



Tritax Big Box REIT plc Annual Report 2015

Leading Big Boxes



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FOR MORE INFORMATION

You will see links throughout this Annual Report to related information within the report or further reading online.

- ➔ See **title of statement or item** page number
- 🌐 Find more information on our Website www.tritaxbigbox.co.uk

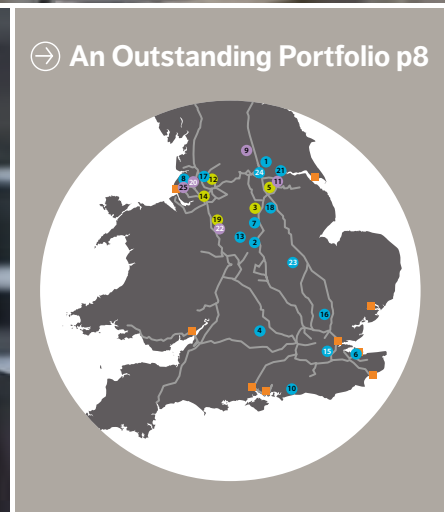
- 🏦 **Our source of capital**
- ➕ **The value we add**
- 🔍 **Our expertise**
- 📌 **Our objectives**
- ★ **Our goal**



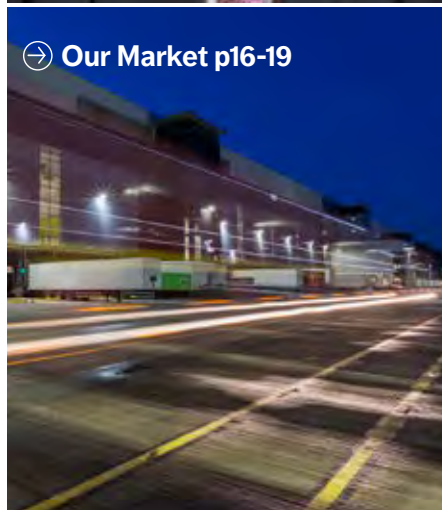
➔ Highlights p2-3



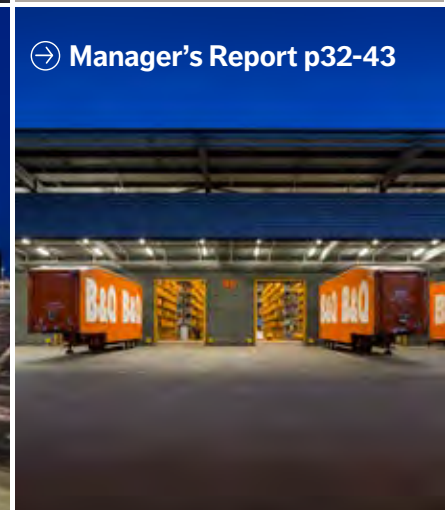
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➔ An Outstanding Portfolio p8



➔ Our Market p16-19



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Tritax Big Box is the only Real Estate Investment Trust dedicated to investing in very **large logistics facilities** in the UK. We believe these properties, known as Big Boxes, are one of the **most exciting** and **highest performing** asset classes in the UK real estate market. **Strong tenant demand**, coupled with **limited supply** and significant inward investment from our tenants, make our Big Boxes **attractive assets**.

We own and manage some of the UK's most **sought after Big Boxes**. Our Big Boxes are strategically important to our tenants as they offer efficiency savings and are increasingly **fulfilling e-commerce** retail sales. Our tenants include some of the **biggest names** in retail, logistics, consumer products and automotive.

We aim to provide a **secure and growing income** for our Shareholders, together with **capital appreciation**. Our ambition is to be the UK's **pre-eminent owner** of Big Boxes.

STRATEGIC REPORT

HIGHLIGHTS

Financial highlights

6.0 pence**DIVIDEND PER SHARE** 

Dividends declared in respect of 2015 totalled 6.0 pence per share, in line with our target.

19.4%**TOTAL RETURN** 

Total return for the year of 19.4%, compared to the FTSE EPRA/NAREIT UK REITs Index of 10.5%.

£500 million at 1.42%**DEBT FACILITY** 

We agreed a new £500 million debt facility, reducing our average cost of borrowing by 35bps to 1.42% above 3 month Libor and extending our average unexpired loan term to 4.67 years.

124.68 pence (+15.9%)**EPRA NAV** at 31 December 2015 

The EPRA net asset value per share increased by 17.11 pence, 15.91% (31 December 2014: 107.57 pence).

£229 million**EQUITY RAISED** 

We raised £229 million of equity during 2015, under our share issuance programme which expired on 7 July 2015.

100%**CONTRACTED AND INCOME PRODUCING**

The portfolio is 100% let or pre-let with developer licence fee income, across 25 properties.

£1.31 billion**PORTFOLIO VALUE** at 31 December 2015

Our investment properties were independently valued at £1.31 billion¹.

£106.75 million (+8.9%)**NET VALUATION GAIN**

On our investment property portfolio during 2015.

£68.37 million pa**CONTRACTED RENTAL INCOME**

The portfolio's contracted rental income has increased to £68.37 million¹ per annum (31 December 2014: £36.16 million¹), including forward funded developments.

Operational highlights

Our portfolio was fully let or pre-let and income producing during the period.

+11 Big Boxes**ASSETS**

We acquired 11 Big Boxes during the year, five of which were forward funded pre-let developments. The acquisitions further diversified the portfolio by geography, tenant and building size.

c.13 million sq ft**PORTFOLIO AREA**

At the year end, the portfolio contained 25 assets, covering approximately 13 million sq ft of logistics space.

1.09%**TOTAL EXPENSE RATIO**

The total expense ratio for the year was 1.09%, down from 1.13% for the prior period, which compares favourably with our real estate peers.

16.5 years**WAULT**

At the year end, the weighted average unexpired lease term ("WAULT") was 16.5 years (31 December 2014: 13.9 years), against our target of at least 12 years.

5.8%**AVERAGE NIY**

The average net initial yield of the portfolio at acquisition is 5.8% against our year end valuation of 4.9% net initial yield.

33%**LOAN TO VALUE ("LTV")**

On a fully invested basis, including the fulfilment of our forward funded development commitments this increases to c.40%.

FTSE EPRA**SHARES**

Our shares were included in the FTSE EPRA/NAREIT Global Developed Index from 23 March 2015...

FTSE 250**SHARES**

...the FTSE 250 Index from 8 June 2015...

MSCI Global Small Cap Index**SHARES**

...and the MSCI Global Small Cap Index from 30 November 2015...

...helping to attract new investors and supporting liquidity in the shares.

Daily liquidity of £2.2 million**DAILY AVERAGE TRADING**

Daily average trading during 2015 of £2.2 million of shares.

Post balance sheet activity

£200 million**EQUITY RAISED**

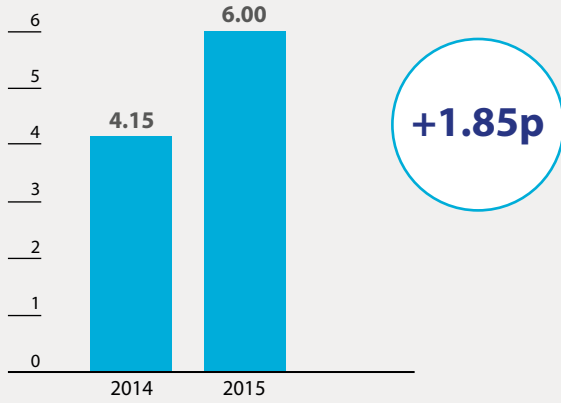
On 16 February 2016, the Company completed a £200 million equity fundraising in order to fund its near term investment pipeline.

6.2 pence**DIVIDEND PER SHARE**

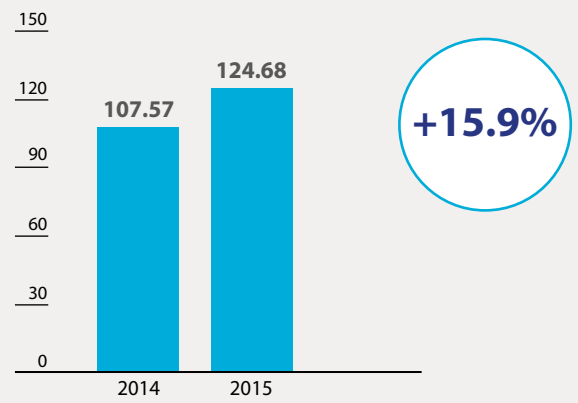
Progressive dividend target of 6.2 pence per share for 2016.

¹ Including forward funded development commitments

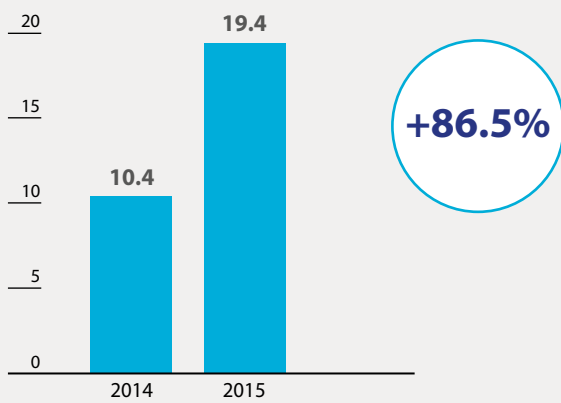
Dividend declared per share (p) 



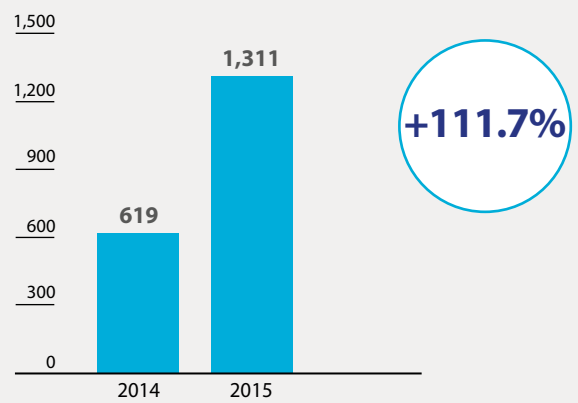
EPRA NAV per share (p) 



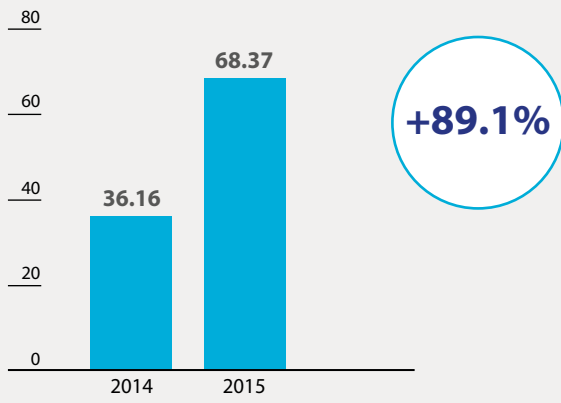
Total return (%) 



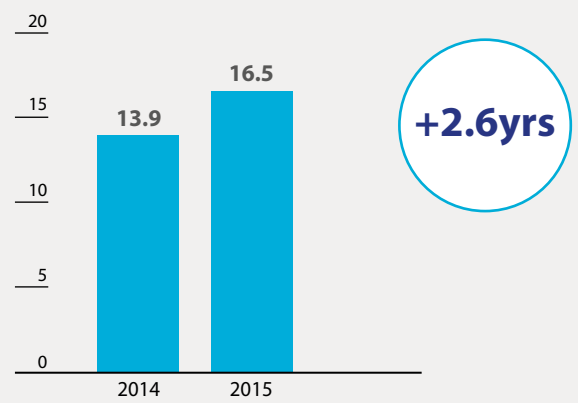
Portfolio valuation (£m)



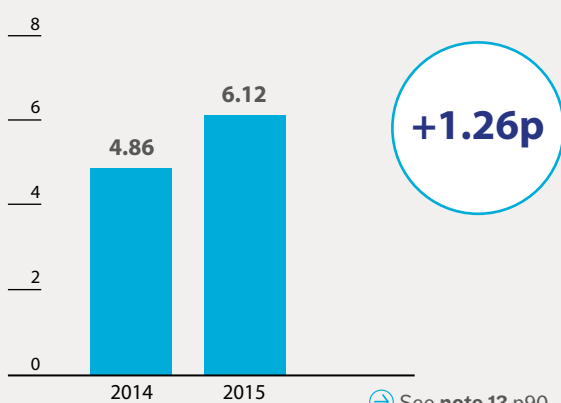
Contracted rent roll per annum (£m)



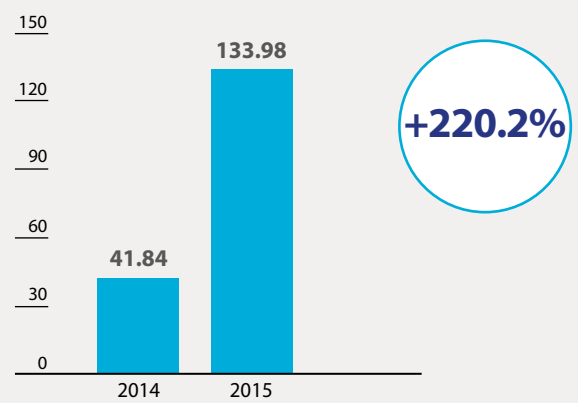
Weighted average unexpired lease term (yrs)



Adjusted earnings per share (p)



Total comprehensive income (£m)



STRATEGIC REPORT

CHAIRMAN'S STATEMENT

This was an excellent year for the Group, during which we further strengthened and diversified the portfolio and secured the funding necessary for our next phase of growth. Market conditions remain favourable for landlords and we are confident of delivering further value for Shareholders.

