# TRITAX BIG BOX

Tritax Big Box REIT plc Annual Report – Financial Statements and Additional Information

## Fulfilling structural change


HOWDENS
JOINERY CO.

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# GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | Note | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|---|
| Gross rental income | 6 | **107.96** | 74.66 |
| Service charge income | 6 | **2.94** | 2.25 |
| Service charge expense | 7 | **(2.96)** | (2.32) |
| **Net rental income** | | **107.94** | 74.59 |
| Administrative and other expenses | 8 | **(14.16)** | (11.71) |
| **Operating profit before changes in fair value of investment properties** | | **93.78** | 62.88 |
| Changes in fair value of investment properties | 15 | **175.98** | 47.51 |
| **Operating profit** | | **269.76** | 110.39 |
| Finance income | 10 | **0.40** | 0.22 |
| Finance expense | 11 | **(20.32)** | (11.56) |
| Changes in fair value of interest rate derivatives | 21 | **(2.04)** | (7.15) |
| **Profit before taxation** | | **247.80** | 91.90 |
| **Tax charge on profit for the year** | 12 | **–** | – |
| **Total comprehensive income (attributable to the Shareholders)** | | **247.80** | 91.90 |
| **Earnings per share – basic** | 13 | **19.54p** | 10.52p |
| **Earnings per share – diluted** | 13 | **19.53p** | 10.51p |

# GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | 15 | **2,599.21** | 1,803.11 |
| Interest rate derivatives | 21 | **1.97** | 3.17 |
| **Total non-current assets** | | **2,601.18** | 1,806.28 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **10.23** | 9.16 |
| Cash held at bank | 18 | **78.04** | 170.69 |
| **Total current assets** | | **88.27** | 179.85 |
| **Total assets** | | **2,689.45** | 1,986.13 |
| **Current liabilities** | | | |
| Deferred rental income | | **(27.62)** | (19.45) |
| Trade and other payables | 19 | **(23.44)** | (18.64) |
| **Total current liabilities** | | **(51.06)** | (38.09) |
| **Non-current liabilities** | | | |
| Bank borrowings | 20 | **(216.76)** | (533.50) |
| Loan notes | 20 | **(492.17)** | – |
| **Total non-current liabilities** | | **(708.93)** | (533.50) |
| **Total liabilities** | | **(759.99)** | (571.59) |
| **Total net assets** | | **1,929.46** | 1,414.54 |
| **Equity** | | | |
| Share capital | 24 | **13.64** | 11.05 |
| Share premium reserve | 25 | **932.37** | 589.39 |
| Capital reduction reserve | 26 | **467.93** | 546.38 |
| Retained earnings | 27 | **515.52** | 267.72 |
| **Total equity** | | **1,929.46** | 1,414.54 |
| **Net asset value per share – basic** | 28 | **141.50p** | 128.00p |
| **Net asset value per share – diluted** | 28 | **141.44p** | 127.93p |
| **EPRA net asset value per share** | 28 | **142.24p** | 129.00p |

These financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

**Richard Jewson** Chairman

# GROUP CASH FLOW STATEMENT

For the year ended 31 December 2017

| | Note | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year (attributable to equity Shareholders) | | **247.80** | 91.90 |
| Less: changes in fair value of investment properties | 15 | **(175.98)** | (47.51) |
| Add: changes in fair value of interest rate derivatives | 21 | **2.04** | 7.15 |
| Less: finance income | 10 | **(0.40)** | (0.22) |
| Add: finance expense | 11 | **20.32** | 11.56 |
| Accretion of tenant lease incentive | 6 | **(12.52)** | (10.23) |
| (Increase)/decrease in trade and other receivables | | **(3.00)** | 9.74 |
| Increase in deferred income | | **7.16** | 5.47 |
| Increase in trade and other payables | | **0.02** | 0.39 |
| Cash received as part of corporate acquisitions | | **1.62** | 2.04 |
| **Cash generated from operations** | | **87.06** | 70.29 |
| Tax paid | | **(0.28)** | (0.02) |
| **Net cash flow generated from operating activities** | | **86.78** | 70.27 |
| **Investing activities** | | | |
| Purchase of investment properties | | **(607.92)** | (600.76) |
| Licence fees received | | **5.84** | 6.69 |
| Interest received | | **0.39** | 0.26 |
| Amounts transferred into restricted cash deposits | 18 | **(5.26)** | (0.54) |
| Amounts transferred out of restricted cash deposits | 18 | **4.78** | 4.27 |
| **Net cash flow used in investing activities** | | **(602.17)** | (590.08) |
| **Financing activities** | | | |
| Proceeds from issue of Ordinary Share capital | 24 | **351.40** | 551.08 |
| Cost of share issues | 25 | **(5.83)** | (10.16) |
| Bank borrowings drawn | 20 | **164.00** | 311.49 |
| Bank borrowings repaid | 20 | **(482.66)** | (155.00) |
| Amounts received on issue of loan notes | | **495.54** | – |
| Loan arrangement fees paid | | **(7.85)** | (2.28) |
| Bank interest paid | | **(14.21)** | (9.99) |
| Interest rate cap premium paid | | **(1.07)** | (1.69) |
| Proceeds from disposal of interest rate cap | | **0.24** | – |
| Dividends paid to equity holders | | **(77.31)** | (57.80) |
| **Net cash flow generated from financing activities** | | **422.25** | 625.65 |
| Net increase/(decrease) in cash and cash equivalents for the year | | **(93.14)** | 105.84 |
| Cash and cash equivalents at start of the year | 18 | **165.05** | 59.21 |
| **Cash and cash equivalents at end of the year** | 18 | **71.91** | 165.05 |

# GROUP STATEMENT OF CHANGES IN EQUITY

| | Share capital £m | Share premium £m | Capital reduction reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| **1 January 2017** | **11.05** | **589.39** | **546.38** | **267.72** | **1,414.54** |
| **Total comprehensive income** | – | – | – | 247.80 | 247.80 |
| **Issue of Ordinary Shares** | | | | | |
| Shares issued in relation to further equity issue (May 2017) | 2.58 | 347.42 | – | – | 350.00 |
| Associated share issue costs | – | (5.83) | – | – | (5.83) |
| Shares issued in relation to management contract | 0.01 | 1.39 | – | – | 1.40 |
| Share based payments | – | – | – | 1.56 | 1.56 |
| Transfer of share based payments to liabilities to reflect settlement | – | – | – | (1.56) | (1.56) |
| **Dividends paid:** | | | | | |
| Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share | – | – | (17.13) | – | (17.13) |
| First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (17.69) | – | (17.69) |
| Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (21.81) | – | (21.81) |
| Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (21.82) | – | (21.82) |
| **31 December 2017** | **13.64** | **932.37** | **467.93** | **515.52** | **1,929.46** |
| **1 January 2016** | **6.78** | **52.74** | **605.76** | **175.82** | **841.10** |
| **Total comprehensive income** | **–** | **–** | **–** | **91.90** | **91.90** |
| **Issue of Ordinary Shares** | | | | | |
| Shares issued in relation to further Equity issue (February 2016) | 1.61 | 198.39 | – | – | 200.00 |
| Share issue expenses in relation to Equity issue (February 2016) | – | (3.90) | – | – | (3.90) |
| Shares issued in relation to further Equity issue (October 2016) | 2.65 | 347.35 | – | – | 350.00 |
| Share issue expenses in relation to Equity issue (October 2016) | – | (6.26) | – | – | (6.26) |
| Shares issued in relation to management contract | 0.01 | 1.07 | – | – | 1.08 |
| Share based payments | – | – | – | 1.25 | 1.25 |
| Transfer of share based payments to liabilities to reflect settlement | – | – | – | (1.25) | (1.25) |
| **Dividends paid:** | | | | | |
| Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share | – | – | (20.34) | – | (20.34) |
| First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share | – | – | (26.02) | – | (26.02) |
| Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share | – | – | (13.02) | – | (13.02) |
| **31 December 2016** | **11.05** | **589.39** | **546.38** | **267.72** | **1,414.54** |

# NOTES TO THE CONSOLIDATED ACCOUNTS

## 1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries and were approved by the Board for issue on 7 March 2018. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information.

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

## ACCOUNTING POLICIES

## 2. BASIS OF PREPARATION

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

The comparative information disclosed relates to the year ended 31 December 2016.

The Group's financial information has been prepared on a historical cost basis, as modified for the Group's investment properties and interest rate derivatives, which have been measured at fair value through the Group Statement of Comprehensive Income.

The consolidated financial information is presented in Sterling, which is also the Group's functional currency, and all values are rounded to the nearest million (£m), except where otherwise indicated.

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and earnings per share.

### 2.1. Going concern

The consolidated financial statements are prepared on a going concern basis as explained within Accountability.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### 3.1. Judgements

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

Company Information, page 170
Strategic Report, pages 1-77
Accountability, pages 93-95

**Business combinations**
The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

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

**Operating lease contracts – the Group as lessor**
The Group has acquired investment properties that are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

### 3.2. Estimates

**Fair valuation of investment property**
The fair value of investment property is determined, by independent property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards January 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 15.

**Fair valuation of interest rate derivatives**
In accordance with IAS 39, the Group values its interest rate derivatives at fair value. The fair values are estimated by the loan counterparty with revaluation occurring on a quarterly basis. The counterparties will use a number of assumptions in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1. Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, as at the year-end date.

### 4.2. Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed wherever facts and circumstances indicate that there may be a change in any of these elements of control.

### 4.3. Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in Big Box assets. The Directors consider that these properties have similar economic characteristics and as a result these individual properties have been aggregated into a single reportable operating element.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.4. Investment property and investment property under construction

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

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to investment property. For further details please see Accounting Policy note 4.14.1.

Investment property is recognised when the risks and rewards of ownership have been transferred and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Group Statement of Comprehensive Income in the year in which they arise under IAS 40 Investment Property.

Investment properties under construction are financed by the Group where the Group enters into contracts for the development of a pre-let property under a funding agreement. All such contracts specify a fixed amount of consideration. The Group does not expose itself to any speculative development risk as the proposed building is pre-let to a tenant under an agreement for lease and the Group enters into a fixed price development agreement with the developer. It does, however, undertake certain works including demolition, remediation and other site preparatory works to bring a site to the condition ready for construction of an asset. Investment properties under construction are initially recognised at cost (including any associated costs), which reflect the Group's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits, which are expected to accrue to the Group. All other property expenditure is expensed in the Group Statement of Comprehensive Income as incurred.

