**1,137.6**	**1,343.4**

	Borrowings £m	Derivative financial instruments £m	Loan notes £m	Total £m
Balance on 1 January 2020	256.2	(1.3)	891.5	1,146.4
Cash flows from financing activities:				
Bank borrowings advanced	289.5	–	–	289.5
Bank borrowings repaid	(339.5)	–	–	(339.5)
Amounts received on the issue of loan notes	–	–	246.2	246.2
Loan arrangement fees paid	(0.4)	–	(1.7)	(2.1)
Loan arrangement written off	0.1	–	–	0.1
Non-cash movements:				
Change in creditors for loan arrangement fees payable	–	–	(0.5)	(0.5)
Amortisation of loan arrangement fees	0.9	–	1.0	1.9
Fair value movement	–	2.3	–	2.3
Balance on 31 December 2020	206.8	1.0	1,136.5	1,344.3

32. Capital commitments

The Group had capital commitments of £65.4 million in relation to its development activity, asset management initiatives and commitments under development land, outstanding as at 31 December 2021 (31 December 2020: £93.9 million). All commitments fall due within one year from the date of this report.

33. Subsequent events

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

Company Registration Number: 08215888

	Note	**At 31 December 2021 £m**	At 31 December 2020 £m
Fixed assets			
Investment in subsidiaries	5	**2,188.3**	**2,188.3**
Total fixed assets		**2,188.3**	**2,188.3**
Current assets			
Trade and other receivables	6	**1,323.5**	**1,069.0**
Cash held at bank	7	**2.8**	**10.2**
Total current assets		**1,326.3**	**1,079.2**
Total assets		**3,514.6**	**3,267.5**
Current liabilities			
Trade and other payables	8	**(15.3)**	**(14.3)**
Loans from Group companies		**(71.9)**	**(71.0)**
Total current liabilities		**(87.2)**	**(85.3)**
Non-current liabilities			
Loan notes	9	**(1,137.6)**	**(1,136.4)**
Total non-current liabilities		**(1,137.6)**	**(1,136.4)**
Total liabilities		**(1,224.8)**	**(1,221.7)**
Total net assets		**2,289.8**	**2,045.8**
Equity			
Share capital	10	**18.7**	**17.2**
Share premium reserve		**762.0**	**466.5**
Capital reduction reserve		**964.5**	**1,078.9**
Retained earnings		**544.6**	**483.2**
Total equity		**2,289.8**	**2,045.8**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 31 December 2021 amounted to £61.4 million (31 December 2020: £145.2 million).

These financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Aubrey Adams

Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Undistributable reserves		Distributable reserves		
		Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2021		**17.2**	**466.5**	**1,078.9**	**483.2**	**2045.8**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**61.4**	**61.4**
		17.2	**466.5**	**1,078.9**	**544.6**	**2,107.2**
Contributions and distributions						
Shares issued in relation to further equity issue	10	**1.4**	**298.5**	**–**	**–**	**299.9**
Share issue costs in relation to further equity issue		**–**	**(5.8)**	**–**	**–**	**(5.8)**
Shares issued in relation to management contract		**0.1**	**2.8**	**–**	**–**	**2.9**
Share-based payments		**–**	**–**	**–**	**2.7**	**2.7**
Transfer of share-based payments to liabilities to reflect settlement		**–**	**–**	**–**	**(2.7)**	**(2.7)**
Dividends paid	4	**–**	**–**	**(114.4)**	**–**	**(114.4)**
31 December 2021		**18.7**	**762.0**	**964.5**	**544.6**	**2,289.8**

1 January 2020		17.1	446.7	1,188.1	338.0	1,989.9
Profit for the year and total comprehensive income		–	–	–	145.2	145.2
		17.1	446.7	1,188.1	483.2	2,135.1
Contributions and distributions						
Shares issued in relation to equity consideration	10	0.1	19.9	–	–	20.0
Share issue costs		–	(0.1)	–	–	(0.1)
Share-based payments		–	–	–	2.4	2.4
Transfer of share-based payments to liabilities to reflect settlement		–	–	–	(2.4)	(2.4)
Dividends paid	4	–	–	(109.2)	–	(109.2)
31 December 2020		17.2	466.5	1,078.9	483.2	2,045.8

NOTES TO THE COMPANY ACCOUNTS

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Assets are classified in accordance with the definitions of fixed and current assets in the Companies Act 2006.