Overview

2015 was an excellent year for the Group and a rewarding one for Shareholders, as we achieved our dividend and total return objectives and continued to deliver on our investment strategy. The Group declared an aggregate dividend for the year of 6.0 pence per share and achieved a total return of 19.4%.

During the year, we acquired a further 11 Big Boxes, including five forward funded developments, as the Manager drew on its market intelligence and excellent relationships with vendors, agents and developers to identify and acquire high-quality Big Box assets. These investments further diversified the portfolio by tenant, geography and range of building sizes. Our portfolio is 100% fully let or pre-let and income producing.

At the year end, our portfolio of 25 assets was independently valued at £1.31 billion. This is on a fully completed basis and includes forward funded commitments. This represents a valuation uplift of £164.03 million or 14.3% over the aggregate acquisition price (excluding acquisition costs).

The attractiveness of Big Boxes has contributed to further yield compression. Notwithstanding this, we have maintained the average net initial purchase yield across the portfolio at 5.8% by exercising strong capital discipline and maintaining our pricing policy. The valuation uplift and the high net initial yield reflect the Manager's ability to identify and negotiate attractive off-market deals and our discipline in not pursuing overpriced assets. To date, we have acquired 78% of the portfolio through off-market transactions. At the same time, we have increased the weighted average unexpired lease term across the portfolio to 16.5 years at 31 December 2015 (31 December 2014: 13.9 years), well above our target of at least 12 years.

Forward funded developments are often the only way for occupiers to secure a suitable building and, in recognition of the opportunities in this area, we amended our investment policy during the first half of the year to remove the 25% limit on exposure to forward funded developments in order to benefit from opportunities resulting from our developer relationships. Shareholders supported our proposals by approving this change at the Extraordinary General Meeting on 15 April 2015. Five of the assets we acquired in 2015 are forward funded, pre-let developments, where we work with a developer to deliver a new pre-let Big Box for a tenant. Following the completion in September 2015 of the Group's first forward funded development, pre-let to Rolls-Royce Motor Cars Limited, the total number of forward funded assets within the portfolio under development at the year end was five.

Share issuance and share price performance 

We raised a further £229 million of equity in 2015, with a placing and offer for subscription in March 2015 generating gross proceeds of £175 million and a further placing in June 2015 raising gross proceeds of £54 million. Both issuances were at a premium to our published NAV at the time.

The June 2015 placing was the last under our 12-month share issuance programme, which closed on 7 July 2015 having raised gross proceeds of £339 million. We decided not to renew this programme during the second half of the year, recognising the significant amount of equity we had raised, while allowing time for positive share price performance. Over the course of 2015, the share price rose by 20.1%, outperforming the FTSE All-Share Index and the FTSE All-Share REIT Index by 23.2% and 11.9% respectively.

The shares also benefited from our inclusion in the FTSE EPRA/NAREIT Global Developed Index in March 2015, the FTSE 250 Index in June and the MSCI Global Small Cap Index in November 2015. This is helping to broaden our Shareholder base and contributes to attractive liquidity in the shares, with daily trading averaging around £2.2 million of shares during 2015, up from £0.7 million in 2014.

Financial results

Our financial results are strong, reflecting the successful implementation of our investment policy and the growth in the portfolio, as well as robust cost management and positive market conditions.

Under International Financial Reporting Standards ("IFRS") as adopted by the European Union, our operating profit for 2015 was £142.69 million (2014: £46.67 million), with total comprehensive income of £133.98 million (2014: £41.84 million). Basic earnings per share ("EPS") for the period were 21.56 pence (2014: 15.10 pence), which included a net valuation gain of £106.75 million, or 15.76 pence per share, resulting from revaluing our investment properties and derivative interest rate instruments.

Under European Public Real Estate Association ("EPRA") guidelines, EPS for the year were 4.70 pence (2014: 4.60 pence). The EPRA NAV per share at 31 December 2015 was 124.68 pence, representing an increase of 15.9% over the audited EPRA NAV per share of 107.57 pence at 31 December 2014. The total return for the year, which reflects the increase in EPRA NAV plus dividends paid, was 19.4%.



Adjusted EPS, which is a metric that includes the licence fees received from developers on our forward funded developments, was 6.12 pence (2014: 4.86 pence). Licence fee income does not fall within the EPRA earnings measure. However, the Board links the Adjusted EPS to our distribution policy.

The Group has a low and transparent cost base, with a reduced total expense ratio of 1.09% for 2015 (2014: 1.13%). This compares favourably with our real estate peers.

Dividends

We have constructed our portfolio to provide a high-quality, sustainable and growing income stream for our Shareholders. This enabled us to meet our target of declaring dividends totalling 6.0 pence per share for 2015. The total dividend was fully covered by our Adjusted EPS.

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

- 1.0 pence on 22 April 2015, in respect of January and February 2015
- 1.5 pence on 15 July 2015, in respect of March, April and May 2015
- 0.5 pence on 23 September, in respect of June 2015

On 27 January 2016, the Board declared a fourth interim dividend of 3.0 pence per share, in respect of the period from July to December 2015.

The Board intends to adopt a progressive dividend policy for 2016, with a target dividend of 6.2 pence per share for the year. This represents a 3.3% increase in the total dividend for 2015, which is above the rate of RPI inflation over the period from our IPO to 31 December 2015.

Loan financing and hedging

In October 2015, we agreed a new five-year, cross-collateralised, £500 million secured debt facility with a syndicate comprising Barclays Bank PLC, Landesbank Hessen-Thüringen Girozentrale (“Helaba”), Wells Fargo Bank N.A. and ING Real Estate Finance (UK) B.V. The new facility refinanced £253.34 million of our existing debt. The pricing of the loan package immediately reduced our average margin payable by 35bps to 1.42% above 3 month Libor, extended our average unexpired loan term and brought us additional operational flexibility to manage the financing requirements of our forward funded developments.

As at the year end, we had £350 million drawn under this facility. This left £150 million of headroom to meet our remaining forward funding commitments plus further capacity to support our growth ambitions.

In addition, we have three loans with Helaba. At the end of the year, we had drawn £35.04 million under these facilities, secured on the DHL assets at Langley Mill and Skelmersdale, and the Ocado facility at Erith.

We have continued to protect the Group from significant increases in interest rates by using derivative instruments, comprising one small interest rate swap and several interest rate caps, each coterminous with the initial term of the loans. The Group’s weighted capped rate of borrowing on hedged debt was 2.94% (2014: 3.81%). The actual average interest rate payable on our debt was, however, 2.01% (2014: 2.35%) per annum at the year end. At 31 December 2015, 99.95% of Group debt drawn down was hedged.

Outlook

The outlook for the Company in 2016 is positive. Following the hugely successful equity issue in February 2016, with investor demand leading to significant over subscription against a raise of £200 million, we are in a very strong position to diversify further our high-quality portfolio and continue to embed our leading position in e-commerce supply chain fulfilment. There remain good opportunities for the Company to acquire attractive assets and create capital value enhancement at both point of purchase and through asset management.

Although we see the potential for further yield compression in the Big Box sector and logistics more generally, we expect this could be modest compared with 2015. The balance of occupational supply and demand is, however, causing rents to rise in the sector and the balanced profile of rent review dates linked to a combination of open market, RPI and fixed increases across our portfolio, provides the opportunity to grow income year on year. This underpins our ability to increase the dividend in 2016, with an ambition of further dividend growth thereafter.

In conclusion, we remain confident of delivering attractive total returns to Shareholders, the composition of which will be increasingly driven by income, as well as opportunities for further capital value enhancement.

Richard Jewson Chairman
16 March 2016

STRATEGIC REPORT

A COMPELLING BUSINESS

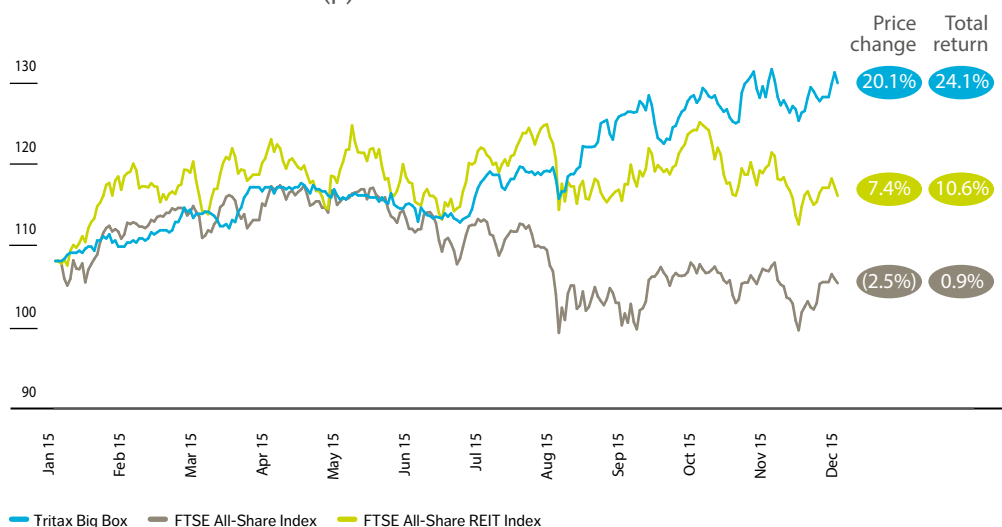
Our Company has a number of **important strengths**, which we believe make us a **compelling business**.

We operate in an **attractive market**, which has powerful **long-term growth** drivers. Our Investment Manager gives us a **competitive advantage** through its **knowledge, expertise** and **relationships**. We have built one of the most attractive portfolios in the UK quoted real estate sector which, combined with a low cost base, generates a **high-quality, sustainable and growing income stream**. This allows us to target a **progressive dividend** that can offer **appealing risk-adjusted returns**.

These strengths have helped us to secure a strong track record of delivery, as we have achieved the targets we set out at IPO; they also ensure that we remain **well positioned for further success** in the future.

The following pages explain more about our **key strengths** and how they position us for **further success**, building upon the **excellent total Shareholder return** performance delivered in 2015, as shown below:

Total Shareholder return (p)



STRATEGIC REPORT: A COMPELLING BUSINESS

1. An attractive market with powerful long-term drivers

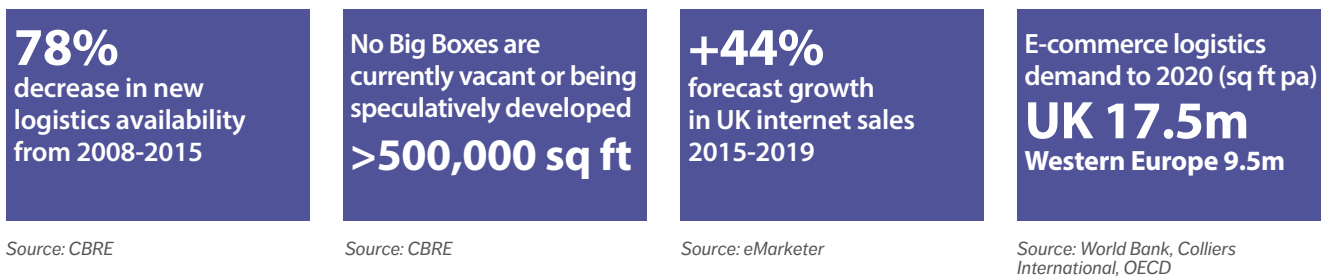
The fundamentals of the Big Box market are compelling. Demand from tenants is strong because Big Boxes offer them significant economies of scale and cost savings not available from smaller, older buildings. Equally they are vital for the swiftly evolving retail market and, in particular, for e-commerce, which is still at a relatively early stage of development and is growing rapidly in the UK.