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

### 4.5. Derivative financial instruments

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Company and its counterparties. The gain or loss at each fair value remeasurement date is recognised in the Group Statement of Comprehensive Income.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

### 4.6. Fair value hierarchy

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

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

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

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

### 4.7. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount.

Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off to the Group Statement of Comprehensive Income when the probability of recovery is assessed as being remote.

### 4.8. Forward funded pre-let investments

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

### 4.8.1. Licence fees receivable

During the period between initial investment in a forward funded agreement and the rent commencement date under the lease, the Group receives licence fee income. This is payable by the developer to the Group throughout this period and typically reflects the approximate level of rental income that is expected to be payable under the lease, as and when practical completion is reached. IAS 40.20 states that investment property should be recognised initially at cost, being the consideration paid to acquire the asset, therefore such licence fees are deducted from the cost of the investment and are shown as a receivable. Any economic benefit of the licence fee is reflected within the Group Statement of Comprehensive Income as a movement in the fair value of investment property and not within gross rental income. In addition, IAS 16.21 indicates that income and expenses from operations that are not to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended, should be recognised in profit or loss.

### 4.9. Cash held at bank

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash held at bank also includes amounts held in restricted or ring fenced accounts to cover future rent-free periods and certain other capital commitments.

### 4.10. Trade payables

Trade payables are initially recognised at their fair value, being at their invoiced value inclusive of any VAT that may be applicable. Payables are subsequently measured at cost.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.11 Borrowings
All borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, all borrowings are measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs. Any difference between the amount initially recognised and the redemption value will be recognised in the Statement of Comprehensive Income over the period of the borrowings.

### 4.12. Share based payments
The expense relating to share based payments is accrued over the year in which the service is received and is measured at the fair value of those services received. The extent to which the expense is not settled at the reporting period end is transferred to a liability with a view that there is an expectation that the payment will be settled in cash. Contingently issuable shares are treated as dilutive to the extent that based on market factors prevalent at the reporting period date, the shares would be issuable.

### 4.13. Dividends payable to Shareholders
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at an Annual General Meeting.

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

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

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

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Group Statement of Comprehensive Income when the right to receive them arises.

When the Group enters into a forward funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once practical completion has taken place the formal lease is signed at which point rental income commences to be recognised in the Group Statement of Comprehensive Income.

### 4.14.2. Service charges, insurances and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the year in which the compensation becomes receivable. Service and insurance charges and other such receipts are included in net rental income gross of the related costs, as the Directors consider that the Group acts as principal in this respect.

### 4.15. Finance income

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

### 4.16. Finance costs

Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings. Any finance costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that takes a period of time to complete are capitalised as part of the cost of the asset. Finance costs also consist of the amortisation charge of arrangement or other costs associated with the set-up of borrowings, these are amortised over the period of the loan. All other finance costs are expensed to the Group Statement of Comprehensive Income in the period in which they occur.

### 4.17. Taxation

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

## 5. STANDARDS ISSUED AND EFFECTIVE FROM 1 JANUARY 2017

There were no new standards for the first time beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, other than 'Disclosure initiatives (amendment IAS 7)', which has resulted in a reconciliation of liabilities disclosed for the first time in note 31.

### 5.1 Standards issued but not yet effective

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

IFRS 9: Financial Instruments (effective 1 January 2018); The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables. This may result in increased impairment provisions and greater judgement due to the need to factor in forward looking information. It will need to consider the probability of default occurring over the contractual life of its trade receivables and contracts. As the Company has tenants with strong covenants and generally tenant receipts are received in advance or on the due date, the Directors do not consider there to be a material impact on the Group financial statements.

IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018); The standard is applicable to service charge income but excludes rent receivable, which is within the scope of IFRS 16. The Group does not believe that the standard will have a material impact on the financial statements as service change income is not material. The adoption of the standard may result in changes to presentation and disclosure.

IFRS 16: Leases (effective 1 January 2019). The Directors are currently assessing the impact on the financial statements of this standard; however, at present they do not anticipate that the adoption of this will have a material impact on the Group's financial statements as the Group does not hold any material operating leases as lessee.

## 6. TOTAL PROPERTY INCOME

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Rental income – freehold property | **73.02** | 49.56 |
| Rental income – long leasehold property | **22.40** | 14.85 |
| Spreading of tenant incentives and guaranteed rental uplifts | **12.52** | 10.23 |
| Lease premiums | **0.02** | 0.02 |
| Gross rental income | **107.96** | 74.66 |
| Property insurance recoverable | **2.43** | 1.83 |
| Service charges recoverable | **0.51** | 0.42 |
| Total insurance/service charge income | **2.94** | 2.25 |
| Total property income | **110.90** | 76.91 |

There were no individual tenants representing more than 10% of gross rental income present during either years.

## 7. SERVICE CHARGE EXPENSES

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Property insurance expense | **2.94** | 2.26 |
| Service charge expense | **0.02** | 0.06 |
| Total property expenses | **2.96** | 2.32 |

## 8. ADMINISTRATIVE AND OTHER EXPENSES

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Investment management fees | **11.84** | 9.50 |
| Directors' remuneration (note 9) | **0.27** | 0.21 |
| Auditor's fees | | |
| – Fees payable for the audit of the Company's annual accounts | **0.14** | 0.17 |
| – Fees payable for the review of the Company's interim accounts | **0.03** | 0.03 |
| – Fees payable for the audit of the Company's subsidiaries | **0.05** | 0.04 |
| – Fees payable for taxation compliance services | **–** | 0.20 |
| Total Auditor's fee | **0.22** | 0.44 |
| Corporate administration fees | **0.38** | 0.37 |
| Regulatory fees | **0.04** | 0.04 |
| Legal and professional fees | **0.91** | 0.70 |
| Marketing and promotional fees | **0.14** | 0.12 |
| Other administrative costs | **0.36** | 0.33 |
| | **14.16** | 11.71 |

The Auditor has also received £0.08 million (2016: £0.14 million) in respect of providing reporting accountant services in connection with the equity issuance and bond issuance occurring during the year. A total of £nil (2016: £0.09 million) has been incurred in respect of due diligence services provided in connection with the acquisition of Group assets. The fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees related to the bond issuance have been treated as part of the arrangement fees for issuing the bond. The fees in relation to the acquisition of assets have been capitalised in to the cost of the respective assets.

## 9. DIRECTORS' REMUNERATION

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Directors' fees | **0.24** | 0.18 |
| Employer's National Insurance | **0.03** | 0.02 |
| | **0.27** | 0.20 |

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report. As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

## 10. FINANCE INCOME

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Interest received on bank deposits | **0.40** | 0.22 |
| | **0.40** | 0.22 |

## 11. FINANCE EXPENSE

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Interest payable on bank borrowings | **12.29** | 9.37 |
| Interest payable on loan notes | **0.67** | – |
| Commitment fees payable on bank borrowings | **0.63** | 0.54 |
| Swap interest payable | **0.11** | 0.09 |
| One-off cost of extinguishment of bank loans | **4.75** | – |
| Amortisation of loan arrangement fees | **1.87** | 1.56 |
| | **20.32** | 11.56 |

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings and loan notes of £13.91 million (2016: £10.49 million) of which £0.32 million was capitalised in the year (2016: £0.58 million) and amortisation of loan arrangement fees of £6.69 million (2016: £1.68 million) of which £0.08 million (2016: £0.11 million) was capitalised in the year. The total interest payable on bank borrowings specifically drawn to finance the construction of investment properties was capitalised in the current and preceding year.

The one-off cost of extinguishment of bank loans represents the accelerated amortisation charge in relation to the unamortised borrowing costs following early repayment of £550 million syndicated facility and Helaba bilateral loans totalling £18.66 million. This was a one-off non cash cost expensed in the Group Statement of Comprehensive Income in the year. There were no other early repayment charges due or payable.

Directors' Remuneration Report, pages 106-107

## 12. TAXATION

### a) Tax charge in the Group Statement of Comprehensive Income

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| UK corporation tax | **–** | – |

The Government announced its intention to further reduce the UK corporation tax rates from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2017.

### b) Factors affecting the tax credit for the year

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

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Profit on ordinary activities before taxation | **247.80** | 91.90 |
| Theoretical tax at UK corporation tax rate of 19.25% (31 December 2016: 20.00%) | **47.70** | 18.38 |
| REIT exempt income | **(14.48)** | (10.49) |
| Non-taxable items | **(33.49)** | (8.07) |
| Transfer pricing adjustment | **0.65** | 0.53 |
| Residual losses | **(0.38)** | (0.35) |
| Total tax credit | **–** | – |

Non-taxable items include income and gains that are not taxable for corporation tax purposes other than property rental income exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

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

## 13. EARNINGS PER SHARE

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

The calculation of basic and diluted earnings per share is based on the following:

| For the year ended 31 December 2017 | Net profit attributable to Ordinary Shareholders £m | Weighted average number of Ordinary Shares [1] Number | Earnings per share Pence |
|---|---|---|---|
| **Basic earnings per share** | 247.80 | 1,268,540,113 | 19.54p |
| Adjustment for dilutive shares to be issued | | 590,881 | |
| **Diluted earnings per share** | 247.80 | 1,269,130,994 | 19.53p |
| Adjustments to remove: | | | |
| Changes in fair value of investment properties (note 15) | (175.98) | | |
| Changes in fair value of interest rate derivatives (note 21) | 2.04 | | |
| One-off cost of extinguishment of bank loans (note 11) | 4.75 | | |
| **EPRA[2] basic earnings per share** | **78.61** | **1,268,540,113** | **6.20p** |
| **EPRA[2] diluted earnings per share** | **78.61** | **1,269,130,994** | **6.20p** |
| Adjustments to include: | | | |
| Licence fee receivable on forward funded developments | 5.31 | | |
| Rental income recognised in respect of fixed uplifts | (4.65) | | |
| Loan amortisation | 1.87 | | |
| Interest capitalised on forward funded developments | (0.32) | | |
| **Adjusted basic earnings per share** | **80.82** | **1,268,540,113** | **6.37p** |
| **Adjusted diluted earnings per share** | **80.82** | **1,269,130,994** | **6.37p** |
| **For the year ended 31 December 2016** | | | |
| **Basic earnings per share** | **91.90** | **873,562,775** | **10.52p** |
| Adjustment for dilutive shares to be issued | | 533,132 | |
| **Diluted earnings per share** | **91.90** | **874,095,907** | **10.51p** |
| Adjustments to remove: | | | |
| Changes in fair value of investment properties (note 15) | (47.51) | | |
| Changes in fair value of interest rate derivatives (note 21) | 7.15 | | |
| **EPRA[2] basic earnings per share** | **51.54** | **873,562,775** | **5.90p** |
| **EPRA[2] diluted earnings per share** | **51.54** | **874,095,907** | **5.90p** |
| Adjustments to include: | | | |
| Licence fee receivable on forward funded developments | 7.96 | | |
| Rental income recognised in respect of fixed uplifts | (3.57) | | |
| Loan amortisation | 1.56 | | |
| Interest capitalised on forward funded developments | (0.59) | | |
| **Adjusted basic earnings per share** | **56.90** | **873,562,775** | **6.51p** |
| **Adjusted diluted earnings per share** | **56.90** | **874,095,907** | **6.51p** |

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

## 13. EARNINGS PER SHARE (CONTINUED)

Adjusted earnings is a performance measure used by the Board to assess the level of the Group's dividend payments. The metric reduces EPRA earnings by interest paid to service debt that was capitalised and removes other non-cash items credited or charged to the Statement of Comprehensive Income. Licence fees receivable during the year are added to earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments. The Board compares the Adjusted earnings to the available distributable reserves when considering the level of dividend to pay.