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 adopted 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 statements are presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest 0.1 million (£m), except where otherwise indicated.

Other income

Other income represents dividend income which has been declared by its subsidiaries and is recognised when it is received.

Dividends payable for shareholders

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

1.1 Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Company Balance Sheet at fair value with changes in fair value recognised in the profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (such as trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, 12-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Company Balance Sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Investments in subsidiaries

The investments in subsidiary companies are included in the Company's Balance Sheet at cost less provision for impairment.

Share-based payments

The expense relating to share-based payments is accrued over the year in which the service is received and is measured at the fair value of those services received. The extent to which the expense is not settled at the reporting period end is recognised as a liability as any shares outstanding remain contingently issuable. Contingently issuable shares are treated as dilutive to the extent that, based on market factors prevalent at the reporting year end, the shares would be issuable.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

2. Standards issued and effective from 1 January 2021

There was no material effect from the adoption of other amendments to IFRS effective in the year. They have no impact to the Company significantly as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

3. Taxation

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
UK corporation tax	**–**	–

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2021.

4. Dividends paid

For detail of dividends paid by the Company during the year, refer to note 13 of the Group's financial statements.

5. Investment in subsidiaries

	Shares £m	Loan £m	Total £m
As at 1 January 2021	**2,188.3**	**–**	**2,188.3**
Increase in investments via share purchase	**–**	**–**	**–**
As at 31 December 2021	**2,188.3**	**–**	**2,188.3**
As at 1 January 2020	1,973.9	–	1,973.9
Increase in investments via share purchase	214.4	–	214.4
As at 31 December 2020	2,188.3	–	2,188.3

The increase in investments were as a result of capitalisation of inter-company loans and to fund the acquisitions made in the periods.

The Company has the following subsidiary undertakings as at 31 December 2021:

	Principal activity	Country of Incorporation	Ownership %
TBBR Holdings 1 Limited	Investment holding company	Jersey	100%*
TBBR Holdings 2 Limited	Investment holding company	Jersey	100%
Baljean Properties Limited	Property investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment holding company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment holding company	Jersey	100%
The Sherburn RDC Unit Trust	Property investment	Jersey	100%
KG (Jersey) Limited[#]	Investment holding company	Jersey	100%
KL (Jersey) Limited[#]	Investment holding company	Jersey	100%
G Avonmouth Unit Trust[#]	Property Investment	Jersey	100%
Tritax Acquisition 4 Limited	Property investment	Jersey	100%
Tritax Acquisition 5 Limited	Property investment	Jersey	100%
Sonoma Ventures Limited	Property investment	BVI	100%
Tritax REIT Acquisition 8 Limited	Investment holding company	UK[1]	100%*
Tritax REIT Acquisition 9 Limited	Investment holding company	UK[1]	100%*
Tritax Acquisition 9 Limited	Property investment	Jersey	100%
Tritax Acquisition 10 Limited	Property investment	Jersey	100%
Tritax Acquisition 11 Limited	Property investment	Jersey	100%
Tritax Acquisition 12 Limited	Property investment	Jersey	100%
Tritax Acquisition 13 Limited	Property investment	Jersey	100%
Tritax Acquisition 14 Limited	Property investment	Jersey	100%
Tritax Worksop Limited	Property investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment holding company	UK[1]	100%*
Tritax Acquisition 16 Limited	Property investment	Jersey	100%
Tritax Acquisition 17 Limited	Property investment	Jersey	100%
Tritax Acquisition 18 Limited	Property investment	Jersey	100%
Tritax Harlow Limited	Property investment	Guernsey	100%
Tritax Lymedale Limited	Property investment	Guernsey	100%
Tritax Acquisition 21 Limited	Property investment	Jersey	100%
Tritax Acquisition 22 Limited	Property investment	Jersey	100%
Tritax Acquisition 23 Limited	Property investment	Jersey	100%
Tritax Acquisition 24 Limited	Property investment	Jersey	100%
Tritax Knowsley Limited	Property investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property investment	BVI	100%
Tritax Acquisition 28 Limited	Property investment	Jersey	100%
Tritax Peterborough Limited	Property investment	Jersey	100%
Tritax Littlebrook 2 Limited	Property investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property investment	Jersey	100%
Tritax Atherstone (UK) Limited	Property investment	UK[1]	100%
Tritax Stoke DC1&2 Limited	Investment holding company	Jersey	100%*
Tritax Stoke DC3 Limited	Investment holding company	Jersey	100%*
Tritax Holdings CL Debt Limited	Investment holding company	Jersey	100%*
Tritax Portbury Limited	Property investment	Jersey	100%
Tritax Newark Limited	Property investment	Jersey	100%
Tritax Carlisle Limited	Investment holding company	Jersey	100%*
Tritax Worksop 18 Limited	Property investment	Jersey	100%*
Tritax Stoke Management Limited	Management company	UK[1]	100%
Tritax Holdings PGIM Debt Limited	Investment holding company	Jersey	100%*