At the same time, the supply of Big Boxes in the UK is highly constrained. Their scale makes planning permission difficult to obtain in locations where they are required. There are currently no new or very modern buildings of over 500,000 sq ft vacant or available and in the course of development. Meanwhile, developers are not planning to construct speculative buildings of this size.

This supply/demand imbalance benefits asset owners. Building scarcity, the operational and financial efficiencies they provide, along with the significant investment in fit-out tenants make in technology and mechanisation, are the reasons they are prepared to sign long leases not often seen in other areas of the commercial property market. Furthermore, this supply/demand imbalance is producing, and is expected to continue to result in, attractive rental growth.

➔ See **Rising Rents** p19

Growing demand and constrained supply...



...creating favourable conditions

➔ See **Our Market** p16-19

2. Our Manager gives us a competitive advantage

Tritax Management LLP is our Investment Manager. We benefit significantly from the Manager's knowledge, expertise and relationships. These allow the Manager to source and negotiate deals off-market, at attractive pricing levels, which offer good value for Shareholders and meet vendors' desire for quick and certain execution. This has given us a reputation as one of the industry's most reliable purchasers and forward-thinking owners and managers, making us the obvious choice for potential vendors of Big Boxes.

As well as exercising capital discipline and adding initial value through purchasing at attractive prices, the Manager's asset management skills can create value throughout an asset's life cycle, working collaboratively with tenants and using the Manager's knowledge of their businesses to identify and carry out value protecting and enhancing initiatives.



STRATEGIC REPORT: A COMPELLING BUSINESS

3. An outstanding portfolio

Since our IPO in December 2013, we have rapidly acquired an outstanding portfolio of 25 Big Box assets. Our portfolio is well diversified by size, geography and tenant. The assets are typically modern, occupy prime locations and are fully let on long leases to tenants with excellent covenant strength.

Many of our tenants have made significant investment in respect of internal fit-out and sophisticated automation, which can, and typically does, eclipse the cost of the actual building. Such high levels of investment tends to demonstrate long-term commitment to the asset.

We believe these factors give us one of the highest quality portfolios in the UK quoted real estate sector and underpin our strategy to deliver low risk and growing income.

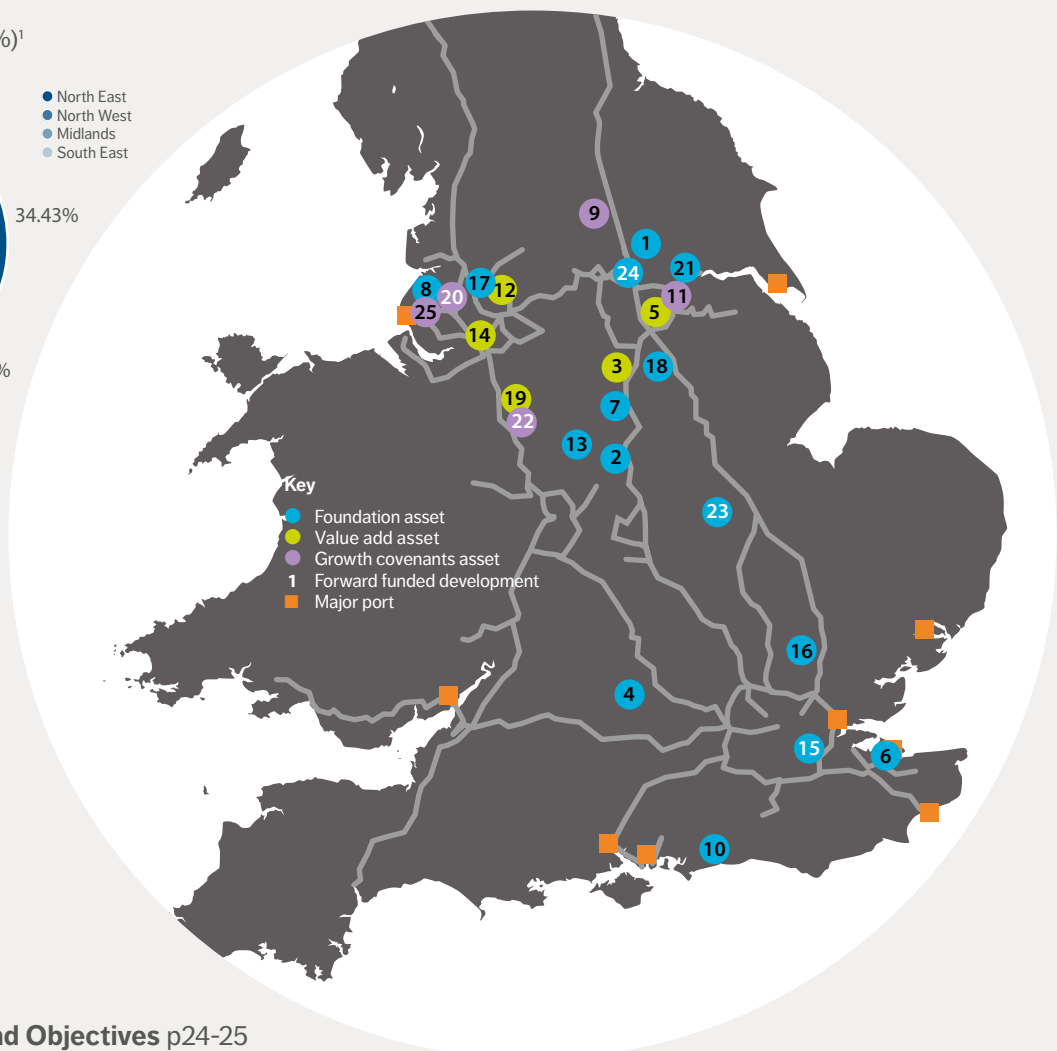
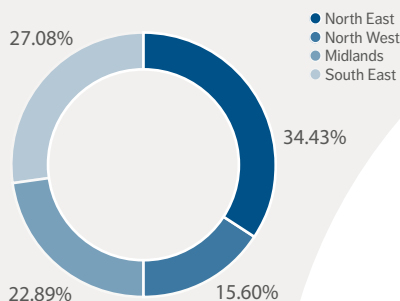
<p>£580.4 million committed into Big Boxes in 2015</p>	<p>78%¹ of portfolio >500,000 sq ft</p>	<p>87%¹ of properties built since 2000</p>	<p>84%^{1,2} FTSE 100, FTSE 250 or equivalent tenants</p>
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¹ Source: CBRE – by valuation as at 31 December 2015
² Based on tenant or its listed parent company; DHL assets represented by parent Deutsche Post AG, Rolls-Royce Motor Cars asset represented by parent BMW, Argos asset represented by parent Home Retail Group, B&Q asset represented by parent Kingfisher, TK Maxx represented by parent TJX Companies, Kuehne + Nagel represented by lease guarantor Hays plc

Prime locations

Our portfolio covers key logistics locations around the UK, with easy access to major roads/motorways and ports, allowing our tenants to distribute efficiently and effectively.

Portfolio by geography (%)¹



STRATEGIC REPORT: A COMPELLING BUSINESS

Institutional grade tenants

Our 25 assets are let to 21 different tenants, typically with excellent covenant strength and operating in a range of retail as well as other sectors:

1 Leeds 	8 Skelmersdale 	17 Heywood 	3 Chesterfield 	9 Ripon
2 Castle Donington 	10 Bognor Regis 	18 Worksop 	5 Doncaster 	11 Thorne
4 Didcot 	13 Derby 	21 Goole 	12 Middleton 	20 Wigan
6 Sittingbourne 	15 Erith 	23 Raunds 	14 Manchester 	22 Stoke-on-Trent
7 Langley Mill 	16 Harlow 	24 Knottingley 	19 Newcastle-under-Lyme 	25 Knowsley

[®] Trade Marks on this page are the property of the respective owners

➔ See **Our investment policy** p24

A prime portfolio of Big Box assets offering strategic diversity

The assets cover a diverse range of investment categories, locations, size, age and tenant sector. In line with our investment strategy we invest in three types of assets: foundation, value add and growth covenant assets.

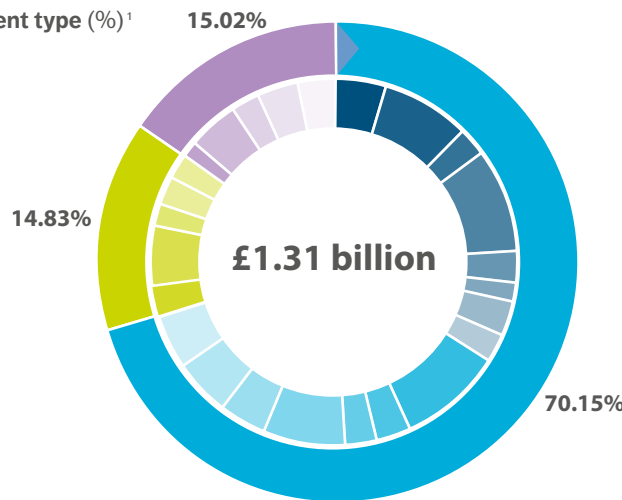
Portfolio value by investment type (%)¹

Growth covenant assets

- Wolseley 1.13%
- The Range 4.64%
- Nice-Pak 2.58%
- Dunelm 3.36%
- Matalan 3.31%

Value add assets

- Tesco, Chesterfield 2.83%
- Next 5.29%
- Tesco, Middleton 1.92%
- L'Oréal 2.32%
- New Look 2.47%



Foundation assets

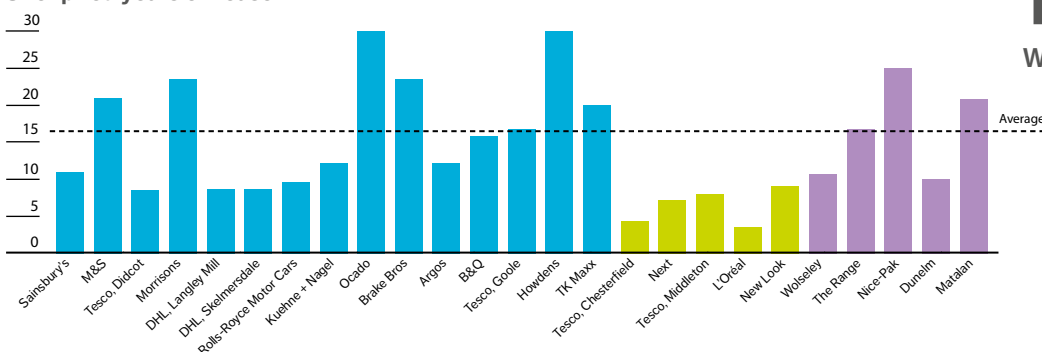
- Sainsbury's 4.53%
- M&S 7.70%
- Tesco, Didcot 2.52%
- Morrison's 9.29%
- DHL, Skelmersdale 2.67%
- DHL, Langley Mill 1.65%
- Rolls-Royce Motor Cars 3.26%
- Kuehne + Nagel 2.48%
- Ocado 8.97%
- Brake Bros 3.03%
- Argos 2.80%
- B&Q 7.36%
- Tesco, Goole 4.05%
- Howdens 5.23%
- TK Maxx 4.61%

¹ Source: CBRE – by valuation as at 31 December 2015

➔ See **Our acquisition focus** p24

The strategic importance of Big Boxes to our tenants' logistics network means they are generally willing to sign very long leases, with regular upward-only rent reviews.

Unexpired years on lease





4. Attractive dividend income

A stable income stream

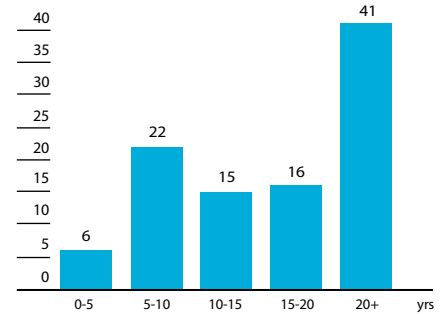
We believe that investors seeking income look for companies capable of delivering stable and reliable dividends for the longer term.

For 2015, we declared a dividend of 6.0 pence per share which was fully covered by Adjusted earnings, giving us one of the highest dividend yields among UK REITs. For 2016 we have increased our target dividend for the year to 6.2 pence per share.

When viewed in the context of our modern assets, high-quality tenants and length of unexpired lease terms, we consider that our risk-adjusted income return is particularly appealing. Our dividend is underpinned by a 100% let portfolio, growing property income from financially strong tenants and long term leases, primarily delivered through upward only rent reviews and assisted by the implementation of asset management initiatives.