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

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

## 14. DIVIDENDS PAID

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share (Fourth interim for 31 December 2015 at 3.00 pence per Ordinary Share) | 17.13 | 20.34 |
| First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 3.10 pence) | 17.69 | 26.02 |
| Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 1.55 pence) | 21.81 | 13.02 |
| Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | 21.82 | – |
| **Total dividends paid** | **78.45** | 59.38 |
| **Total dividends paid for the year** | **4.80p** | 4.65p |
| **Total dividends unpaid but declared for the year** | **1.60p** | 1.55p |
| **Total dividends declared for the year** | **6.40p** | 6.20p |

On 24 April 2017, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2017 to 31 March 2017 of 1.60 pence per Ordinary Share, which was payable on 22 May 2017 to Ordinary Shareholders on the register on 5 May 2017.

On 13 July 2017, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per Ordinary Share, which was payable on 10 August 2017 to Shareholders on the register on 21 July 2017.

On 12 October 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2017 to 30 September 2017 of 1.60 pence per Ordinary Share, which was payable on 20 October 2017 to Shareholders on the register on 19 October 2017.

On 7 March 2018, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2017 to 31 December 2017 of 1.60 pence per Ordinary Share, which will be payable on or around 29 March 2018 to Shareholders on the register on 15 March 2018.

## 15. INVESTMENT PROPERTY

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Global Standards January 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

The Valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the Valuer's professional judgement. The Valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

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

| | Investment property freehold £m | Investment property long leasehold £m | Investment property under construction £m | Total £m |
|---|---|---|---|---|
| As at 1 January 2017 | **1,278.13** | **436.84** | **88.14** | **1,803.11** |
| Property additions[2] | **307.45** | **121.83** | **178.32** | **607.60** |
| Fixed rental uplift and tenant lease incentives[1] | **7.70** | **4.82** | **–** | **12.52** |
| Transfer of completed property to investment property | **209.75** | **–** | **(209.75)** | **–** |
| Change in fair value during the year | **121.30** | **48.89** | **5.79** | **175.98** |
| **As at 31 December 2017** | **1,924.33** | **612.38** | **62.50** | **2,599.21** |
| As at 1 January 2016 | 720.89 | 260.70 | 176.27 | 1,157.85 |
| Property additions[2] | 268.27 | 158.87 | 160.37 | 587.51 |
| Fixed rental uplift and tenant lease incentives[1] | 7.75 | 2.48 | – | 10.23 |
| Transfer of completed property to investment property | 259.28 | – | (259.28) | – |
| Change in fair value during the year | 21.94 | 14.79 | 10.78 | 47.51 |
| **As at 31 December 2016** | **1,278.13** | **436.84** | **88.14** | **1,803.11** |

1 Included within the carrying value of investment property is £25.89 million (2016: £13.37 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.
2 Licence fees deducted from the cost of investment property under construction totalled £0.70 million in the year (2016: £4.83 million).

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Investment property at fair value per Group Statement of Financial Position | **2,599.21** | 1,803.11 |
| Licence fee receivable | **–** | 2.52 |
| Capital commitments | **5.12** | 82.40 |
| Ring fenced cash (note 18) | **2.95** | – |
| Restricted cash (note 18) | **–** | 5.65 |
| **Total portfolio valuation*** | **2,607.28** | 1,893.68 |

* Including costs to complete on forward funded development assets.

## 15. INVESTMENT PROPERTY (CONTINUED)

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These commitments could also represent commitments made in respect of asset management initiatives and development land. These costs are not provided for in the Statement of Financial Position; refer to note 32.

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

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

Forward funded prepayments represent costs to bring the asset to completion under the Development Funding Agreement which includes the developer's margin and were paid to the developer in advance.

The valuation summary is set out in the Strategic Report.

### Fair value hierarchy

The following table provides the fair value measurement hierarchy for investment property:

| | Date of valuation | Total £m | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m |
|---|---|---|---|---|---|
| **Assets measured at fair value:** | | | | | |
| Investment properties | 31 December 2017 | **2,599.21** | **–** | – | **2,599.21** |
| Investment properties | 31 December 2016 | 1,803.11 | – | – | 1,803.11 |

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

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

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

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

note 32, page 150
Strategic Report, pages 1-77

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

### Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions in the market.

### Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £893,500-£5,675,049 per annum).

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

### Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

### Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 3.91%-6.85%).

### Sensitivities of measurement of significant unobservable inputs

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

As a result the following sensitivity analysis has been prepared:

| | -5% in passing rent £m | +5% in in passing rent £m | +0.25% in net initial yield £m | –0.25% net initial yield £m |
|---|---|---|---|---|
| (Decrease)/increase in the fair value of investment properties as at 31 December 2017 | (130.36) | 130.36 | (136.56) | 152.41 |
| (Decrease)/increase in the fair value of investment properties as at 31 December 2016 | (94.68) | 94.68 | (91.39) | 101.16 |

## 16. INVESTMENTS

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

| | Principal activity | Country of incorporation | Ownership % |
|---|---|---|---|
| TBBR Holdings 1 Limited | Investment Holding Company | Jersey | 100% |
| TBBR Holdings 2 Limited | Investment Holding Company | Jersey | 100% |
| Baljean Properties Limited | Property Investment | Isle of Man | 100% |
| Tritax Acquisition 2 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Acquisition 2 (SPV) Limited | Investment Holding Company | Jersey | 100% |
| The Sherburn RDC Unit Trust | Property Investment | Jersey | 100% |
| Tritax REIT Acquisition 3 Limited | Property Investment | UK | 100% |
| Tritax Acquisition 4 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 5 Limited | Property Investment | Jersey | 100% |
| Sonoma Ventures Limited | Property Investment | BVI | 100% |
| Tritax Ripon Limited | Property Investment | Guernsey | 100% |
| Tritax REIT Acquisition 8 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 8 Limited | Property Investment | Jersey | 100% |
| Tritax REIT Acquisition 9 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 9 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 10 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 11 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 12 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 13 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 14 Limited | Property Investment | Jersey | 100% |
| Tritax Worksop Limited | Property Investment | BVI | 100% |
| Tritax REIT Acquisition 16 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 16 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 17 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 18 Limited | Property Investment | Jersey | 100% |
| Tritax Harlow Limited | Property Investment | Guernsey | 100% |
| Tritax Lymedale Limited | Property Investment | Guernsey | 100% |
| Tritax Acquisition 21 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 22 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 23 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 24 Limited | Property Investment | Jersey | 100% |
| Tritax Knowsley Limited | Property Investment | Isle of Man | 100% |
| Tritax Burton Upon Trent Limited | Property Investment | BVI | 100% |
| Tritax Acquisition 28 Limited | Property Investment | Jersey | 100% |
| Tritax Peterborough Limited | Property Investment | Jersey | 100% |
| Click Peterborough SARL | Dormant Company | Luxembourg | 100% |
| Tritax Holdings CL Debt Limited | Investment Holding Company | Jersey | 100% |
| Tritax Portbury Limited | Property Investment | Jersey | 100% |
| Tritax Newark Limited | Property Investment | Jersey | 100% |
| Wellzone Limited | Investment Holding Company | UK | 100% |
| Sportdale Limited | Investment Holding Company | UK | 100% |
| Tritax Holdings PGIM Debt Limited | Investment Holding Company | Jersey | 100% |
| Tritax Merlin 310 Trafford Park Limited | Property Investment | Jersey | 100% |
| Tritax West Thurrock Limited | Property Investment | Jersey | 100% |
| Tritax Tamworth Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 34 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 35 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 36 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 37 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 38 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 39 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 40 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 41 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 1 Limited | Property Investment | Jersey | 100% |

| | Principal activity | Country of incorporation | Ownership % |
|---|---|---|---|
| Tritax Littlebrook 2 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 3 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 4 Limited | Property Investment | Jersey | 100% |
| Tritax Atherstone Limited | Investment Holding Company | Jersey | 100% |
| Tritax Atherstone Limited (formerly Aequitas Estates (Midlands) Limited) | Property Investment | UK | 100% |
| Tritax Acquisition 42 Limited | Property Investment | Jersey | 100% |
| Tritax Stoke DC1&2 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Luxembourg DC1&2 Limited | Property Investment | Luxembourg | 100% |
| Tritax Stoke DC3 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Luxembourg DC3 Limited | Property Investment | Luxembourg | 100% |
| Tritax Stoke Management Limited | Property Management Company | UK | 100% |
| Tritax Acquisition 43 Limited | Property Investment | Jersey | 100% |
| Tritax Carlisle Limited | Investment Holding Company | Jersey | 100% |
| Tritax Carlisle UK Limited | Property Investment | UK | 100% |
| Tritax Worksop 18 Limited | Property Investment | Jersey | 100% |
| Tritax Edinburgh Way Harlow Limited | Investment Holding Company | Jersey | 100% |
| Tritax Edinburgh Way Harlow (Luxembourg) Limited | Property Investment | Luxembourg | 100% |
| Tritax Crewe Limited | Investment Holding Company | Jersey | 100% |
| Tritax Crewe (Luxembourg) Limited | Property Investment | Luxembourg | 100% |
| Tritax Acquisition 44 Limited | Property Investment | Jersey | 100% |

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

Jersey entities: 13-14 Esplanade, St Helier, Jersey JE1 1EE

Guernsey entities: PO Box 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3AP

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

BVI entities: Jayla Place, Wickhams Cay 1, PO Box 3190, Road Town, Tortola, BVI VG1110

UK entities: Aberdeen House, South Road, Haywards Heath, West Sussex RH16 4NG

Luxembourg entity: 46A Avenue J F Kennedy L-1885, Grand Duchy of Luxembourg.