Tritax Merlin 310 Trafford Park Limited	Property investment	Jersey	100%*
Tritax West Thurrock Limited	Property investment	Jersey	100%
Tritax Tamworth Limited	Property investment	Jersey	100%
Tritax Acquisition 35 Limited	Property investment	Jersey	100%
Tritax Acquisition 36 Limited	Property investment	Jersey	100%*
Tritax Acquisition 37 Limited	Property investment	Jersey	100%*
Tritax Acquisition 38 Limited	Property investment	Jersey	100%*
Tritax Acquisition 39 Limited	Property investment	Jersey	100%*
Tritax Acquisition 40 Limited	Property investment	Jersey	100%*
Tritax Acquisition 41 Limited	Property investment	Jersey	100%*
Tritax Littlebrook 1 Limited	Property investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property investment	Jersey	100%
Tritax Atherstone Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 42 Limited	Property investment	Jersey	100%*
Tritax Acquisition 43 Limited	Property investment	Jersey	100%*
Tritax Carlisle UK Limited	Investment holding company	UK[1]	100%
Tritax Edinburgh Way Harlow Limited	Property investment	Jersey	100%*
Tritax Crewe Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 44 Limited	Property investment	Jersey	100%*
Tritax Acquisition 45 Limited	Property investment	Jersey	100%*
Tritax Acquisition 46 Limited	Property investment	Jersey	100%*
Tritax Acquisition 47 Limited	Property investment	Jersey	100%*
Tritax Acquisition 48 Limited	Property investment	Jersey	100%*
Tritax Acquisition 49 Limited[#]	Property investment	Jersey	100%*
Tritax Littlebrook Management Limited[#]	Property investment	UK[1]	100%*
Tritax Symmetry Holdings Limited (formerly known as Tritax Symmetry Limited)	Investment holding company	Jersey	100%*
db Symmetry Group Ltd	Investment holding company	UK[2]	100%
db Symmetry Ltd	Investment holding company	UK[2]	100%
Tritax Symmetry Power Limited[#]	Investment holding company	UK[2]	100%
Tritax Symmetry Power Biggleswade Limited[#]	Investment holding company	UK[2]	100%
Tritax Symmetry (BVI) Ltd	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Holdings (Biggleswade) Co Ltd	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Biggleswade) Co Ltd	Property investment	British Virgin Islands	100%
Tritax Symmetry Holdings (Blyth) Co Ltd	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Blyth) Co. Ltd	Property investment	British Virgin Islands	100%
Tritax Symmetry Holdings (Middlewich) Co. Ltd	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Properties (Middlewich) Co. Ltd	Investment holding company	British Virgin Islands	100%
Tritax Symmetry Development (Blyth) UK Ltd	Property development	UK[2]	100%
Tritax Symmetry Development (Biggleswade) UK Ltd	Property development	UK[2]	100%
Tritax Symmetry Ardley Limited	Property investment	Jersey	100%
Tritax Symmetry Bicester 2 Limited	Property investment	Jersey	100%
Tritax Symmetry Northampton West Ltd	Property investment	Jersey	100%
Tritax Symmetry Rugby South Ltd	Property investment	Jersey	100%
Tritax Symmetry St Helens Ltd	Property investment	Jersey	100%
Tritax Symmetry Wigan Ltd	Property investment	Jersey	100%
Tritax Symmetry Oxford North Ltd	Property investment	Jersey	100%
Tritax Symmetry Northampton Ltd	Property investment	Jersey	100%
Tritax Symmetry Merseyside 1 Ltd	Property investment	Jersey	100%
Tritax Symmetry South Elmsall Ltd	Property investment	Jersey	100%