- ➔ See **Chairman's Statement** p4-5
- ➔ See **Our Strategy and Objectives** p24-25

Portfolio rent roll expiry (%)¹



¹ By annual rent, as at 31 December 2015

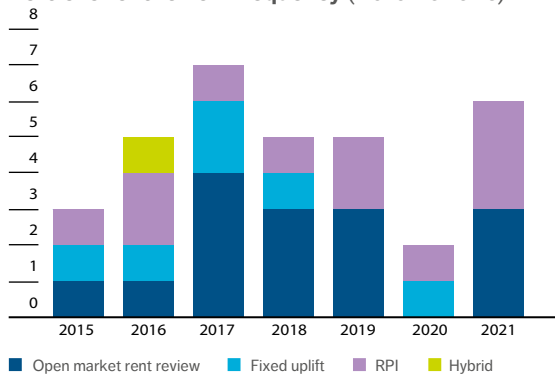
Reliable income growth

Our portfolio offers strong potential for reliable income growth. All of our leases provide for upward only rent reviews, of which:

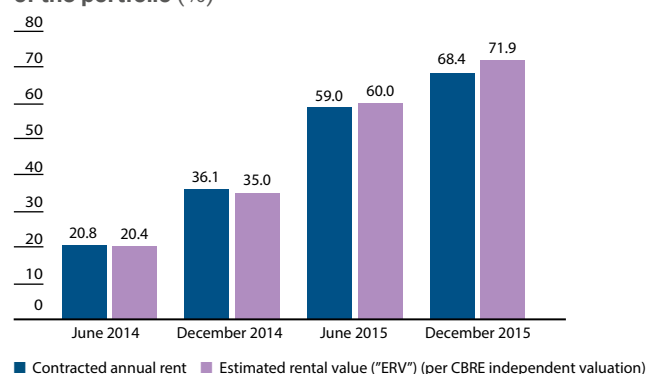
- **50%**¹ are reviewed to the **open market**, allowing us to capture the current and expected strong rental growth evidenced in the market;
- **26%**¹ include **fixed and minimum** rental uplift rent reviews, either providing a specified annually compounded percentage increase or a minimum and maximum annual percentage increase subject to RPI, providing predictable minimum increases in income;
- **18%**¹ have **RPI** linked rent reviews without a minimum level but subject to an annual percentage cap, providing a degree of inflation protection; and
- **6%** is **hybrid**; The rent of our Marks and Spencer asset at Castle Donington is reviewed five yearly to the higher of open market or RPI, subject to a minimum of 1.5% pa and a maximum of 2.5% pa compounded annually.

Rent reviews typically take place every five years but we also benefit from some annual rent reviews. Our portfolio is well balanced, with a number of rent reviews each year, which avoids having rent reviews clustered heavily in one or two years when the market might be weaker.

Portfolio rent review frequency (No. of reviews)



Rental income growth and the reversionary nature of the portfolio (%)



7.0%
like-for-like ERV² growth
31 December 2015 vs.
31 December 2014

5.2%
overall portfolio
reversion³ at
31 December 2015

6.2 pence
dividend target for 2016

£68.4 million
contracted annual rent
as at 31 December 2015

¹ By annual rent, as at 31 December 2015.

² Estimated rental value ("ERV") is the valuer's opinion of market rent which, on the date of valuations, the property could expect to achieve upon a new letting or at rent review on an arms length basis.

³ Reversion – is the difference (increase) between the contracted annual rent and the ERV at the relevant date.

STRATEGIC REPORT: A COMPELLING BUSINESS

5. A strong track record of delivery

We have exercised strong capital discipline, standing firm on our pricing policy and turning down numerous unsuitable opportunities. Nonetheless, since listing, we have been successful in achieving our investment aims, acquiring an average of approximately one asset every month. Our ability to complete transactions quickly is aided by our ready access to attractive finance.

The quality of our assets, the secure income they generate and our low cost base have enabled us to meet our objectives of an aggregate dividend of 6 pence per share in respect of 2015 and a net total return in excess of our target of 9% pa. Since the year end we have also surpassed our original ambition to increase our NAV to more than £1 billion, and we aspire to grow further for the benefit of our Shareholders.

2015 in brief

29 January

Acquired the forward funded development of a new logistics facility pre-let to **Ocado** at **Erith**, inside the M25, for a total consideration of £101.73 million.

→ **Ocado, Erith**, right
 → see **The Opportunity in Forward Funded Development** p40-43



2 February

Announced debt financing of £13.20 million with Barclays Bank PLC, secured on the distribution centre at Dove Valley Park, Derby, let to Kuehne + Nagel Ltd.

6 March

Declared an interim **dividend** of **1.00 pence** per share, in respect of the period from 1 January 2015 to 28 February 2015.

19 March

Raised gross proceeds of **£175 million** through a Placing and Offer for Subscription of 159.09 million new Ordinary Shares, at an issue price of 110 pence per share.

23 March

Our shares were included in the FTSE EPRA/NAREIT Global Developed Index.

10 April

Acquired the **Brake Bros** Ltd Distribution Centre at Flex Meadow, **Harlow**, for £37.20 million.

15 April

Shareholders voted at an Extraordinary General Meeting to amend the Company's investment policy and cancel its share premium account.

20 April

Acquired the **Argos** Regional Distribution Centre at Heywood, **Manchester**, for £34.10 million.

29 April

Acquired the **B&Q** Core Products National Distribution Centre at **Worksop**, Nottinghamshire, for £89.75 million.

→ **B&Q, Worksop**, right
 → see **Foundation Assets** p36-37

30 April

Announced debt financing of £14.80 million with Barclays Bank PLC, secured on a new logistics asset near Bognor Regis, pre-let to Rolls-Royce Motor Cars Ltd.

1 May

Acquired the **New Look** Retailers Ltd National and European Distribution Centre at Lymedale Business Park, **Newcastle-under-Lyme**, for £30.05 million.

13 May

Acquired the forward funded development of a distribution and production facility at **Wigan**, Greater Manchester, pre-let to **Nice-Pak** International, for an investment price of £28.66 million.

Announced debt financing of £40.38 million with Barclays Bank PLC, secured on the B&Q Core Products National Distribution Centre at Worksop, Nottinghamshire.



We have delivered

6.0 pence 

total dividend per share
declared in respect
of 2015

19.4% 

total return vs
FTSE EPRA/NAREIT
UK REITs Index of
10.5% for 2015

£1.31 billion

total portfolio valuation,
including forward
funded development
commitments

15.9%

growth in EPRA NAV
during 2015

 For more information see <http://tritaxbigbox.co.uk/investors/#regulatory-news>



 **Tesco, Goole**, above

1 June

Acquired the **Tesco** Regional Distribution Centre at Capitol Park, **Goole**, for £47.10 million.

8 June

Declared an interim **dividend** of **1.50 pence** per share, in respect of the period from 1 March to 31 May 2015.

Our shares were included in the **FTSE 250 Index**.

Acquired the forward funded development of a distribution facility in Prologis Park, Sideway, **Stoke-on-Trent**, pre-let to **Dunelm** (Soft Furnishings) Ltd, for an investment price of £43.43 million.

 **Dunelm, Stoke-on-Trent**, bottom

18 June

Placed 47.79 million new Ordinary Shares at a price of 113 pence per share, raising gross proceeds of **£54 million**.



14 July

Announced debt financing of £50.87 million with Helaba, secured on the Ocado distribution facility at Erith.

21 August

Declared an interim **dividend** of **0.50 pence** per share, in respect of the period from 1 June 2015 to 30 June 2015.



1 September

Achieved practical completion of the development of the new Rolls-Royce Motor Cars technology and logistics facility near Bognor Regis, West Sussex.


7 September

Acquired the forward funded development of a distribution facility at **Raunds**, Northamptonshire, pre-let to **Howdens** Joinery Group Plc, for an investment price of £67.0 million.

 **Howdens, Northamptonshire** above

22 September

Acquired the forward funded development of a distribution facility at **Knottingley**, West Yorkshire, pre-let to **TK Maxx**, for an investment price of £59.0 million.

 **TK Maxx, Knottingley**, right

2 October

Agreed new **£500 million** five-year secured debt facility with Barclays, Helaba, Wells Fargo and ING; simultaneously refinanced £253 million of existing debt.

30 November

Our shares were included in the MSCI Global Small Cap Index.

Indexed to

MSCI 

9 December

Acquired the **Matalan** Retail Ltd Northern distribution centre at Knowsley, **Liverpool**, for £42.38 million.

 **Matalan, Liverpool**, below



STRATEGIC REPORT

FUND MANAGER'S Q&A**Fund Manager Colin Godfrey answers a range of questions posed by Shareholders during 2015.****How have you performed against your investment objectives in 2015?**

We exceeded our objectives. We have met our dividend target of 6.0 pence per share, fully covered by our adjusted earnings and achieved a total return of 19.4%, one of the strongest in our sector. As recently announced, we have increased our dividend target for 2016 to 6.2 pence per share, a rise of 3.3%, in excess of the rate of RPI inflation from the date of our IPO in December 2013 to 31 December 2015.

The Company acquired 11 high-quality Big Box investments in 2015 for a total consideration of £580 million, further diversifying the portfolio and increasing the Group's contracted rental income from £36.16 million to £68.37 million (up 89%).

Despite a very competitive market for logistics investments resulting in significant yield compression, we have maintained an attractive purchase yield of 5.8% and increased the weighted average unexpired lease term from 13.9 to 16.5 years. We have also exercised strong capital discipline, standing firm on our pricing policy and turning down numerous investment opportunities.

What was the rationale behind the decision to increase the Company's exposure to pre-let forward funded developments?

Given the imbalance between supply and demand for Big Box facilities, we envisaged that the forward funded route to securing pre-let developments would be a significant opportunity for the Company.

We acquired five pre-let forward funded developments in 2015, with Rolls-Royce at Bognor, acquired in September 2014, the first to be completed, on schedule and on budget, with the tenant executing the lease in September 2015. More recently, the forward funded development let to Dunelm reached practical completion in February 2016, on budget, and ahead of schedule, which leaves us with 2.3 million sq ft of forward funded assets under development across four projects.

Due to our established relationships with developers built up over many years in the Big Box market, we can generally access these deals before they reach the market and our early involvement can give us the opportunity to purchase the asset

at a discount to the investment value once complete. There are also other cost benefits as we also only pay stamp duty land tax on the land price, rather than the full investment value, thus reducing our purchase costs.

Are you relying on capital growth to underpin your dividend target?

No, dividends paid for the year ended 31 December 2015 were fully covered by adjusted earnings.

Our income is high quality and reliable, giving us confidence that we can continue to target an attractive and progressive dividend from rental income. We have also structured the portfolio so that we have a balanced, upward only rent review profile, to capture the occupational supply/demand imbalance that is driving up rents in the Big Box logistics sector, thus supporting the growth in our dividend.

We do not, therefore, need to rely on capital growth to underpin our dividends. This is important because capital profits derived from activities such as speculative development not only result from higher risk activities, but are more cyclical in nature and cannot be relied upon over the medium term.

Our portfolio is, however, well placed to generate capital profits through asset management activity that can be recycled to maintain the quality of our assets and longevity of weighted average unexpired lease term.

Are you concerned about the potential for rising interest rates?

The short-term answer to this question is no, as we are well insulated with 99.95% of our drawn debt subject to hedging arrangements which co-terminate with each loan facility. The vast majority of this hedging has been with interest rate caps, allowing the Company to benefit from lower interest costs while 3 month Libor rates remain low, but capping the Company's exposure in the event that interest rates rise significantly and so protecting our dividend.

The longer-term answer depends upon your macroeconomic view. To the extent that inflation and interest rates do not uncouple, interest rate rises are likely to be the result of



economic growth. This should feed through to market rental growth for our assets and provide higher rental income which would be expected to offset higher interest rate costs. We therefore believe that our business is well positioned to counter the effect of longer-term interest rate rises.

Given the long lease profile of the portfolio, are you considering longer-term debt?

Our recent debt refinance was for a term of five years (with two, one year extension options) and we believe that the Company will be well positioned to renew this facility upon expiry, noting in particular that our lenders have demonstrated a long term commitment to UK real estate lending and the low risk, high quality nature of our portfolio.

We are also exploring the potential to take on longer term debt secured against some of our longer leased assets in order to provide a balanced debt profile. We are, however, mindful of the higher interest rate costs associated with longer-term debt and the reduced flexibility associated with a fixed rate long-term facility.

Have the well reported troubles in the UK supermarket sector given you any cause for concern?

Supermarket operators occupy a significant part of the modern UK logistics stock, so it is a development we have been watching closely. While a number of supermarket companies now seem to be showing signs of stabilisation, we have diversified away from an early core of supermarket tenanted investments, such that by floor area this represented only 24% of our portfolio as at 31 December 2015. What is important to us is that these companies have strong balance sheets and are capable of meeting their rental obligations under their leases. While supermarket operators have been vacating or repurposing stores and supermarkets, we are not aware of them having done so recently for their logistics facilities. That is because each logistics facility can service a multitude of local stores and supermarkets and is therefore more integral to the structure of their business operations. We have also sought to invest in buildings that are well located with strong potential for re-letting.