## 17. TRADE AND OTHER RECEIVABLES

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Trade receivables | **5.27** | 5.42 |
| Licence fee receivable | **0.45** | 2.52 |
| Prepayments, accrued income and other receivables | **0.92** | 1.22 |
| VAT | **3.59** | – |
| | **10.23** | 9.16 |

As at 31 December 2017, some trade receivables were past due but not impaired, as set out below.

| | | |
|---|---|---|
| Past due but not impaired | | |
| <30 days | **3.27** | 4.52 |
| 30-60 days | **1.74** | 0.15 |
| 60-90 days | **–** | 0.64 |
| 90 days+ | **0.26** | 0.11 |
| | **5.27** | 5.42 |

## 18. CASH HELD AT BANK

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Cash and cash equivalents to agree with cash flow | **71.91** | 165.04 |
| Restricted cash | **6.13** | 5.65 |
| | **78.04** | 170.69 |

Ring fenced cash of £2.95 million (2016: £nil) included with cash and cash equivalents represents amounts relating to future rent-free periods on certain assets within the portfolio or rental top-up amounts, where a cash deduction against the net purchase price was agreed with the vendor. Currently the cash is held in a ring fenced bank account.

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

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £68.96 million (2016: £165.05 million) as at the year end, which excludes long-term restricted and ring fenced cash deposits totalling £9.08 million (2016: £5.65 million). Total cash held at bank as reported in the Group Statement of Financial Position is £78.04 million (2016: £170.69 million).

## 19. TRADE AND OTHER PAYABLES

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| Trade and other payables | **16.81** | 12.68 |
| Bank loan interest payable | **1.69** | 1.90 |
| Accruals | **4.43** | 3.57 |
| VAT | **–** | 0.21 |
| Tax liability | **0.51** | 0.28 |
| | **23.44** | 18.64 |

The tax liability arises from the acquisition of a number of special purpose vehicles (SPV's) during the current and prior year. The tax liability wholly relates to the period prior to Group ownership. Any tax liability was fully accrued for within the take on accounts of the SPV.

## 20. BORROWINGS

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

### BANK BORROWINGS

| | Bank borrowings drawn £m | Bank borrowings undrawn £m | Total £m |
|---|---|---|---|
| As at 1 January 2017 | **541.53** | **150.00** | **691.53** |
| New bank borrowings agreed in the year | **100.00** | **340.00** | **440.00** |
| Bank borrowings drawn in the year under existing facilities | **64.00** | **(64.00)** | **–** |
| Bank borrowings repaid in the year under existing facilities | **(482.66)** | **(86.00)** | **(568.66)** |
| **As at 31 December 2017** | **222.87** | **340.00** | **562.87** |
| As at 1 January 2016 | 385.04 | 184.49 | 569.53 |
| New bank borrowings agreed in the year | 72.00 | – | 72.00 |
| Bank borrowings drawn in the year under existing facilities | 239.49 | (84.49) | 155.00 |
| Bank borrowings repaid in the year under existing facilities | (155.00) | – | (155.00) |
| Increase in Syndicated bank borrowings agreed in the year | – | 50.000 | 50.00 |
| **As at 31 December 2016** | **541.53** | **150.00** | **691.53** |

### LOAN NOTES

| **Bonds** | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| 2.625% Bonds 2026 | **249.01** | – |
| 3.125% Bonds 2031 | **246.55** | – |
| | **495.56** | – |

On 1 March 2017, the Group announced that it had agreed a new long-term, interest only, fixed rate term loan facility of £90 million with PGIM Real Estate Finance, secured against a portfolio of four assets. The facility, which was drawn in full immediately, is repayable on 1 March 2027 and has a fixed all-in rate payable of 2.54% per annum. The amounts drawn down under the facility will be segregated and non-recourse to the Company.

On 14 December 2017, the Group announced the pricing of senior unsecured loan notes (the "notes") with an aggregate principal amount of £500 million split evenly over a nine and fourteen year term. The notes were issued under the Company's £1.5 billion Euro Medium Term Note Programme. The Group issued two tranches of loan notes, comprising (i) £250 million senior unsecured loan notes maturing on 14 December 2026, and (ii) £250 million senior unsecured loan notes maturing on 14 December 2031. The 2026 Notes and the 2031 Notes were priced at a fixed interest rate of 2.625% and 3.125% per annum respectively.

On the same date, the Company also announced a new £350 million unsecured revolving credit facility with its core relationship lender group and selected new lenders. The new unsecured revolving credit facility has an initial maturity of five years and can be extended (subject to obtaining the prior consent of the lenders) by a further two years to a maximum of seven years. The new facility also contains an uncommitted £200 million accordion option. The new facility had an opening margin of 1.10% per annum over Libor.

## 20. BORROWINGS (CONTINUED)

The syndicate for the unsecured revolving credit facility comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, ING Bank N.V. London Branch, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch.

Following the issue of the notes and the entering into of the unsecured revolving credit facility, the Company's existing £550 million secured syndicated facility due October 2020 and the £7.06 million and £11.60 million Helaba facilities due November 2019 were repaid in full on 11 December 2017 and 7 December 2017 respectively.

Following the December 2017 refinancing, a large part of the Group's borrowings are unsecured financing arrangements. The nature of unsecured financing arrangements means that the Group has greater flexibility, it allows for quicker execution of future debt at a lower cost of arrangement and provides a scalable debt platform to support the future growth of the business. After the date of refinancing 62% (2016: 10%) of the Group's debt facility commitments are fixed term, with 38% floating term (2016: 90%). As at 31 December 2017, the weighted average running cost of debt was 2.38% (2016: 1.80%), with a reduction to the Group's average capped cost of debt (see below).

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

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

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Bank borrowings drawn: due in more than one year | **222.87** | 541.53 |
| Loan notes drawn: due in more than one year | **495.56** | – |
| Less: unamortised costs on bank borrowings | **(6.11)** | (8.03) |
| Less: unamortised costs on loan notes | **(3.39)** | – |
| Non-current liabilities: borrowings | **708.93** | 533.50 |

### Maturity of borrowings

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Repayable between 1 and 2 years | **–** | – |
| Repayable between 2 and 5 years | **10.00** | 418.66 |
| Repayable in over 5 years | **708.43** | 122.87 |
| | **718.43** | 541.53 |

On 15 December 2017, the Group announced that it had agreed terms to extend the maturity of its £50.87 million loan facility secured on the asset with Landesbank Hessen-Thüringen Girozentrale ("Helaba") from July 2023 to July 2025. The margin payable on the facility remained unchanged.

Following the refinancing as noted above, the weighted average term to maturity of the Group's debt as at the year end is 8.9 years (31 December 2016: 4.8 years). The syndicated facility has a two-year extension option remaining, exercisable on the first and second anniversaries of the facility. This option requires lender consent, although when taking these into account the weighted average term to maturity for the Group, assuming all options were exercised, would increase to 9.6 years (31 December 2016: 5.6 years).

## 21. INTEREST RATE DERIVATIVES

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has entered into a number of interest rate derivatives. A number of interest rate caps and one interest rate swap have been taken out in respect of the Group's variable rate debt to fix or cap the rate to which 3 month Libor can rise. Each runs coterminous to the initial term of the respective loans.

The weighted average capped rate, excluding any margin payable, for the Group as at the year end was 1.26% (2016: 1.39%), which effectively caps the level to which Libor can rise to, therefore limiting any effect on the Group of an interest rate rise. The interest rate derivatives mean that the Group's borrowing facilities at the year end have an all-inclusive interest rate payable of 2.66% (2016: 2.82%). The total premium payable in the year towards securing the interest rate caps was £1.07 million (2016: £1.69 million).

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Non-current assets: interest rate derivatives | **1.97** | 3.17 |

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the mark to market values of the derivatives are taken to the Group Statement of Comprehensive Income.

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Interest rate derivative valuation brought forward | **3.18** | 8.64 |
| Interest rate cap premium paid | **1.07** | 1.68 |
| Disposal of interest rate cap | **(0.24)** | – |
| Changes in fair value of interest rate derivatives | **(2.04)** | (7.15) |
| | **1.97** | 3.17 |

As part of the Group refinancing in December 2017, on repayment of the borrowings to Helaba, the Group disposed of three interest rate caps held against the secured loans. The Group received proceeds of £0.24 million on disposal.

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed rate loan arrangements. As at the year-end date the total proportion of debt either hedged via interest rate derivatives or subject to fixed rate loan agreements equated to 99.78%, as shown below.

| | **31 December 2017 Drawn £m** | 31 December 2016 Drawn £m |
|---|---|---|
| Total borrowings drawn (note 20) | **718.43** | 541.53 |
| Notional value of effective interest rate derivatives and fixed rate loans | **716.90** | 539.81 |
| Proportion of hedged debt | **99.78%** | 99.68% |

As at the year end the Group had notional value of interest rate caps of £337.50 million to act as a hedge against the £350.00 million revolving credit facility.

## 21. INTEREST RATE DERIVATIVES (CONTINUED)

### Fair value hierarchy

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

| | Date of valuation | Total £m | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m |
|---|---|---|---|---|---|
| Assets measured at fair value: | | | | | |
| Interest rate derivatives | 31 December 2017 | 1.97 | – | 1.97 | – |
| Interest rate derivatives | 31 December 2016 | 3.17 | – | 3.17 | – |

The fair value of these contracts are recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end.

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

## 22. FINANCIAL RISK MANAGEMENT

### Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash held at bank. The Group's other principal financial assets and liabilities are bank borrowings and interest rate derivatives, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio and hedge against the interest rate risk arising.

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

| | **Book value 31 December 2017 £m** | **Fair value 31 December 2017 £m** | Book value 31 December 2016 £m | Fair value 31 December 2016 £m |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Interest rate derivatives | **1.97** | **1.97** | 3.17 | 3.17 |
| Trade and other receivables[1] | **9.31** | **9.31** | 7.97 | 7.97 |
| Cash held at bank | **78.04** | **78.04** | 170.69 | 170.69 |
| **Financial liabilities** | | | | |
| Trade and other payables[2] | **22.93** | **22.93** | 18.35 | 18.35 |
| Borrowings | **718.43** | **712.98** | 541.53 | 543.62 |

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

Interest rate derivatives are the only financial instruments measured at fair value through the Group Statement of Comprehensive Income. All other financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

| | Date of valuation | Total £m | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m |
|---|---|---|---|---|---|
| **Liabilities measured at fair value:** | | | | | |
| Borrowings | 31 December 2017 | 652.11 | 491.46 | 160.65 | – |
| Borrowings | 31 December 2016 | 69.91 | – | 69.91 | – |

The Group has two fixed rate loans totalling £162 million, provided by PGIM (£90 million) and Canada Life (£72 million). The fair value is determined by comparing the discounted future cash flows using the contracted yields with those reference gilts plus the margin implied. The references used were the Treasury 4.25% 2027 Gilt and Treasury 4.75% 2030 Gilt respectively, with an implied margin which is unchanged since the date of fixing. The loan is considered to be a Level 2 fair value measurement. For all other bank loans there is considered no other difference between fair value and carrying value.