Tritax Symmetry (Goole) Ltd	Property investment	UK²	100%
Tritax Symmetry (Midlands) Ltd	Investment holding company	UK²	100%
Tritax Symmetry (Aston Clinton) Ltd	Property investment	UK²	100%
Tritax Symmetry Leicester South Ltd	Property investment	Jersey	100%
Tritax Symmetry Gloucester Ltd	Property investment	Jersey	100%
Tritax Symmetry (Speke) Ltd	Property investment	UK²	100%
Tritax Symmetry (Barwell) Ltd	Property investment	UK²	100%
Tritax Symmetry (Rugby) Ltd	Property investment	UK²	100%
Tritax Symmetry (Hinckley) Ltd	Property investment	UK²	100%
Tritax Symmetry (Darlington) Ltd	Property investment	UK²	100%
Tritax Symmetry (Blyth) Ltd	Property investment	UK²	100%
Tritax Symmetry (Bicester Reid) Ltd	Property investment	UK²	100%
Tritax Symmetry (Wigan) Ltd	Property investment	UK²	100%
Tritax Symmetry (Land) LLP	Investment holding company	UK²	100%
Tritax Symmetry (Kettering) LLP	Property investment	UK²	100%
Tritax Symmetry (Lutterworth) LLP	Property investment	UK²	100%
Tritax Symmetry (Northampton) LLP	Investment holding company	UK²	100%
Symmetry Park Darlington Management Company Ltd	Management company	UK²	100%
Symmetry Park Aston Clinton Management Company Limited	Management company	UK²	100%
Tritax Symmetry Glasgow East Limited[#]	Property investment	Jersey	100%
Symmetry Park Biggleswade Management Company Limited[#]	Management company	UK²	100%
Tritax Symmetry Biggleswade 2 Limited[#]	Property investment	Jersey	100%
Tritax Symmetry Biggleswade 3 Limited[#]	Property investment	Jersey	100%
Tritax Symmetry Middlewich 1 Limited[#]	Property investment	Jersey	100%
Tritax Symmetry Biggleswade 4 Limited[#]	Property investment	Jersey	100%
Tritax Symmetry Biggleswade Land Limited[#]	Property investment	UK²	100%

*These are direct subsidiaries of the Company.
[#]These are new investments of the Company in the year.

The registered addresses for subsidiaries across the Group are consistent based on their country of incorporation and are as follows:

Jersey entities: 26 New Street, St Helier, Jersey JE2 3RA

Guernsey entities: PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

Isle of Man entities: 33-37 Athol Street, Douglas, Isle of Man IM1 1LB

British Virgin Islands entities: Jayla Place, Wickhams Cay 1, Road Town, Tortola, BVI VG1110

UK¹ entities: 3rd Floor, 6 Duke Street St James's, London SW1Y 6BN

UK² entities: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA

The Company also has interests in the following joint arrangements as at 31 December 2021:

	Principal activity	Country of incorporation	Ownership %
Symmetry Park Doncaster Management Company Limited	Management company	UK²	50%
Symmetry Park Bicester Management Company Limited	Management company	UK²	33%

All of the companies registered offshore are managed onshore and are UK residents for UK corporation tax purposes, save for the Sherburn Unit Trust and G Avonmouth Trust.

6. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Amounts receivable from Group companies	**1,319.8**	1,066.2
Prepayments	**0.3**	0.1
Other receivables	**3.4**	2.7
	1,323.5	1,069.0

All amounts that fall due for repayment within one year and are presented within current assets as required by the Companies Act. The loans to Group companies are repayable on demand with no fixed repayment date although it is noted that a significant proportion of the amounts may not be sought for repayment within one year depending on activity in the group companies. Interest is charged between 0%–10% (2020: 0%–10%).