What are your longer-term growth ambitions?

Our vision is to continue to grow the Company without compromising our dividend target, the quality of our underlying income stream and the ability to create value for Shareholders. Our business is eminently scalable. Currently the portfolio comprises 25 assets, which we believe represents approximately 10% of the UK Big Box market that we would be interested in acquiring. Given our focused investment strategy and the growth in the logistics sub-sector there is capacity to acquire further attractively priced assets, diversifying tenant exposure and geographical location within our portfolio, while broadening ownership of our shares and increasing stock liquidity. We would also expect such growth to deliver cost savings for our Shareholders.

The development of the Big Box market is in its infancy, particularly with regard to the way in which it fulfils a key role in the provision of e-commerce retail sales. Our Company has the opportunity to influence this developing market. Of course, there may come a time when we consider that there is limited ability to generate further value from the sector and if that happens then the Company will cease to grow and consolidate its position.

How would Brexit impact the Company?

The Company does not have a formal house view. We are less concerned about the outcome than the event – uncertainty is bad for investment, so the quicker we achieve certainty the better. In the event that there is a vote for the UK to leave the EU the uncertainty will be extended, as the basis for withdrawal and trade agreements are negotiated, potentially over several years. Nonetheless, the majority of our tenants are domestically focused and so we would expect our business to be largely unaffected by Brexit.

STRATEGIC REPORT

OUR MARKET

We believe that the Big Box sector is currently one of the most exciting and highest performing asset classes in the UK property market. In this section, we explain what a Big Box is and why the fundamentals of our market are so compelling.

Why Big Boxes? The best of logistics

Larger format industrial logistics facilities often have characteristics not found in the rest of the sector and should be differentiated from smaller buildings. Big Boxes are highly efficient distribution centres and logistics hubs, which hold finished goods for distribution to other parts of the supply chain or directly to consumers. This large scale format did not exist in the UK before the early 1990s. Most high-quality Big Boxes are modern facilities constructed within the past 15 years. This makes Big Boxes an emerging market and we have been at the forefront of its recent development.

The Big Box format in the UK is particularly attractive for a number of reasons:

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

Operational efficiency stimulating growing occupational demand

Demand for Big Box assets comes from three main sources: conventional and online retailers, third-party logistics companies ("3PLs"), and other companies.

Big Boxes offer previously unavailable flexibility, economies of scale and low cost of use. They are often the nucleus for distribution at a national and increasingly a regional level. Many companies use Big Boxes to centralise dispersed distribution facilities into fewer, larger facilities, helping optimise staff and stock management and expand product ranges. This allows retailers to match store or online offerings with a full product line in a single warehouse; such an arrangement is not possible with a collection of smaller buildings each of which would carry part of the product line. 3PLs are also focusing on Big Box assets to centralise multiple contracts, provide flexibility, and allow them to tender more competitively.

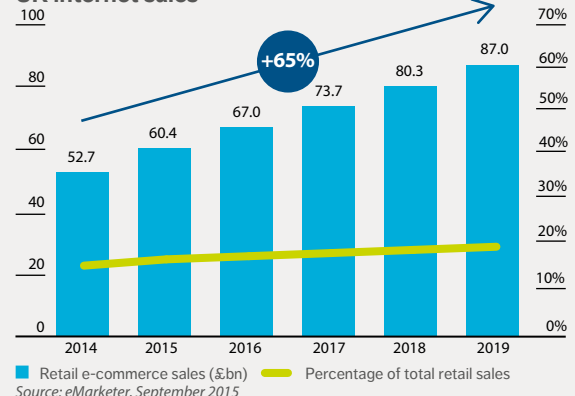
Low-bay buildings are typically used for food distribution. For general merchandise (non-food) distribution, a tall building can allow for high racking and/or mezzanine floors. This additional volume can increase efficiency and flexibility, making Big Boxes very attractive to tenants not least because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

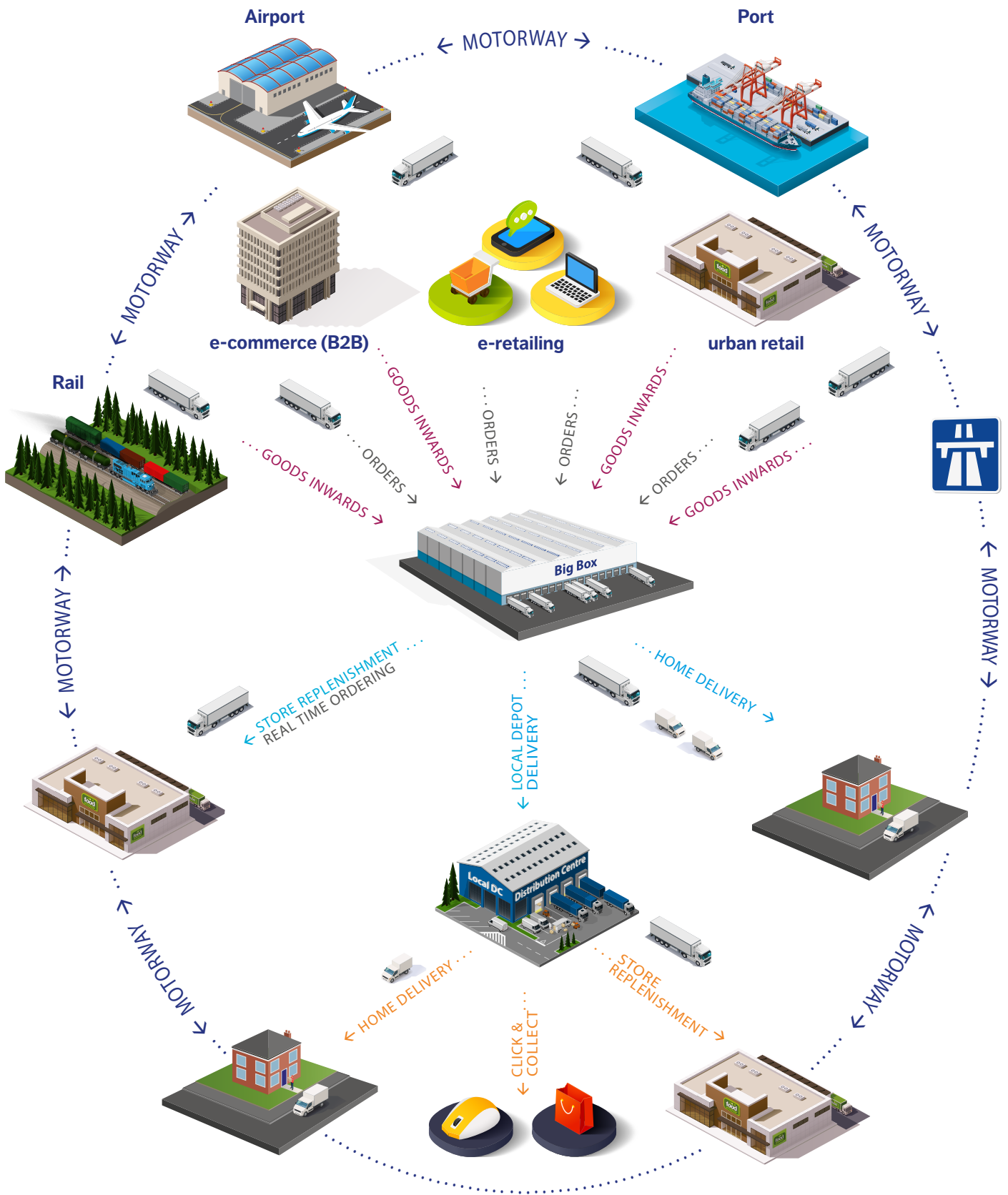
To drive efficiency, occupiers increasingly invest in advanced systems that allow them to stock automatically and rapidly retrieve products. The tenant will typically own the fit-out. This capital investment in racking and automated systems within Big Boxes can be substantial, sometimes eclipsing the construction cost of the building or value of the investment. Such levels of commitment to a location often go hand-in-hand with either an initial long term lease commitment or lease extension. This can be value enhancing and so such tenant investment is highly attractive to landlords.

Retail trends – the rise of e-commerce

Big Boxes are integral to the rapid growth of e-commerce distribution. Online retail growth has substantially outstripped the UK's total retail market growth for a number of years and is likely to be a key driver of future demand for Big Boxes (see chart below). This growth is expected to continue over the next few years, with online sales forecast to make up around one fifth of total retail sales by 2019, a market share which suggests that online sales have capacity for significant long-term growth. To respond to this online growth and to remain competitive and relevant, retailers need to have large, highly efficient distribution facilities that can fulfil orders quickly and accurately because

Continuing strong growth forecasted in UK internet sales





STRATEGIC REPORT:
OUR MARKET

Peaks in demand are a particular challenge for online retailers. Those with the quickest, most efficient and most reliable ways of fulfilling consumer demand will be best placed to benefit as they create customer goodwill and loyalty.



customers expect ever-faster delivery, with next day and even same day delivery increasingly the norm. Big Boxes dedicated to e-commerce increasingly also house the retailer's data centre function. These fulfilment centres are therefore effectively acting as a quasi-retail outlet.

Pure online retailers, such as Amazon, ASOS and Ocado, have led the way in developing advanced facilities. However, traditional retailers own most of the UK's largest online operations and many are co-locating their online and offline operations to achieve economies of scale and ensure that they can deliver efficiently and reliably to both store networks and consumers' doorsteps from the same facility. The growth in online sales means that the UK is estimated to have an e-commerce warehouse space requirement of over 17 million sq ft per year to 2020, even before potential growth in demand, which is nearly double that estimated for the rest of Western Europe combined.

Growing retail demand in peak periods

Changing consumer shopping habits are requiring retailers to cope with surges in demand. According to IMRG and Experian, in 2015 online orders on Black Friday were up 36% on the previous year, to £1.1 billion. Key shopping days before Christmas 2015 also saw substantial increases in online orders, with sales on 30 November up 31% to £943 million and sales on 7 December up 10% to £733 million. Bank holidays are also key times for online shopping, with Christmas Day sales up 11%, Boxing Day up 22% and New Year's Day 33% higher in 2015 than they were a year earlier.

These peaks in demand are a particular challenge for online retailers. Those with the quickest, most efficient and reliable ways of fulfilling consumer demand will be best placed to benefit. At the same time, the ability to provide a trouble-free service will protect retailers' reputations from the damage caused by failed deliveries or long delays. Big Boxes have a crucial role to play in supporting retailers through these peak periods.

Other retail trends

The retail market is also developing in other ways that favour Big Boxes. Retailers want to make the most of their expensive high street store space, so they are carrying less stock and using computerised sales tracking to respond rapidly to customer demand and spend trends. At the same time, consumers are increasingly favouring smaller convenience stores for food

shopping. These stores generally have very limited storage capacity. Along with the rise of click-and-collect, these factors mean retailers need much greater control of stock and the timing and efficiency of deliveries to stores. Speed and reliability are crucial, which is where Big Boxes come into their own.

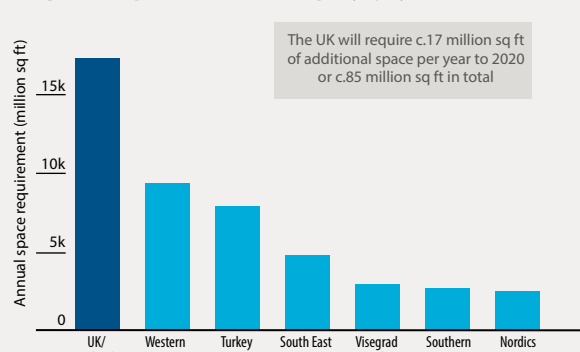
Occupational supply

Building a new Big Box is relatively quick. Once a site has detailed planning consent and is serviced with suitable infrastructure, a Big Box can typically take 6-12 months to construct. Tenant fit-out can then take a further three to 18 months to implement, subject to the extent and complexity.

Suitable land which can accommodate these Big Boxes is scarce in key locations that suit the business objectives of logistics operators – usually near motorways/major roads and within reach of their target market. This land is often situated in areas which are not zoned for employment use. The scale of Big Boxes and the extent of traffic movements they generate can present further planning challenges. Consequently securing such a designation can take many years of lobbying for change of planning use. As such, there is a significant supply lag of new Big Box stock and developers with suitable land are currently reluctant to speculatively develop buildings of over 400,000 sq ft, preferring the pre-let, built-to-suit, route since this carries lower risk. Consequently, the supply of Big Boxes is likely to remain constrained in the medium term.