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

The book value of the financial liabilities at Level 1 fair value measure were £492.17 million (2016: £nil) and the financial liabilities at Level 2 fair value measure were £162 million (2016: £72 million).

### Risk management

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

### Market risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on the Group Statement of Comprehensive Income and net assets of a 50 basis point shift in interest rates would result in an increase of £0.30 million (2016: £2.71 million) or a decrease of £0.30 million (2016: £2.71 million).

### Credit risk

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

Outstanding trade receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

### Trade receivables

Trade receivables, primarily tenant rentals, are presented in the Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition.

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk related to financial instruments and cash deposits

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

### Liquidity risk

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

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

| | On demand £m | <3 months £m | 3-12 months £m | 1-5 years £m | >5 years £m | Total £m |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| Borrowings | – | 4.99 | 14.87 | 89.38 | 830.98 | 940.22 |
| Trade and other payables | – | 23.44 | – | – | – | 23.44 |
| | – | 28.43 | 14.87 | 89.38 | 830.98 | 963.66 |
| **31 December 2016** | | | | | | |
| Borrowings | – | 2.66 | 7.97 | 499.86 | 85.94 | 596.43 |
| Trade and other payables | – | 18.35 | – | – | – | 18.35 |
| | – | 21.01 | 7.97 | 499.86 | 85.94 | 614.78 |

Included within the contracted payments is £217.32 million (2016: £54.90 million) of loan interest payable up to the point of maturity across the facilities.

## 23. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it remains a going concern and continues to qualify for UK REIT status.

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

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

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term limit of 40% of the Group's gross assets.

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 26.8% (2016: 30.0%).

Debt is secured at the asset and corporate level, subject to the assessment of the optimal financing structure for the Group and having consideration to key metrics including lender diversity, debt type and maturity profiles.

## 24. SHARE CAPITAL

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

| | **31 December 2017 Number** | **31 December 2017 £m** | 31 December 2016 Number | 31 December 2016 £m |
|---|---|---|---|---|
| **Issued and fully paid at 1 pence each** | **1,363,598,083** | **13.64** | 1,105,159,529 | 11.05 |
| Balance at beginning of year – £0.01 Ordinary Shares | **1,105,159,529** | **11.05** | 677,840,088 | 6.78 |
| Shares issued in relation to further Equity issuance | **257,352,941** | **2.58** | 426,441,838 | 4.26 |
| Shares issued in relation to management contract | **1,085,613** | **0.01** | 877,603 | 0.01 |
| **Balance at end of year** | **1,363,598,083** | **13.64** | 1,105,159,529 | 11.05 |

On 13 April 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 528,528 Ordinary Shares at an issue price per Ordinary Share of 126.45 pence.

On 24 April 2017, the Company announced that it intended to proceed with a proposed Placing, Open Offer and Offer for Subscription of new Ordinary Shares at a price of 136.00 pence per share to raise £200 million. Following this on 11 May 2017 the Company announced it had exercised its right to increase the size of the issue, due to excess demand, to £350 million. As a result, a total of 257,352,941 Ordinary Shares were issued at a price of 136.00 pence per Ordinary Share, of which 100,517,096 Ordinary Shares were issued pursuant to the Open Offer, 12,075,902 Ordinary Shares were issued pursuant to the Offer for Subscription, 144,759,943 Ordinary Shares were issued under the Placing.

On 3 October 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 557,085 Ordinary Shares at an issue price per Ordinary Share of 130.83 pence.

## 25. SHARE PREMIUM

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

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Balance at beginning of year | **589.39** | 52.74 |
| Share premium on Ordinary Shares issued in relation to further Equity issuance | **347.42** | 545.74 |
| Share issue expenses in relation to further Equity issuance | **(5.83)** | (10.16) |
| Transfer to capital reduction reserve (see note 26) | **–** | – |
| Share premium on Ordinary Shares issued to management | **1.39** | 1.07 |
| **Balance at end of year** | **932.37** | 589.39 |

## 26. CAPITAL REDUCTION RESERVE

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Balance at beginning of year | **546.38** | 605.76 |
| Transfer from share premium | **–** | – |
| Third interim dividend for the period ended 31 December 2016 | **(17.13)** | (20.34) |
| First interim dividend for the year ended 31 December 2017 | **(17.69)** | (26.02) |
| Second interim dividend for the year ended 31 December 2017 | **(21.81)** | (13.02) |
| Third interim dividend for the year ended 31 December 2017 | **(21.82)** | – |
| **Balance at end of year** | **467.93** | 546.38 |

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

## 27. RETAINED EARNINGS

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Balance at beginning of year | **267.72** | 175.82 |
| Retained profit for the year | **247.80** | 91.90 |
| **Balance at end of year** | **515.52** | 267.72 |

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

## 28. NET ASSET VALUE (NAV) PER SHARE

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

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Net assets per Group Statement of Financial Position | **1,929.46** | 1,414.54 |
| EPRA NAV (see Additional Information) | **1,940.42** | 1,426.19 |
| Ordinary Shares: | | |
| Issued share capital (number) | **1,363,598,083** | 1,105,159,529 |
| Basic net asset value per share | **141.50p** | 128.00p |
| Dilutive shares in issue (number) | **590,881** | 533,132 |
| Diluted net asset value per share | **141.44p** | 127.93p |
| Basic EPRA NAV per share | **142.30p** | 129.05p |
| Dilutive shares in issue (number) | **590,881** | 533,132 |
| Diluted EPRA NAV per share | **142.24p** | 129.00p |

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

Additional Information – Notes to the EPRA Performance Measures pages 163-167

## 29. OPERATING LEASES

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

| | <1 year £m | 2-5 years £m | >5 years £m | Total £m |
|---|---|---|---|---|
| 31 December 2017 | **119.50** | **484.28** | **1,239.05** | **1,842.83** |
| 31 December 2016 | 84.65 | 354.07 | 1,014.44 | 1,453.16 |

The Group's investment properties are leased to single tenants, with the exception of one asset which is leased to two separate tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward only rent reviews that are linked to either RPI/CPI, open market or with fixed uplifts. Please refer to the table on page 48 which presents each level of passing rent currently payable under the operating leases.

## 30. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2017 all Directors and the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8.

The total amount outstanding at the year end relating to the Investment Management Agreement was £3.29 million (2016: £2.74 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £1.56 million (2016: £1.25 million), of which £0.84 million (2016: £0.67 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. Throughout the year SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £0.68 million (2016: £1.55 million) in respect of agency services for the year; this represents a total of 20% (2016: 36%) of agency fees paid by the Group during the year. There were £nil (2016: £0.04 million) fees outstanding as at the year end. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. While there are currently no existing contractual arrangements between the Company and SG Commercial, the Company may choose to appoint SG Commercial in the future from time to time on either a sole or joint agency basis. Any such appointments have been and will continue to be made on normal market-based contractual terms. In the event that any such appointment is proposed by the Manager, the Board has and shall continue to be consulted and asked for its approval.

Mark Shaw does not vote at any meeting of the Board relating to contractual terms to be agreed between the Company, the Manager and SG Commercial, nor with respect to any investment decision where SG Commercial is acting as agent in any capacity.

During the year the Directors received the following dividends; Richard Jewson: £4,588, Jim Prower: £1,508, Aubrey Adams: £nil, Susanne Given: £nil and Mark Shaw: £37,351.

During the year the four controlling Members of the Manager received the following dividends; Mark Shaw as above, Colin Godfrey: £37,700, James Dunlop: £35,688 and Henry Franklin: £28,289.

Management Engagement Committee Report, pages 101-103
Directors' Remuneration Report, pages 106-107

## 31. RECONCILIATION OF LIABILITIES TO CASH FLOWS FROM FINANCING ACTIVITIES

| | Bank Borrowings £ | Loan notes £ | Total £ |
|---|---|---|---|
| Balance at the start of the year | 533.50 | – | 533.50 |
| Cash flows from financing activities: | | | |
| Bank borrowings advanced | 164.00 | – | 164.00 |
| Bank borrowings repaid | (482.66) | – | (482.66) |
| Amounts received on the issue of loan notes | – | 495.54 | 495.54 |
| Loan arrangement fees paid | (4.66) | (3.19) | (7.85) |
| Non-cash movements: | | | |
| Change in creditors for loan arrangement fees payable | (0.04) | (0.21) | (0.25) |
| Amortisation of loan arrangement fees | 1.87 | 0.03 | 1.90 |
| Amortisation of loan arrangement fees on the repayment of loans | 4.75 | – | 4.75 |
| **Balance at the end of the year** | **216.76** | **492.17** | **708.93** |

## 32. CAPITAL COMMITMENTS

The Group had capital commitments of £28.6 million in relation to its forward funded pre-let development assets, asset management initiatives and commitments under development land, outstanding as at 31 December 2017 (31 December 2016: £82.4 million). All commitments fall due within one year from the date of this report.

## 33. SUBSEQUENT EVENTS

On 12 January 2018 the Group completed contracts for the site acquisition and forward funding for the development of two new distribution warehouse facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc. The investment price was £103.7 million.

On 18 January 2018 the Group completed the acquisition of a National Distribution Centre at Weston Road, Crewe let to Expert Logistics Limited, a wholly owned subsidiary of AO World Plc. The total consideration was £36.10 million.

On 6 February 2018 the Group exchanged contracts, conditional on receiving full planning consent, to provide forward funding for the development of a new regional distribution centre in Corby, pre-let to Eddie Stobart Limited. The investment price is £81.8 million.

## 34. CONTINGENT LIABILITIES

On 23 December 2016 the Group exchanged contracts, conditional on receiving planning consent, to provide forward funding for the development of two new distribution warehouse facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc for a total investment price of £103.7 million. As mentioned within note 33 above, the Company completed on this contract in January 2018.

On 17 December 2017, the Group exchanged contracts to purchase the corporate vehicle that owns the distribution facility in Crewe, Cheshire. The property is let to Expert Logistics Limited, a wholly owned subsidiary of AO World Plc, which will act as guarantor. The total consideration was £36.10 million.