7. Cash held at bank

	31 December 2021 £m	31 December 2020 £m
Cash held at bank	**2.8**	10.2

8. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade and other payables	**8.8**	8.5
Accruals	**6.5**	5.8
	15.3	14.3

9. Loan notes

Bonds	**31 December 2021 £m**	31 December 2020 £m
2.625% Bonds 2026	**249.5**	249.3
3.125% Bonds 2031	**247.5**	247.3
2.860% USPP 2028	**250.0**	250.0
2.980% USPP 2030	**150.0**	150.0
1.500% Green Bonds 2033	**246.4**	246.2
Less: unamortised costs on loan notes	**(5.8)**	(6.4)
Non-current liabilities: net borrowings	**1,137.6**	1,136.4

Maturity of loan notes	**31 December 2021 £m**	31 December 2020 £m
Repayable between one and two years	**–**	–
Repayable between two and five years	**249.5**	–
Repayable in over five years	**893.9**	**1,142.8**
	1,143.4	**1,142.8**

10. Equity reserves

Refer to note 27 of the Group's financial statements.

11. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

For all other related party transactions make reference to note 30 of the Group's financial statements.

12. Directors' remuneration

Refer to note 9 of the Group's financial statements.

13. Subsequent events

Refer to note 33 of the Group's financial statements.

NOTES TO THE EPRA AND OTHER KEY PERFORMANCE INDICATORS

1. EPRA earnings per share

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total comprehensive income (attributable to shareholders)	**972.6**	**449.4**
Adjustments to remove:		
Changes in fair value of investment properties	**(840.9)**	**(351.1)**
Changes in fair value of interest rate derivatives	**(2.8)**	**2.3**
Share of loss/(profits) from joint ventures	**(0.1)**	**0.1**
Gain on disposal of investment properties	**(2.0)**	**(0.1)**
Amortisation of other property assets	**5.4**	**4.5**
Impairment of intangible and other property assets	**2.9**	**0.4**
Tax refund	**(3.9)**	**–**
Profits to calculate EPRA earnings per share	**131.2**	**105.5**
Add back: Changes in fair value of contingent consideration payable	**-**	**–**
Profits to calculate EPRA diluted earnings per share	**131.2**	**105.5**
Weighted average number of Ordinary Shares	**1,755,926,756**	1,708,504,125
EPRA earnings per share – basic	**7.47p**	6.17p
Shares to be issued on outstanding investment manager's fees	**668,309**	**–**
EPRA earnings per share – diluted	**7.47p**	6.17p

2. EPRA NAV per share

31 December 2021

	Note	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
NAV attributable to shareholders		**4,076.5**	**4,076.5**	**4,076.5**
Revaluation of land options		**66.0**	**66.0**	**66.0**
Mark-to-market adjustments of derivatives		**16.9**	**16.9**	**–**
Intangibles		**(1.7)**	**–**	**–**
Fair value of debt		**–**	**–**	**(47.0)**
Real estate transfer tax[1]		**–**	**376.3**	**–**

At 31 December 2021	**28**	**4,157.7**	**4,535.7**	**4,095.5**
NAV per share		**222.60p**	**242.84p**	**219.27p**
Dilutive NAV per share		**222.52p**	**242.75p**	**219.19p**

31 December 2020

	Note	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
NAV attributable to shareholders		2,921.3	2,921.3	2,921.3
Revaluation of land options		80.1	80.1	80.1
Mark-to-market adjustments of derivatives		19.7	19.7	–
Intangibles		(2.0)	–	–
Fair value of debt		–	–	(141.3)
Real estate transfer tax[1]		–	304.0	–
At 31 December 2020	28	3,019.1	3,325.1	2,860.1
NAV per share		175.61p	193.41p	166.36p
Dilutive NAV per share		175.61p	193.41p	166.36p

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of RETT. RETT are added back when calculating EPRA NRV.