Limited supply and strong demand mean there is now a shortage of Big Boxes to let and some key areas of the country currently have no new-build supply. While there is some

The UK has the greatest e-commerce warehouse space requirement in Europe (sq ft)



Source: World Bank, Colliers International, OECD, Various

speculative development of smaller buildings, we are not aware of any properties of over 400,000 sq ft that are being speculatively built, due to the difficulties described above and developers preferring the method with lower associated risk. We have seen more tenants actively looking for built-to-suit opportunities on a pre-let basis and this is an area of increasing opportunity for us to acquire investments.

Whilst we expect the supply of Big Boxes to respond to current trends over time, the supply lag is considerable and these dynamics mean that demand is likely to outstrip supply for some time to come. This creates opportunities for rising rents and increasing capital values for owners.

Rising rents

The combination of strong occupier demand, current scarcity of suitable vacant buildings and limited new supply has produced an imbalance which is resulting in strong rental growth in most regions of England and around the M25 (see CBRE chart below), following similarly attractive rental growth reported by CBRE in 2014.

Pre-let deals for Big Boxes are often completed at a premium to the prevailing market rent, as tenants are keen to secure the opportunity and developers seek the benefit of growth in the period between transaction and delivery of the completed building, often around a year or so after agreeing terms.

The estimated rental value of our portfolio (based on an independent valuation by CBRE as at 31 December 2015) has shown a like-for-like increase of c.7.0% against the same assets held at 31 December 2014.

Changing investment yields

The increased importance of Big Boxes to tenants has served to heighten investment demand, resulting in compressed yields in recent years, as shown in the chart below.

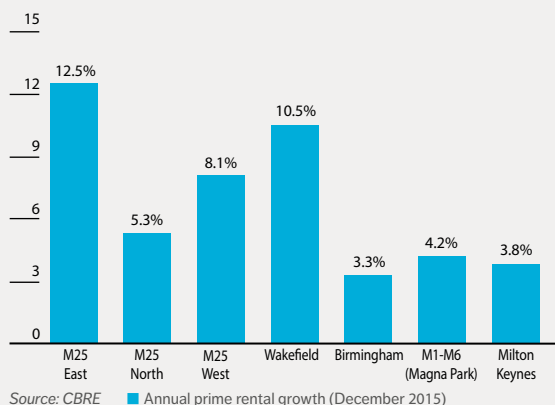
Historically, prime retail yields of around 4% were the norm. This low yield reflected limited property fabric obsolescence and reliable rental growth from strong occupational demand. Industrial property attracted yields of 6.5% or more, due to higher perceived obsolescence and abundant land supply,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

The relationship between retail and industrial yields has been reversing, however, with high street retail under pressure from shopping centres and online sales, while prime logistics are benefiting from e-commerce sales growth, lower obsolescence (due to increase in size and technology), tight land supply and the cost savings delivered by scale. As a result, prime yields in the two sectors are converging (see graph below). We believe that this change in relationship reflects a structural long-term yield repositioning.

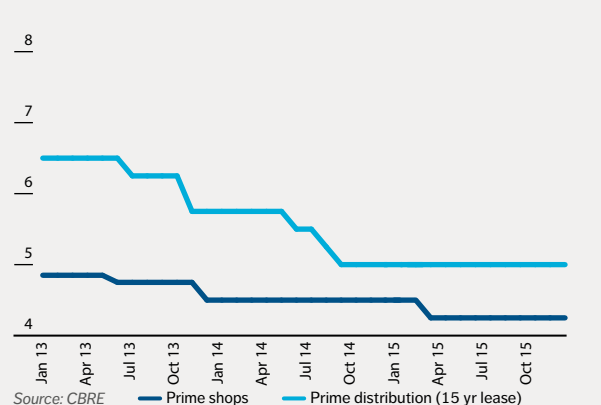
Prime logistics yields have reduced from around 6.5% in January 2013 to 5.00% as at December 2015, compared to prime shops which have improved very little over the same period, from 4.85% to 4.25%.

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

Strong rental growth in the UK market (%)



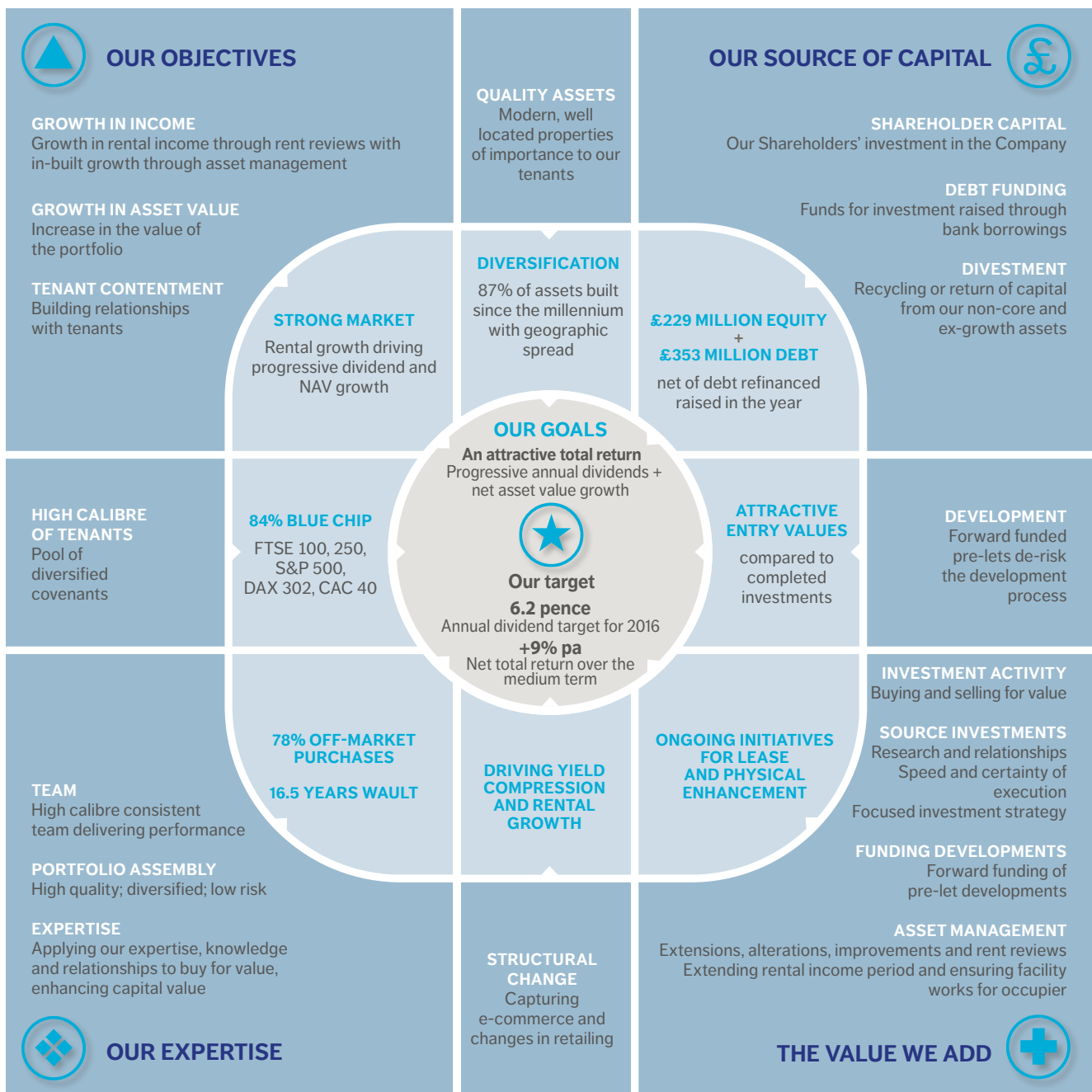
Prime UK investment yields: retail versus distribution (%)



STRATEGIC REPORT

OUR BUSINESS MODEL


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




The value we add

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

The Manager's expertise and market knowledge enable us to assess an investment opportunity rapidly and give vendors a decision promptly. We can also complete transactions quickly, but always following thorough due diligence. This speed and certainty of execution is highly attractive to vendors; the highest offer is not always deliverable, so price is not the only consideration.

We have a clear investment policy  but we are also pragmatic. We will buy smaller assets or assets with shorter leases, where we see an opportunity to add value for Shareholders, for example due to a near-term lease expiry where we believe we can re-gear the lease or re-let within a short period. Buying smaller properties reduces the risk inherent in the investment and provides building size diversity. We buy assets directly, but where possible we acquire the special purpose vehicle that owns the asset, thus reducing our acquisition costs.

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

The Manager's relationships with developers are increasingly enabling us to invest in forward funded pre-let developments, through which we fund the construction of a Big Box which has been pre-let to a specific tenant. For more information on this see The Opportunity in Forward Funded Development .

Sustaining our advantage

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

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

Delivering returns

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

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

 See **Our Investment Policy** p24


 See **The Asset Management Opportunity** p22-23

 See **The Opportunity in Forward Funded Development** p40-43

STRATEGIC REPORT: OUR BUSINESS MODEL

THE ASSET MANAGEMENT OPPORTUNITY

Our asset management strategy focuses on creating value throughout an asset’s life cycle. When selecting assets to buy, the potential to grow income and enhance capital value through lease and physical enhancement are key considerations.

We categorise our assets into one of our three investment pillars . In particular, 14.83% our portfolio comprise “value add” assets. These are typically let to tenants with strong covenants, but offer the potential, through asset management to turn them into foundation assets.

 See **Our acquisition focus** p24



1. Our tenant led approach

Close relationships with our tenants provide us with market intelligence and allow us to better understand their businesses, supply chain strategy, occupational requirements and budget both now and in the future.

Where a tenant occupies more than one property within our portfolio, we apply a holistic and co-ordinated approach with the potential for occupational flexibility.

Apply a holistic approach where our tenant occupies more than one property within the portfolio, adopting a co-ordinated strategy which provides the potential for flexibility in respect of their occupational property requirements.

2. Growing our income

Our portfolio offers potential for income growth from rent reviews. Open market rent reviews comprise 50% of our portfolio by income, allowing us to capture the strong rental growth currently evident in the market and which we expect to continue in the short to medium term. 26% is subject to fixed or minimum rental uplifts providing predictable increases in income. 18% have capped RPI indexed rent reviews. One property representing 6% is a hybrid of the first two.

We work closely with occupational agents gathering comparable market evidence from recent rental transactions to cross-reference the open market rent review knowledge held by our rent review surveyors.

3. Lengthening our income

We typically buy assets that are strategically important to our tenants. Lease extensions allow our tenants to protect their operations and capital investment at the site, while

increasing the length of our rental income and can increase the capital value of our investment.

Rent reviews can provide the opportunity to open discussions, particularly if income is over-rented, where there is potential to agree a rent reduction or smaller rental increase in exchange for an extension to the lease term, thereby enhancing capital value.

4. Strengthening our income

Our portfolio is 100% let, however, in the event that a tenant no longer requires the property, we may be able to negotiate a surrender premium while simultaneously re-letting the unit to a new and potentially financially stronger occupier. This can provide us with an improved investment value.

Growth covenant assets make up 15.02% of our portfolio by value. These are typically fundamentally sound assets in good locations, but let to tenants we perceived were undervalued at the time of purchase and which have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects, thereby strengthening our income. These assets can offer value enhancement through yield compression.

5. Protecting value

Our regular inspections ensure that the tenant is meeting its obligations for maintaining the building in good condition during the lease term and that alterations are reinstated upon lease expiry. We constantly monitor the financial strength of our tenants by appraising their accounts to access the security of the rent receivable together with researching whether there have been any changes in ownership and what impact this may have. These procedures serve to protect value.

6. Creating value

To drive operational efficiency, our tenants often look to invest significant capital expenditure via racking, automated conveying, mechanical handling systems and mezzanine levels to increase floor area capacity. We typically acquire assets which are well configured and have low site cover in order to allow for future occupational flexibility. A tenant may need to extend an existing building, alter the unit's layout or specification, add an additional unit on the same site, adjacent site or elsewhere in the UK. Such building expansion or operational improvements can allow us to commit capital expenditure, in return for higher rent and/or an extension to the lease term.

As part of our asset management strategy we also incorporate responsible business initiatives by encouraging tenants to make environmental enhancements. Highly mechanised buildings and those with mezzanine floors can be energy hungry given the scale of heating, lighting and power requirements. By adding roof-mounted solar panels or wind turbines we can improve a property's EPC rating as well as reduce the tenant's operational costs and support their sustainability commitments. If we are able to fund these works, this produces an additional income stream and improves the quality of the property (→ see Responsible Business page 28).

We would consider selling an ex-growth asset if we have unlocked value and can recycle the proceeds into a more attractive opportunity or return capital to shareholders.