Refer to note 33 for the respective completion dates of these investment properties.

# COMPANY BALANCE SHEET

Company Registration Number: 08215888

| | Note | At 31 December 2017 £m | At 31 December 2016 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 4 | **1,028.22** | 812.67 |
| **Total non-current assets** | | **1,028.22** | 812.67 |
| **Current assets** | | | |
| Trade and other receivables | 5 | **1,075.17** | 363.49 |
| Cash held at bank | 6 | **21.25** | 109.81 |
| **Total current assets** | | **1,096.42** | 473.30 |
| **Total assets** | | **2,124.64** | 1,285.97 |
| **Current liabilities** | | | |
| Trade and other payables | 7 | **(7.85)** | (5.01) |
| Loans from Group companies | | **(52.19)** | (51.23) |
| **Total current liabilities** | | **(60.04)** | (56.24) |
| **Non-current liabilities** | | | |
| Loan notes | 8 | **(492.17)** | – |
| **Total non-current liabilities** | | **(492.17)** | – |
| **Total liabilities** | | **(552.21)** | (56.24) |
| **Total net assets** | | **1,572.43** | 1,229.73 |
| **Equity** | | | |
| Share capital | 9 | **13.64** | 11.05 |
| Share premium reserve | 10 | **932.37** | 589.39 |
| Capital reduction reserve | 11 | **467.93** | 546.38 |
| Retained earnings | | **158.49** | 82.91 |
| **Total equity** | | **1,572.43** | 1,229.73 |
| **Net asset value per share – basic** | 12 | **115.31p** | 111.27p |
| **Net asset value per share – diluted** | 12 | **115.26p** | 111.22p |
| **EPRA net asset value per share** | 12 | **115.26p** | 111.22p |

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 31 December 2017 amounted to £75.58 million (31 December 2016: £47.62 million).

These financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

**Richard Jewson** Chairman

# COMPANY STATEMENT OF CHANGES IN EQUITY

| | Undistributable reserves | | Distributable reserves | | |
|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Capital reduction reserve £m | Retained earnings £m | Total £m |
| **1 January 2017** | **11.05** | **589.39** | **546.38** | **82.91** | **1,229.73** |
| **Total comprehensive income** | **–** | **–** | **–** | **75.58** | **75.58** |
| **Issue of Ordinary Shares** | | | | | |
| Shares issued in relation to further Equity issue (May 2017) | 2.58 | 347.42 | – | – | 350.00 |
| Share issue expenses in relation to Equity issue (May 2017) | – | (5.83) | – | – | (5.83) |
| Shares issued in relation to management contract | 0.01 | 1.39 | – | – | 1.40 |
| Share based payments | – | – | – | 1.56 | 1.56 |
| Transfer of share based payments to liabilities to reflect settlement | – | – | – | (1.56) | (1.56) |
| **Dividends paid:** | | | | | |
| Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share | – | – | (17.13) | – | (17.13) |
| First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (17.69) | – | (17.69) |
| Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (21.81) | – | (21.81) |
| Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | – | – | (21.82) | – | (21.82) |
| **31 December 2017** | **13.64** | **932.37** | **467.93** | **158.49** | **1,572.43** |
| **1 January 2016** | **6.78** | **52.74** | **605.77** | **35.29** | **700.58** |
| **Total comprehensive income** | **–** | **–** | **–** | **47.62** | **47.62** |
| **Issue of Ordinary Shares** | | | | | |
| Shares issued in relation to further Equity issue (February 2016) | 1.61 | 198.39 | – | – | 200.00 |
| Share issue expenses in relation to Equity issue (February 2016) | – | (3.90) | – | – | (3.90) |
| Shares issued in relation to further Equity issue (October 2016) | 2.65 | 347.35 | – | – | 350.00 |
| Share issue expenses in relation to Equity issue (October 2016) | – | (6.26) | – | – | (6.26) |
| Shares issued in relation to management contract | 0.01 | 1.07 | – | – | 1.08 |
| Share based payments | – | – | – | 1.25 | 1.25 |
| Transfer of share based payments to liabilities to reflect settlement | – | – | – | (1.25) | (1.25) |
| **Dividends paid:** | | | | | |
| Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share | – | – | (20.34) | – | (20.34) |
| First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share | – | – | (26.02) | – | (26.02) |
| Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share | – | – | (13.03) | – | (13.03) |
| **31 December 2016** | **11.05** | **589.39** | **546.38** | **82.91** | **1,229.73** |

# NOTES TO THE COMPANY ACCOUNTS

## 1. ACCOUNTING POLICIES

### Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

### Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of Tritax Big Box REIT plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments;
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

### Principal accounting policies
The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of accounting
These financial statements have been presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and policies in the United Kingdom ("UK GAAP").

### Currency
The Company financial information is presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest million (£m), except where otherwise indicated.

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

### Dividends payable for shareholders
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

### Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade debtors, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses. On confirmation that the trade debtor will not be collectable the gross carrying value of the asset is expensed to the profit and loss against the associated provision.

### Financial liabilities

Financial liabilities including trade payables, other payables, accruals and amounts due to Group undertakings are originally recorded at fair value and subsequently stated at amortised cost under the effective interest method.

### Investments in subsidiaries

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

### Share based payments

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

### Significant accounting judgements, estimates and assumptions

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

## 2. TAXATION

| | **Year ended 31 December 2017 £m** | Year ended 31 December 2016 £m |
|---|---|---|
| UK corporation tax | **–** | – |

## 3. DIVIDENDS PAID

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share (Fourth interim for 31 December 2015 at 3.00 pence per Ordinary Share) | 17.13 | 20.34 |
| First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 3.10 pence) | 17.69 | 26.02 |
| Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share (31 December 2016: 1.55 pence) | 21.81 | 13.02 |
| Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share | 21.82 | – |
| **Total dividends paid** | **78.45** | 59.38 |
| **Total dividends paid for the year** | **4.80p** | 4.65p |
| **Total dividends unpaid but declared for the year** | **1.60p** | 1.55p |
| **Total dividends declared for the year** | **6.40p** | 6.20p |

On 24 April 2017, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2017 to 31 March 2017 of 1.60 pence per Ordinary Share, which was payable on 22 May 2017 to Ordinary Shareholders on the register on 5 May 2017.

On 13 July 2017, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per Ordinary Share which was payable on 10 August 2017 to Shareholders on the register on 21 July 2017.

On 12 October 2017, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2017 to 30 September 2017 of 1.60 pence per Ordinary Share which was payable on 20 October 2017 to Shareholders on the register on 19 October 2017.

On 7 March 2018, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2017 to 31 December 2017 of 1.60 pence per Ordinary Share which will be payable on or around 29 March 2018 to Shareholders on the register on 15 March 2018.

## 4. INVESTMENTS

| | Shares £m | Loan £m | Total £m |
|---|---|---|---|
| As at 1 January 2017 | 812.67 | – | 812.67 |
| Increase in investments via share purchase | 215.55 | – | 215.55 |
| **As at 31 December 2017** | **1,028.22** | **–** | **1,028.22** |
| As at 1 January 2016 | 547.81 | – | 547.81 |
| Increase in investments via share purchase | 264.86 | – | 264.86 |
| **As at 31 December 2016** | **812.67** | **–** | **812.67** |

The Company has the following subsidiary undertakings as at 31 December 2017:

| | Principal activity | Country of incorporation | Ownership % |
|---|---|---|---|
| TBBR Holdings 1 Limited | Investment Holding Company | Jersey | 100% |
| TBBR Holdings 2 Limited | Investment Holding Company | Jersey | 100% |
| Baljean Properties Limited | Property Investment | Isle of Man | 100% |
| Tritax Acquisition 2 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Acquisition 2 (SPV) Limited | Investment Holding Company | Jersey | 100% |
| The Sherburn RDC Unit Trust | Property Investment | Jersey | 100% |
| Tritax REIT Acquisition 3 Limited | Property Investment | UK | 100% |
| Tritax Acquisition 4 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 5 Limited | Property Investment | Jersey | 100% |
| Sonoma Ventures Limited | Property Investment | BVI | 100% |
| Tritax Ripon Limited | Property Investment | Guernsey | 100% |
| Tritax REIT Acquisition 8 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 8 Limited | Property Investment | Jersey | 100% |
| Tritax REIT Acquisition 9 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 9 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 10 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 11 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 12 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 13 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 14 Limited | Property Investment | Jersey | 100% |
| Tritax Worksop Limited | Property Investment | BVI | 100% |
| Tritax REIT Acquisition 16 Limited | Investment Holding Company | UK | 100% |
| Tritax Acquisition 16 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 17 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 18 Limited | Property Investment | Jersey | 100% |
| Tritax Harlow Limited | Property Investment | Guernsey | 100% |
| Tritax Lymedale Limited | Property Investment | Guernsey | 100% |
| Tritax Acquisition 21 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 22 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 23 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 24 Limited | Property Investment | Jersey | 100% |
| Tritax Knowsley Limited | Property Investment | Isle of Man | 100% |
| Tritax Burton Upon Trent Limited | Property Investment | BVI | 100% |
| Tritax Acquisition 28 Limited | Property Investment | Jersey | 100% |
| Tritax Peterborough Limited | Property Investment | Jersey | 100% |
| Click Peterborough SARL | Dormant Company | Luxembourg | 100% |
| Tritax Holdings CL Debt Limited | Investment Holding Company | Jersey | 100% |
| Tritax Portbury Limited | Property Investment | Jersey | 100% |
| Tritax Newark Limited | Property Investment | Jersey | 100% |
| Wellzone Limited | Investment Holding Company | UK | 100% |
| Sportdale Limited | Investment Holding Company | UK | 100% |
| Tritax Holdings PGIM Debt Limited | Investment Holding Company | Jersey | 100% |
| Tritax Merlin 310 Trafford Park Limited | Property Investment | Jersey | 100% |
| Tritax West Thurrock Limited | Property Investment | Jersey | 100% |
| Tritax Tamworth Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 34 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 35 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 36 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 37 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 38 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 39 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 40 Limited | Property Investment | Jersey | 100% |
| Tritax Acquisition 41 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 1 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 2 Limited | Property Investment | Jersey | 100% |
| Tritax Littlebrook 3 Limited | Property Investment | Jersey | 100% |