3. EPRA net initial yield (NIY) and EPRA "topped up" NIY

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Investment property – wholly owned	**5,123.7**	4,026.9
Investment property – share of joint ventures	**2.5**	2.0
Less: development properties	**(105.0)**	(480.7)
Completed property portfolio	**5,021.2**	3,548.2
Allowance for estimated purchasers' costs	**340.4**	240.6
Gross up completed property portfolio valuation (B)	**5,361.6**	3,788.8
Annualised passing rental income	**195.9**	180.2
Less: contracted rental income in respect of development properties	**–**	(19.1)
Property outgoings	**(0.2)**	(0.4)
Less: contracted rent under rent-free period	**(4.8)**	(2.5)
Annualised net rents (A)	**190.9**	158.2
Contractual increases for fixed uplifts	**10.2**	7.6
Topped up annualised net rents (C)	**201.1**	165.8
EPRA net initial yield (A/B)	**3.56%**	4.18%
EPRA topped up net initial yield (C/B)	**3.75%**	4.38%

4. EPRA vacancy rate

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Annualised estimated rental value of vacant premises	–	–
Portfolio estimated rental value[1]	**216.2**	172.5
EPRA vacancy rate	**0%**	0%

1 Excludes land held for development.

5. EPRA cost ratio

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Property operating costs	**0.2**	0.2
Administration expenses	**25.5**	22.6
Service charge costs recovered through rents but not separately invoiced	**–**	0.2
Total costs including and excluding vacant property costs (A)/(B)	**25.7**	23.0
Vacant property cost	**–**	(0.2)
Total costs excluding vacant property costs (B)	**25.7**	22.8
Gross rental income – per IFRS	**184.7**	161.6
Less: Service charge cost components of gross rental income	–	–
Gross rental income (C)	**184.7**	161.6
Total EPRA cost ratio (including vacant property costs)	**13.9%**	14.2%
Total EPRA cost ratio (excluding vacant property costs)	**13.9%**	14.1%

6. EPRA like-for-like rental income

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change £m	Change %
Like-for-like rental income	**150.6**	145.8		
Other rental income	**0.1**	0.1		
Like-for-like Gross rental income	**150.7**	145.9	4.8	3.3
Irrecoverable property expenditure	**(0.1)**	(0.1)		
Like-for-like Net rental income	**150.6**	145.8	4.8	3.3
Reconciliation to Net rental income per Statement of Comprehensive Income:				
Development properties	**20.9**	3.0		
Properties acquired	**5.8**	0.4		
Properties disposed	**0.2**	5.7		
Properties under rent free periods	**-**	(2.6)		
Spreading of tenant incentives and guaranteed rental uplifts	**7.2**	9.3		
Total per statement of comprehensive income	**184.7**	161.6		

7. EPRA property-related capital expenditure

	Year end 31 December 2021 £m	Year ended 31 December 2020 £m
Acquisition[1]	**89.6**	82.3
Development[2]	**274.3**	210.6
Investment properties:		
Tenant incentives[3]	**7.2**	9.3
Capitalised interest	**0.7**	–
Total	**371.8**	302.2

[1] See note 14

[2]See note 14 and note 15

[3] Fixed rental uplift and tenant lease incentives after adjusting for amortisation on rental uplift and tenant lease incentives.

8. Total Accounting Return ("TAR")

	Year ended 31 December 2021	Year ended 31 December 2020
Opening EPRA NTA	**175.61p**	151.79p
Closing EPRA NTA	**222.60p**	175.61p
Change in EPRA NTA	**46.99p**	23.82p
Dividends paid	**6.51p**	6.40p
Total growth in EPRA NTA plus dividends paid	**53.50p**	30.22p
Total return	**30.5%**	19.9%
One-off transactional costs	–	–
Total return excluding one-off transactional costs	**30.5%**	19.9%

9. Total expense ratio

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total operating costs	**25.5**	22.6
Average net assets over the period	**3,231.0**	2,619.4
Total expense ratio	**0.79%**	0.86%

10. Loan to value ratio

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross debt drawn	**1,356.3**	1,355.7
Less: Cash	**(71.1)**	(57.8)
Net Debt	**1,285.2**	1,297.9
Gross property value	**5,480.2**	4,319.6
Loan to value ratio	**23.5%**	30.0%

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 December 2021 which are consistent with policies those adopted in the year ended 31 December 2020. Whilst the financial information included in this announcement has been computed in accordance with UK adopted international accounting standards, this announcement does not itself contain sufficient disclosures to comply with IFRS. The financial information does not constitute the Group's statutory financial statements for the years ended 31 December 2021 or 31 December 2020, but is derived from those financial statements. Financial statements for the year ended 31 December 2020 have been delivered to the Registrar of Companies and those for the year ended 31 December 2021 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 31 December 2021 and 31 December 2020 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.