STRATEGIC REPORT

OUR STRATEGY AND OBJECTIVES

Our investment policy

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

- are let and income producing, or are pre-let forward funded developments. We do not invest in speculative (ie unlet) developments;
- have institutional-grade tenants, with sound businesses and/or good growth potential;
- are in the right strategic locations in the UK, with strong transport connections and good workforce availability;
- are of a size, age and specification that meet the requirements of major tenants (and, where possible, include expansion options);
- have institutional-standard leases, with regular upward-only rent reviews and a typical unexpired lease length on purchase of 12-25 years, to provide long-term and secure income flows; and
- show evidence that the site is strategically important to the tenant, such as extensive investment in fitting-out the property or proximity to the tenant's market or other key assets.

As noted in the Chairman's Statement  on page 4, we amended our investment policy during the year, to remove the limit on forward funded pre-let developments, increase the number of FTSE 350 tenants to which the Company may have a maximum 30% exposure from one to two, and to remove the restriction on the use of hedging to a single asset.



Our acquisition focus


The assets we acquire typically fall into one or more of our three investment pillars:

- **Foundation** – The quality and sustainability of our rental income underpins our business. Foundation assets provide our core, low risk income. They are usually let on long leases to tenants with excellent covenant strength. The buildings are commonly new or modern and in prime locations, and the leases have regular upward-only rent reviews, often either fixed or linked to inflation indices.
- **Value add** – These assets are typically let to tenants with strong covenants and offer the chance to grow the assets' capital value or rental income, through lease engineering or physical improvements to the property. We do this using our asset management capabilities and understanding of tenant requirements. These assets are usually highly re-lettable.
- **Growth covenants** – These are fundamentally sound assets in good locations, but let to tenants we perceive to be undervalued and who have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects. These assets offer value enhancement through yield compression.

Our objectives 

We have set clear objectives, which reflect our aim of creating value for Shareholders. In particular, we have targets for our annual dividend and net total return (dividend paid plus growth in net asset values). These targets assume we are fully invested and geared:

- **Dividends.**  We achieved our 2015 target of 6.0 pence per share. For 2016, we are targeting a total dividend of 6.2 pence per share, with the target of continued progressive dividend growth thereafter.
- **Total return.**  Our total return for 2015 of 19.4% exceeded our medium-term target of 9%+ pa.

At the year end, our NAV was £841 million. Subsequent to the year end and following the £200 million equity raising in February 2016, we have surpassed our original ambition of reaching £1 billion of NAV. We have a longer-term ambition to continue to grow the Company. This should deliver a number of scale-related benefits for Shareholders as well as continued diversification and risk dilution, as described in Our Business Model  on pages 20-21.

-  See **Chairman's Statement** p4-5
-  See **Our Business Model** p20-21
-  See **Manager's Report** p32-43
-  See **Responsible Business** p28

Our operational strategy



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

STRATEGIC AREA	IMPLEMENTATION AND BENEFITS
<p>Management team Recruit and retain a knowledgeable and talented management team, committed to delivering value to Shareholders.</p>	<p>The Manager has a team dedicated to running the Group, comprising highly experienced and qualified people with a track record of success in the Big Box sub-sector. The reputation and track record of the management team in the Big Box sub-sector has helped the Company buy 78% of its assets off market, delivering value to Shareholders.</p> <p>The Manager's team regularly update their expertise through continuing professional development. During 2015, the Manager strengthened its team with the addition of a Deputy Company Secretary.</p>
<p>Tenants Develop and maintain a deep understanding of the businesses that use our space, to create long-term partnerships.</p>	<p>Building relationships with tenants enables us to work with them to deliver asset management initiatives that meet their business objectives and unlock value for us. Letting several properties to one tenant also creates opportunities for mutually beneficial initiatives, for example by limiting rent increases on one property in return for extending the lease term on another, while still creating value enhancement to our portfolio.</p> <p>In 2015, we continued to meet our tenants to discuss their business plans and completed a review of asset enhancement initiatives plus a "green review" to assess opportunities for environmentally beneficial initiatives such as solar panels.</p>
<p>Operational excellence Rigorously control costs and operational efficiencies, without compromising growth or reputation.</p>	<p>We have a simple and transparent cost base, which largely comprises the Management fee, the Directors' fees, and accounting, audit, compliance and regulatory fees. This helps us to focus on efficiency and achieve one of the lowest total expense ratios in our peer group.</p> <p>Our success in building the portfolio, through an average of one acquisition per month since listing, also demonstrates the quality of the Manager's operations and its team.</p>
<p>Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.</p>	<p>The Group is financed through equity and medium-term debt. Using debt can increase Shareholder returns and allows us to further diversify our portfolio. We invest the proceeds of any equity issuance before drawing down debt, to limit our interest expense and maximise returns on equity. We are targeting an LTV over the medium term of 40%, which we believe is conservative given the quality and low risk nature of our investments.</p> <p>The refinancing during 2015 further reduced our capital risk. More information can be found in the Manager's Report ↔ on page 32-43.</p>
<p>Corporate responsibility Strive to assume our corporate responsibilities towards society and the environment, in every part of our business.</p>	<p>As an externally managed investment company without any employees, the Group's opportunities to make a significant impact in this area are minimal. Even so, we aim to work responsibly, by buying buildings with A, B or C Energy Performance Certificate ratings where possible and working with tenants to help them achieve their sustainability goals. More information can be found in Responsible Business ↔ on page 28.</p>

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive low risk returns to Shareholders, by executing the investment policy described on page 24. Set out below are the key performance indicators we use to track our progress.

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE	RESULT
<p>1. Total return (TR) </p> <p>TR measures the change in the EPRA net asset value over the period plus dividends paid. We are targeting a TR in excess of 9% per annum over the medium term.</p>	TR measures the ultimate outcome of our strategy, which is to deliver value to our Shareholders through our portfolio and to deliver a secure and growing income stream.	19.4% for the year to 31 December 2015 (2014: 10.45%).	2.2 times that of our medium-term TR target.
<p>2. Dividend </p> <p>Dividends paid to Shareholders and declared in relation to the year. Our target for 2015 was a total dividend of 6.0 pence per share.</p>	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our TR.	6.0 pence per share for the year to 31 December 2015 (2014: 4.15 pence per share). We achieved our target dividend in 2015 and have increased our dividend target to 6.2 pence per share for 2016.	Met dividend target for 2015 and increased target for 2016.
<p>3. EPRA NAV per share*</p> <p>The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.</p> <p><small>* EPRA earnings, EPRA NAV and EPRA EPS are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We use these alternative metrics as they provide a transparent and consistent basis to enable comparison between European property companies</small></p>	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	124.68 pence at 31 December 2015 (2014: 107.57 pence).	Increase in EPRA NAV per share over the year by 17.11 pence (15.9%).
<p>4. Loan to value ratio (LTV) </p> <p>The proportion of our property portfolio that is funded by borrowings. Our medium-term LTV target is 40%.</p>	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	33.2% at 31 December 2015 (2014: 32.9%).	6.8 percentage points below our medium term LTV target of 40%.
<p>5. Adjusted earnings per share</p> <p>Post-tax Adjusted EPS attributable to Shareholders, which includes the licence fee receivable on our forward funded development assets  see note 13 p90.</p>	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	6.12 pence per share for the year to 31 December 2015 (2014: 4.86 pence).	Reflects our 6.0 pence dividend for 2015, as fully covered by adjusted EPS.
<p>6. Total expense ratio (TER)</p> <p>The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period. Over the medium term, we are targeting a TER of 1% or below per annum.</p>	The TER is a key measure of our operational excellence. Keeping costs low supports our ability to pay dividends.	1.09% for the year to 31 December 2015 (2014: 1.13%). Our TER is one of the lowest in our peer group.	TER reduced by 0.04 percentage points. Our TER is expected to reduce as our Company grows.
<p>7. Weighted average unexpired lease term (WAULT)</p> <p>The average unexpired lease term of the property portfolio, weighted by annual passing rents. Our target is a WAULT of at least 12 years.</p>	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	16.5 years at 31 December 2015 (2014: 13.9 years). The increase in the WAULT reflects the quality of the assets we have added to the portfolio and the benefit of forward funded pre-let investments, which typically come with long lease terms.	+2.6 years vs. December 2014.

EPRA PERFORMANCE MEASURES

The table below shows additional EPRA performance measures, which we provide to aid comparison of our performance with other European real estate businesses.

KPI AND DEFINITION	PURPOSE	PERFORMANCE
<p>1. EPRA Earnings Earnings from operational activities (which excludes the licence fee receivable on our forward funded development assets). → see note 13 p90</p>	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£29.23 million / 4.70 pence per share for the year to 31 December 2015 (2014: £12.75 million/4.60 pence per share).
<p>2. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. → see note 28 p103</p>	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	£845.67 million / 124.68 pence per share as at 31 December 2015 (31 December 2014: £506.12 million/107.57 pence per share).
<p>3. EPRA NNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.</p>	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£841.10 million / 124.01 pence per share as at 31 December 2015 (31 December 2014: £503.53 million/107.02 pence per share). All debt as at 31 December 2015 is floating rate debt, which has been valued at par. We believe that all margins payable would still be achievable is the current market.
<p>4.1 EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.</p>	This measure should make it easier for investors to judge for themselves how the valuation of portfolio X compares with portfolio Y.	4.93% at 31 December 2015 (31 December 2014: 5.52%).
<p>4.2 EPRA 'Topped-Up' NIY This measure adjusts the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).</p>	As for the EPRA NIY above.	4.95% at 31 December 2015 (31 December 2014: 5.56%).
<p>5. EPRA Vacancy Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.</p>	A "pure" (%) measure of investment property space that is vacant, based on ERV.	0.00% as at 31 December 2015 (2014: 0.00%).
<p>6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.</p>	A key measure, to enable meaningful measurement of the changes in a company's operating costs.	17.9% for the year to 31 December 2015 (2014: 19.4%). This ratio both includes and excludes vacancy costs.

STRATEGIC REPORT

RESPONSIBLE BUSINESS

Operating a responsible and sustainable business is essential to the continued long term financial success of our Company. During 2015 we undertook a “green review” of our assets. This review was to build on our pre-acquisition intelligence and identify any areas of opportunity or concern.

As a responsible owner of investment assets we believe that our properties should, whenever possible, fulfil their purpose whilst minimising impact on their surroundings and the broader environment. We encourage sustainability, both in new development, maintaining and upgrading existing building fabric and by encouraging our tenants to adopt sustainable principles in their business activities.

The property industry predominantly uses two different measures to assess building energy efficiency and environmental impact: the Energy Performance Certificate (EPC) and the Building Research Establishment Environmental Assessment Methodology (BREEAM).

An EPC, required by law whenever a building is bought, sold or rented, gives a property an energy efficiency rating from A (most efficient) to G (least efficient). The Minimum Energy Efficiency Standards (MEES), which implement the UK Energy Act 2011, place requirements on Landlords to ensure that leased assets achieve EPC ratings at above the grades of F or G by 2018 and this is a key criterion of our pre-acquisition review. By gross internal area our portfolio is rated: “A” 31%, “B” 20% and “C” 30%. None of our properties are rated “F” or “G”.

BREEAM is voluntary. It measures the sustainability of buildings via six ratings ranging from “Outstanding” to “Unclassified”. We expect all of our pre-let developments to achieve ratings of at least “Very Good”.


Before acquiring an existing investment property or forward funded development, we consider material environmental risks such as EPC rating, flood and storm risk, connectivity

and circulation, planning requirements and we commission an environmental survey that includes a review of previous site uses. For forward funded developments we also consider the specification, construction method and environmental design elements such as rainwater harvesting and renewable power.

Each of our Big Box assets are currently let to a single tenant. We aim to develop strong and open relationships with them, regularly reviewing and discussing their property requirements with a view to creating and maintaining fit for purpose Big Boxes which suit their needs and which are environmentally efficient. Part of the business plan for each asset includes identifying potential opportunities to enhance its environmental attributes. We commissioned a review of our properties to assess the viability for roof mounted solar generated power and this initiative was well received by our tenants, strengthening our business relationships. Currently ten of our properties harvest rainwater and six utilise either solar or wind generated power and with our input we believe that this number will increase. Other initiatives include enabling rail connectivity, energy efficient lighting, insulation and plant replacement.

The Company purchases no utilities and has no influence, through the terms of the leases on its properties, on aspects such as greenhouse gas emissions or water consumption, which are the responsibility of the tenant. Consequently the Company does not submit performance data to benchmarking indices such as Global Real Estate Sustainability Benchmark. The Company does benefit from a range of tenants which publicly publish commitment to such items and disclose initiatives to achieve CSR targets. These can involve an application for Landlord’s consent in order to vary operational practices ranging from recycling to improving staff facilities such as the construction of a gymnasium, canteen or staff shop.