## 4. INVESTMENTS (CONTINUED)

| | Principal activity | Country of incorporation | Ownership % |
|---|---|---|---|
| Tritax Littlebrook 4 Limited | Property Investment | Jersey | 100% |
| Tritax Atherstone Limited | Investment Holding Company | Jersey | 100% |
| Tritax Atherstone Limited (formerly Aequitas Estates (Midlands) Limited) | Property Investment | UK | 100% |
| Tritax Acquisition 42 Limited | Property Investment | Jersey | 100% |
| Tritax Stoke DC1&2 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Luxembourg DC1&2 Limited | Property Investment | Luxembourg | 100% |
| Tritax Stoke DC3 Limited | Investment Holding Company | Jersey | 100% |
| Tritax Luxembourg DC3 Limited | Property Investment | Luxembourg | 100% |
| Tritax Stoke Management Limited | Property Management Company | UK | 100% |
| Tritax Acquisition 43 Limited | Property Investment | Jersey | 100% |
| Tritax Carlisle Limited | Investment Holding Company | Jersey | 100% |
| Tritax Carlisle UK Limited | Property Investment | UK | 100% |
| Tritax Worksop 18 Limited | Property Investment | Jersey | 100% |
| Tritax Edinburgh Way Harlow Limited | Investment Holding Company | Jersey | 100% |
| Tritax Edinburgh Way Harlow (Luxembourg) Limited | Property Investment | Luxembourg | 100% |
| Tritax Crewe Limited | Investment Holding Company | Jersey | 100% |
| Tritax Crewe (Luxembourg) Limited | Property Investment | Luxembourg | 100% |
| Tritax Acquisition 44 Limited | Property Investment | Jersey | 100% |

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

Jersey entities: 13-14 Esplanade, St Helier, Jersey JE1 1EE

Guernsey entities: PO Box 25, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3AP

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

BVI entities: Jayla Place, Wickhams Cay 1, PO Box 3190, Road Town, Tortola, BVI VG1110

UK entities: Aberdeen House, South Road, Haywards Heath, West Sussex RH16 4NG

Luxembourg entity: 46A Avenue J F Kennedy L-1885, Grand Duchy of Luxembourg.

## 5. TRADE AND OTHER RECEIVABLES

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Amounts receivable from Group companies | **1,073.90** | 362.80 |
| Prepayments | **0.14** | 0.04 |
| Other receivables | **1.13** | 0.65 |
| | **1,075.17** | 363.49 |

All amounts fall due for repayment within one year.

## 6. CASH HELD AT BANK

| | **31 December 2017 £m** | 31 December 2016 £m |
|---|---|---|
| Cash held at bank | **21.25** | 109.81 |
| | **21.25** | 109.81 |

## 7. TRADE AND OTHER PAYABLES

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Trade and other payables | **3.84** | 1.59 |
| Accruals | **4.01** | 3.42 |
| | **7.85** | 5.01 |

## 8. LOAN NOTES

### Bonds

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| 2.625% Bonds 2026 | **249.01** | – |
| 3.125% Bonds 2031 | **246.55** | – |
| Less: unamortised costs on loan notes | **(3.39)** | – |
| Non-current liabilities: net borrowings | **492.17** | – |

### Maturity of borrowings

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Repayable between 1 and 2 years | **–** | – |
| Repayable between 2 and 5 years | **–** | – |
| Repayable in over 5 years | **495.56** | – |
| | **495.56** | – |

On 14 December 2017, the Group announced the pricing of senior unsecured loan notes (the “notes”) with an aggregate principal amount of £500 million split evenly over a nine and fourteen year term. The notes were issued under the Company’s £1.5 billion Euro Medium Term Note Programme. The Group issued two tranches of loan notes, comprising (i) £250 million senior unsecured loan notes maturing on 14 December 2026 and (ii) £250 million senior unsecured loan notes maturing on 14 December 2031. The 2026 Notes and the 2031 Notes were priced at a fixed interest rate of 2.625% and 3.125% per annum respectively.

On the same date, the Company also announced a new £350 million unsecured revolving credit facility with its core relationship lender group and selected new lenders. The new unsecured revolving credit facility has an initial maturity of five years and can be extended (subject to obtaining the prior consent of the lenders) by a further two years to a maximum of seven years. The new facility also contains an uncommitted £200 million accordion option. The new facility had an opening margin of 1.10% per annum over Libor.

The syndicate for the unsecured revolving credit facility comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, ING Bank N.V. London Branch, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch.

Following the issue of the notes and the entering into of the unsecured revolving credit facility, the Company’s existing £550 million secured syndicated facility due October 2020 and the £7.06 million and £11.60 million Helaba facilities due November 2019 were repaid in full on 11 December 2017 and 7 December 2017 respectively.

## 9. SHARE CAPITAL

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

| | 31 December 2017 Number | 31 December 2017 £m | 31 December 2016 Number | 31 December 2016 £m |
|---|---|---|---|---|
| **Issued and fully paid at 1 pence each** | **1,363,598,083** | **13.64** | 1,105,159,529 | 11.05 |
| At beginning of year – £0.01 Ordinary Shares | **1,105,159,529** | **11.05** | 677,840,088 | 6.78 |
| Shares issued in relation to further equity issuance | **257,352,941** | **2.58** | 426,441,838 | 4.26 |
| Shares issued in relation to management contract | **1,085,613** | **0.01** | 877,603 | 0.01 |
| **Balance at end of year** | **1,363,598,083** | **13.64** | 1,105,159,529 | 11.05 |

On 13 April 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 528,528 Ordinary Shares at an issue price per Ordinary Share of 126.45 pence.

On 24 April 2017, the Company announced that it intended to proceed with a proposed Placing, Open Offer and Offer for Subscription of new Ordinary Shares at a price of 136 pence per share to raise £200 million. Following this on 11 May 2017 the Company announced it had exercised its right to increase the size of the issue, due to excess demand, to £350 million. As a result, a total of 257,352,941 Ordinary Shares were issued at a price of 136 pence per Ordinary Share, of which 100,517,096 Ordinary Shares were issued pursuant to the Open Offer, 12,075,902 Ordinary Shares were issued pursuant to the Offer for Subscription, 144,759,943 Ordinary Shares were issued under the Placing.

On 3 October 2017 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 577,085 Ordinary Shares at an issue price per Ordinary Share of 130.83 pence.

## 10. SHARE PREMIUM

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

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Balance at beginning of year | **589.39** | 52.74 |
| Share premium on Ordinary Shares issued in relation to further equity issuance | **347.42** | 545.74 |
| Share issue expenses in relation to further equity issuance | **(5.83)** | (10.16) |
| Transfer to capital reduction reserve (see note 26) | **–** | – |
| Share premium on Ordinary Shares issued to management | **1.39** | 1.07 |
| **Balance at end of year** | **932.37** | 589.39 |

## 11. CAPITAL REDUCTION RESERVE

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Balance at beginning of year | **546.38** | 605.77 |
| Transfer from share premium | **–** | – |
| Third interim dividend for the period ended 31 December 2016 | **(17.13)** | (20.34) |
| First interim dividend for the year ended 31 December 2017 | **(17.69)** | (26.02) |
| Second interim dividend for the year ended 31 December 2017 | **(21.81)** | (13.03) |
| Third interim dividend for the year ended 31 December 2017 | **(21.82)** | – |
| **Balance at end of year** | **467.93** | 546.38 |

Please refer to note 3.

## 12. NET ASSET VALUE (NAV) PER SHARE

Basic NAV per share amounts are calculated by dividing net assets in the Company Balance Sheet attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at the end of the year. As there are dilutive instruments outstanding, both basic and diluted NAV per share are shown below.

| | 31 December 2017 £m | 31 December 2016 £m |
|---|---|---|
| Net assets per Company Balance Sheet | **1,572.43** | 1,229.73 |
| EPRA NAV | **1,572.43** | 1,229.73 |
| Ordinary Shares: | | |
| Issued share capital (number) | **1,363,598,083** | 1,105,159,529 |
| Net asset value per Share – Basic | **115.31p** | 111.27p |
| Potentially issuable dilutive shares (number) | **590.881** | 533,132 |
| Net asset value per Share – Diluted | **115.26p** | 111.22p |
| EPRA net asset value per Share – Diluted | **115.26p** | 111.22p |

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

## 13. RELATED PARTY TRANSACTIONS

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

For all other related party transactions please make reference to note 30 of the Group accounts.

## 14. DIRECTORS' REMUNERATION

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Directors' fees | **0.24** | 0.18 |
| Employer's National Insurance | **0.03** | 0.02 |
| | **0.27** | 0.20 |

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report. As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

note 30, page 149 Directors' Remuneration Report, pages 106-107

# CONTENTS

# NOTES TO THE EPRA PERFORMANCE MEASURES

## 1. EPRA EARNINGS PER SHARE

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Total comprehensive income (attributable to Shareholders) | **247.80** | 91.90 |
| Adjustments to remove: | | |
| Changes in fair value of investment properties | **(175.98)** | (47.51) |
| Changes in fair value of interest rate derivatives | **2.04** | 7.15 |
| One-off cost of extinguishment of bank loans (note 11) | **4.75** | – |
| **Profits to calculate EPRA Earnings per share** | **78.61** | 51.54 |
| Weighted average number of Ordinary Shares | | |
| **EPRA earnings per share – basic** | **1,268,540,113** | 873,562,775 |
| | **6.20p** | 5.90p |
| Dilutive shares to be issued | | |
| **EPRA earnings per share – diluted** | **590,881** | 533,132 |
| | **6.20p** | 5.90p |

## 2. EPRA NAV PER SHARE

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Net assets at end of period | **1,929.46** | 1,414.54 |
| Adjustments to calculate EPRA NAV: | | |
| Changes in fair value of interest rate derivatives – 2017 | **(0.69)** | – |
| Changes in fair value of interest rate derivatives – 2016 | **7.08** | 7.08 |
| Changes in fair value of interest rate derivatives – 2015 | **1.99** | 1.99 |
| Changes in fair value of interest rate derivatives – 2014 | **2.58** | 2.58 |
| **EPRA net assets** | **1,940.42** | 1,426.19 |
| Shares in issue at 31 December 2017 | **1,363,598,083** | 1,105,159,529 |
| Dilutive shares in issue | **590,881** | 533,132 |
| | **1,364,188,964** | 1,105,692,661 |
| **Dilutive EPRA NAV per share** | **142.24p** | 129.00p |

## 3. EPRA NNNAV

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| EPRA net assets | **1,940.42** | 1,426.19 |
| Include: | | |
| Fair value of financial instruments | **(10.96)** | (11.65) |
| Fair value of debt[1] | **9.89** | 2.09 |
| **EPRA NNNAV** | **1,939.35** | 1,416.63 |
| Shares in issue at 31 December 2017 | **1,363,598,083** | 1,105,159,529 |
| Dilutive shares in issue | **590,881** | 533,132 |
| | **1,364,188,964** | 1,105,692,661 |
| **EPRA NNNAV per share** | **142.16p** | 128.12p |

1 Difference between interest-bearing loans and borrowings included in Balance Sheet at amortised cost, and the fair value of interest bearing loans and borrowings.

## 4. EPRA NET INITIAL YIELD (NIY) AND EPRA "TOPPED UP" NIY

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Investment property – wholly owned | **2,607.28** | 1,803.11 |
| Less: development properties | **–** | (88.14) |
| Completed property portfolio | **2,607.28** | 1,714.97 |
| Allowance for estimated purchasers' costs | **176.77** | 116.62 |
| Gross up completed property portfolio valuation (B) | **2,784.05** | 1,831.59 |
| Annualised passing rental income | **112.56** | 99.66 |
| Less: contracted rental income in respect of development properties | **–** | (9.11) |
| Property outgoings | **(0.02)** | (0.08) |
| Annualised net rents (A) | **112.54** | 86.13 |
| Contractual increases for fixed uplifts | **18.52** | 4.35 |
| Topped up annualised net rents (C) | **131.06** | 90.48 |
| **EPRA Net Initial Yield (A/B)** | **4.04%** | 4.70% |
| **EPRA Topped Up Net Initial Yield** | **4.71%** | 4.95% |

## 5. EPRA VACANCY RATE

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Annualised estimated rental value of vacant premises | **–** | – |
| Portfolio estimated rental value[1] | **135.23** | 97.95 |
| **EPRA vacancy rate** | **0%** | 0% |

1 Excludes development properties

## 6. EPRA COST RATIO

| | Year ended 31 December 2017 £m | Year ended 31 December 2016 £m |
|---|---|---|
| Property operating costs | **0.02** | 0.07 |
| Administration expenses | **14.16** | 11.71 |
| Total costs including and excluding vacant property costs (A) | **14.18** | 11.78 |
| Total gross rental income | **108.54** | 74.66 |
| **Total EPRA cost ratio (including and excluding vacant property costs)** | **13.1%** | **15.8%** |

# APPLICATION OF THE PRINCIPLES OF THE AIC CODE



The Company has applied the 21 Principles of the AIC Code as follows:

## THE BOARD

### 1. The Chairman should be independent

The Company's Chairman, Richard Jewson, is independent. In addition, the Board has appointed a Senior Independent Director who, among other things, will take the lead in the annual evaluation of the Chairman and will be an alternative contact for Shareholders.

### 2. A majority of the Board should be independent of the Manager

The Board currently comprises five Non-Executive Directors of which Richard Jewson, the Chairman and Susanne Given, Jim Prower and Aubrey Adams are independent of the Manager. Mark Shaw, who is a partner and chairman of the Manager, Tritax Management LLP is not considered to be independent.

### 3. Directors should be submitted for re-election at regular intervals

As the Company is a constituent of the FTSE 250, Richard Jewson, Susanne Given, Aubrey Adams and Mark Shaw will retire and stand for re-election at the AGM in May 2018. Aubrey Adams will stand for election to the Board at the AGM in May 2018.

### 4. The Board should have a policy on tenure

The Company's practice is to appoint Directors for a minimum two-year term subject to annual re-election.

### 5. There should be full disclosure of information about the Board

Full information about the Board, as a whole, and the Directors, as individuals, is set out, inter alia, in this Annual Report.

### 6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company

The Nomination Committee has undertaken a review of the Board's composition and appointed Aubrey Adams as a Non-Executive Director of the Company and as a member of the Audit Committee, Nomination Committee and Management Engagement Committee. In making appointments to the Board, the Committee considers the wide range of skills, knowledge and experience required to maintain an effective Board. The Nomination Committee Report is on pages 91-92.

### 7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors

The Board appointed Lintstock Limited to conduct a Board Evaluation. Details of the evaluation are set out on page 92.

### 8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent

The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration and sets remuneration appropriately so as to attract, retain and motivate Board members. The fees paid to the Directors are listed on page 104 of this report.

### 9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the Annual Report

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 91-92.

### 10. Director Induction Programme

Aubrey Adams was appointed as a Non-Executive Director of the Company and as a member of the Audit, Management Engagement and Nomination Committees in 2017. Aubrey received a bespoke induction training programme designed to give him a comprehensive overview of the Company, including its business and strategic aims and its governance structure. The Company Secretary also provided Aubrey with a bespoke induction pack of documents and an introduction to the Company.

### 11. The Chairman (and the Board) should be brought into the process of a new launch at an early stage

The Company operates a single fund and has no plans to launch further funds. However, whenever the Company carries out equity fundraisings the Chairman and the Board are always involved and are integral to the process from an early stage.

## BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER

### 12. Boards and Managers should operate in a supportive, co-operative and open environment

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to the Manager and communicate regularly among themselves.

**13. The primary focus at regular Board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues**

The Chairman sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. The Board has a schedule of matters specifically reserved for its decision which include the approval of budgets, setting investment and performance objectives and policies, the approval of the Company's financial statements and published reports, the approval of equity and debt fundraising.

Prior to each meeting, the Directors are provided with a comprehensive set of papers providing information on the Company's proposed investments, its financial position and performance, an update on relevant sectors including the commercial property and retail sectors, a monthly Shareholder analysis and a report on regulatory and governance matters.

**14. Boards should give sufficient attention to overall strategy**

The Board, together with the Manager, regularly considers the overall strategy of the Company in light of its performance and the sector overall.

**15. The Board should regularly review both the performance of, and contractual arrangements with, the Manager**

The performance of the Manager is assessed on a regular basis by the Management Engagement Committee. Further details of the review in 2017 are set out in the Management Engagement Committee Report see pages 101-103.

The Board together with the Audit Committee sets the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised in the Audit Committee Report on pages 96-99.

**16. The Board should agree policies with the Manager covering key operational issues**

The Board has an agreed set of policies with the Manager covering key operational areas and the implementation of such policies is subject to a regular, independent review. Further details of this review of internal controls are set out in Leadership on page 81. Langham Hall UK Depositary LLP acts as depositary for the Company and conducts an independent review of the internal controls of the Company. Further details of the role of Langham Hall UK Depositary LLP are set out on page 95.

**17. The Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it**

The Board monitors the performance on the Company's share price both on an absolute level and relative to the prevailing Net Asset Value per Ordinary Share. The Directors have at their disposal the authority to buy back or issue Ordinary Shares (within certain parameters) which would allow them to address anomalies in the performance of the Ordinary Shares, if necessary. The Board works with the Company's joint financial advisers and corporate broker to maintain regular contact with the investors and monitor investor sentiment.

**18. The Board should monitor and evaluate other service providers**

The Management Engagement Committee together with the Manager reviews the continuing appointment of its service providers to ensure that terms remain competitive and in the best interests of Shareholders, through an annual review of the relevant contracts.

The Board has access to independent professional advisers at the Company's expense.

## SHAREHOLDER COMMUNICATIONS

**19. The Board should regularly monitor the Shareholder profile of the Company and put in place a system for canvassing Shareholder views and for communicating the Board's views to Shareholders**

Representatives of the Manager met regularly with Shareholders throughout 2017, providing the Board with feedback on Shareholder views and concerns. Please see Relations with Shareholders and stakeholders for further information on pages 104-105.

The Directors make themselves available at general meetings to address Shareholder queries and the Annual General Meeting, in particular, provides the Board with an important opportunity to meet with Shareholders, who are invited to meet the Board following the formal business of the meeting.

**20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesperson**

All communications with Shareholders are subject to sign off by one or more of the Directors, as appropriate. Any communications regarding major corporate issues are approved by the Board prior to release.

**21. The Board should ensure that Shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares**

The Board places great importance on communication with Shareholders. It aims to provide Shareholders with a full understanding of the Company's activities and performance and reports formally to Shareholders twice a year by way of the Half Yearly Report and the Annual Report, including in particular, the Strategic Report. The Strategic Report is set out on pages 1-75 and this provides information about the performance of the Company, the Investment Policy, strategy and the risks and uncertainties relating to the Company's future prospects.

This is supplemented by frequent notifications via a regulatory information service on developments such as asset acquisitions, debt financings and fundraising activities, and the Company's Website is regularly updated.

# FINANCIAL CALENDAR

| | |
|---|---|
| 7 March 2018 | **Announcement of Full Year Results** |
| 16 May 2018 | **Annual General Meeting** |
| 30 June 2018 | **Half Year End** |
| 9 August 2018 | **Announcement of Half Year Results** |
| 31 December 2018 | **Full Year End** |

# COMPANY INFORMATION

Company Registration Number: 08215888 Incorporated in the United Kingdom

## Directors, Management and Advisers

### Directors

**Richard Jewson**
Non-Executive Chairman
**Jim Prower** Senior Independent
Non-Executive Director
**Susanne Given**
Non-Executive Director
**Aubrey Adams, OBE**
Non-Executive Director
**Mark Shaw**
Non-Executive Director

### Registered office

Standbrook House
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### Manager

**Tritax Management LLP**
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W1S 4PD

### Joint Financial Adviser and Corporate Broker

**Jefferies International Limited**
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EC4V 3BJ

### Joint Financial Adviser

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### Legal Advisers to the Company

as to English law
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### Auditor BDO LLP

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### Company Secretary

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### Registrar

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Beckenham
Kent BR3 4TU

### Administrator

**Link Asset Services**
Beaufort House
51 New North Road
Exeter
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### Depositary

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London
EC4M 7BA

### Bankers

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**BNP Paribas**
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**Canada Life Investments**
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EC4V 4HN

**HSBC Bank plc**
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**ING Real Estate Finance (UK) B.V.**
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**PGIM Real Estate Finance**
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London
SE1 9BG

**Royal Bank of Scotland**
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EC2M 4AA

**Santander**
2 Triton Square
Regent's Place,
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90 Long Acre
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### Valuer

**CBRE Limited**
Henrietta House
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London
W1G 0NB

## CAUTIONARY STATEMENT

This Annual Report and the Tritax Big Box REIT plc website may contain certain 'forward-looking statements' with respect to Tritax Big Box REIT plc's ("Company") financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Company operates. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Company operates; changes in the legal, regulatory and competition frameworks in which the Company operates; changes in the markets from which the Company raises finance; the impact of legal or other proceedings against or which affect the Company; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates. Any forward-looking statements made in this Annual Report or Tritax Big Box REIT plc website, or made subsequently, which are attributable to the Company, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements. Nothing in this Annual Report or the Tritax Big Box REIT plc website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

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