These factors combined help to improve the long term sustainability of our assets, underpinning potential for longer term income and makes those properties better suited to the business needs of our tenants.

The Company does not have any employees and does not maintain its own office space. The Board is comprised of four male Non-Executive Directors. Our business is based solely in the UK and we consider the risk of human rights abuses for the Company to be low. It is important to us and to the continued service we receive from the Manager, that it has effective employment practices in place. The Manager has a bespoke bonus payment policy  and a low staff turnover rate.



OUR PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Approach to managing risk

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

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

Principal risks and uncertainties

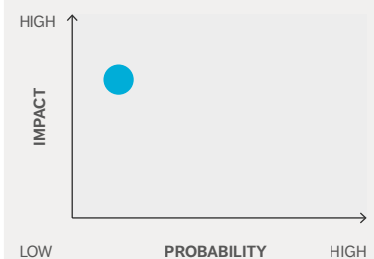
Our principal risks and uncertainties are set out below. They have the potential to affect materially our business, either favourably or unfavourably. Some risks may currently be unknown, while others that we currently regard as immaterial, and have therefore not been included here, may turn out to be material in the future.

PROPERTY RISKS

Default of one or more of our tenants.

IMPACT The default of one or more of our tenants would immediately reduce revenue from the relevant asset(s). If the tenant cannot remedy the default and we have to evict the tenant, there may be a continuing reduction in revenues until we are able to find a suitable replacement tenant, which may affect our ability to pay dividends to Shareholders.

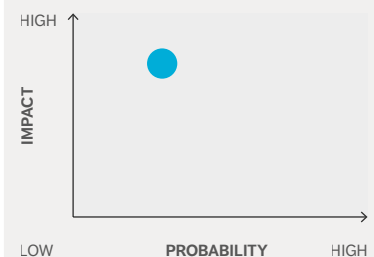
MITIGATION Our investment policy limits our exposure to any one tenant to 20% of gross assets or, where tenants are members of the FTSE, up to 30% each for two such tenants. This prevents significant exposure to a single retailer. To mitigate geographical shifts in tenants' focus, we invest in assets in a range of locations, with easy access to large ports and key motorway junctions. Before investing, we undertake thorough due diligence, particularly over the strength of the underlying covenant. We select assets with strong property fundamentals (good location, modern design, sound fabric), which should be attractive to other tenants if the current tenant fails. In addition, we focus on assets let to tenants with strong financial covenant strength in assets that are strategically important to the tenant's business.



The performance and valuation of our property portfolio.

IMPACT An adverse change in our property valuations may lead to a breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to Shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our NAV.

MITIGATION Our property portfolio is 100% let, with long unexpired weighted average lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews, which are either fixed, RPI/CPI linked or at open market value. These factors help maintain our asset values. We have agreed banking covenants with appropriate headroom and manage our activities to operate well within these covenants. We constantly monitor our covenant headroom on LTV and interest cover. This headroom is currently substantial.



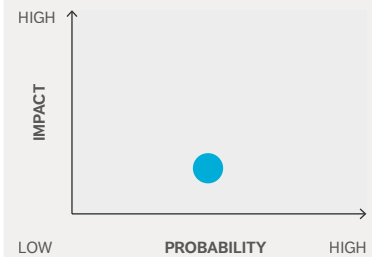
STRATEGIC REPORT: OUR PRINCIPAL RISKS AND UNCERTAINTIES

PROPERTY RISKS CONTINUED

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

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

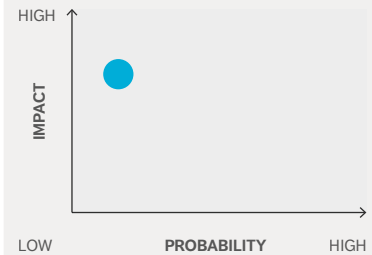
MITIGATION We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors and developers in the sector, giving us the best possible opportunity to secure future acquisitions. We are not exclusively reliant on acquisitions to grow the portfolio. Our leases contain upward-only rent review clauses and we have a number of asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio.



Our property performance will depend on the performance of the UK retail sector and the continued growth of online retail.

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

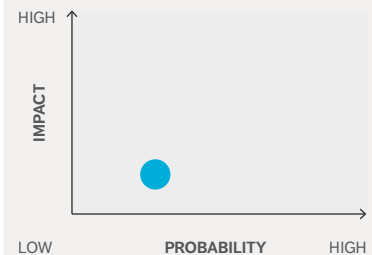
MITIGATION The diversity of our institutional-grade tenant base means the impact of default of any one of our tenants is low. In addition to our due diligence on tenants before an acquisition or, in the case of forward funded developments, before agreeing the lease terms, we regularly review the performance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



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

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

MITIGATION Only five of our 25 assets are forward funded assets, representing 24.7% of the value of our portfolio (on a completed basis). All of these assets are pre-let to institutional-grade tenants. Any risk of investment into forward funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost overruns. Funds for these developments remain with us and are only released to the developer on a controlled basis subject to milestones as assessed by our professional surveyors.

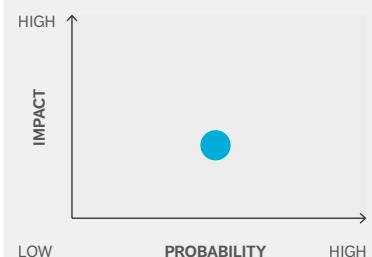


FINANCIAL RISKS

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

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

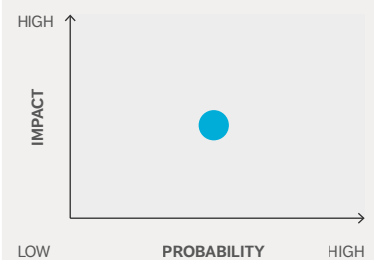
MITIGATION We have entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to Libor rises and have terms coterminous with the loans. We aim, where reasonable, to minimise the level of unhedged debt with Libor exposure, by taking out hedging instruments with a view to keeping variable rate debt approximately 90%+ hedged.



A lack of debt funding at appropriate rates may restrict our ability to grow. (€)

IMPACT Without sufficient debt funding, we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, either to increase the level of debt or re-finance existing debt, this will impair our ability to maintain our targeted level of dividend.

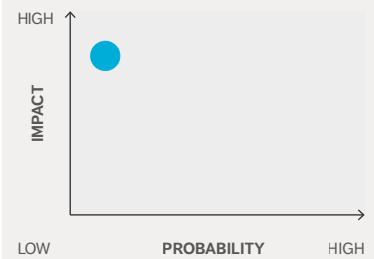
MITIGATION Before we contractually commit to buying an asset, we enter into discussions with our lenders to get an outline heads of terms on debt financing. This allows us to ensure that we can borrow against the asset and maintain our borrowing policy. The Board keeps our liquidity and gearing levels under review. We only enter into forward funding commitments if they are supported by available funds. In October 2015, we arranged a £500 million five year secured debt facility with a syndicate of four lenders. We had headroom of £150 million within the facility at the year end. This has created new banking relationships for us, which helps keep lending terms competitive.



We must be able to operate within our banking covenants.

IMPACT If we were unable to operate within our banking covenants, this could lead to default and our bank funding being recalled.

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

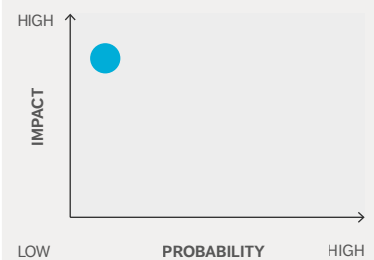


CORPORATE RISK

We rely on the continuance of the Manager.

IMPACT We continue to rely on the Manager's services and its reputation in the property market. As a result, our performance will, to a large extent, depend on the Manager's abilities. Termination of the Investment Management Agreement would severely affect our ability to effectively manage our operations.

MITIGATION Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 12 months' written notice, which may not be given before the fourth anniversary of the IPO. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship.



TAXATION RISK

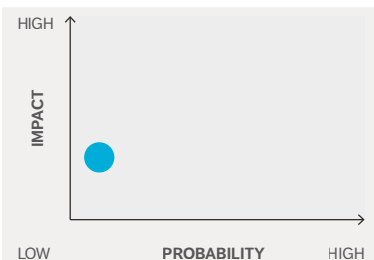
We are a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK Shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to Shareholders.

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

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

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

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



STRATEGIC REPORT

MANAGER'S REPORT

This was another successful year, during which we continued to implement the Group's investment and financing strategies, positioning it for further success.

Investment activity

The Group acquired an additional 11 assets in 2015, bringing the total to 25; the portfolio was 100% fully contracted and income producing at the year end. These are all high-quality assets, which further diversify the Group's portfolio by geography, tenant and size, and include five forward funded, pre-let developments. The acquisitions have also extended the Group's WAULT from 13.9 years to 16.5 years, while maintaining an attractive average purchase yield at 5.8%. The quality of the acquisitions reflects our ability to draw on our industry relationships to deliver value for Shareholders. We have minimised cash drag from equity raises by purchasing assets swiftly on the Group's behalf while exercising capital discipline.

Standing assets acquired in 2015**B&Q, Workshop**

→ See case study, **Foundation Assets** p36-37

Brake Bros, Harlow

Acquisition price:	£37.18 million
Net initial yield:	5.00%
GIA:	276,213 sq ft
Eaves:	11m
Built:	1988
Lease expiry:	July 2039



- One of Brake Bros' main UK regional distribution centres, in a core location close to the M11, the M25 and central London, providing distribution across the South-East
- New 25-year lease taken by Brake Bros in July 2014
- Five-yearly upward only rent reviews linked to annual RPI, with a cap of 5% per annum
- Comprehensive refurbishment, funded by the tenant
- Low site cover of c.35% offers expansion possibilities

Argos, Heywood

Acquisition price:	£34.10 million
Net initial yield:	5.31%
GIA:	395,186 sq ft
Eaves:	13.5m
Built:	1998
Lease expiry:	March 2028



- One of four main regional distribution centres for the Argos supply chain
- A high specification facility, incorporating modern design features including cross-docking
- Strategically located on the A58 trunk road linking Leeds and Manchester, approximately seven miles north of Manchester city centre, with the M62 approximately two miles to the south, providing good access to the North-West and the wider motorway network
- Low site cover of c.37% offers expansion possibilities

New Look, Newcastle-under-Lyme

Acquisition price:	£30.05 million
Net initial yield:	5.90%
GIA:	398,618 sq ft
Eaves:	12m and 15m
Built:	2007, extended 2011
Lease expiry:	January 2025



- One of two national and European distribution centres occupied by New Look at Lyndale Business Park
- A modern and highly specified facility, with multiple mezzanine floors. The tenant has invested significantly in the property, creating one of the UK's most advanced automated clothing distribution centres
- Situated in a major UK distribution location close to the M6, broadly equidistant from Manchester and Birmingham International Airports and around 52 miles from the Port of Liverpool

Tesco, Goole

Acquisition price:	£47.10 million
Net initial yield:	5.67%
GIA:	711,933 sq ft
Eaves height:	14m
Built:	2007
Lease expiry:	September 2032



- One of Tesco's principal regional distribution centres and a main hub for distributing general merchandise, ambient food and beverages
- A high specification unit, incorporating modern design features such as cross-docking, and a low site density of c.32%, potentially allowing for up to 150,000 sq ft of additional space within the site
- The location enjoys excellent road, rail and port connectivity. The M62 is within two miles, providing easy access to the North-East. The asset is close to the port of Goole's dedicated rail freight terminal and has the potential to be directly connected to the national rail network

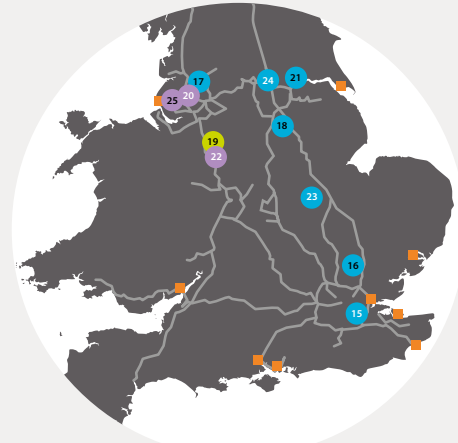
Our 2015 investments

MAP LOCATION AND TENANT

ACQUISITION DATE

15	Ocado, Erith	May 2015
16	Brake Bros, Harlow	June 2015
17	Argos, Heywood	April 2015
18	B&Q, Worksop	April 2015
19	New Look, Newcastle-under-Lyme	May 2015
20	Nice-Pak, Wigan	May 2015
21	Tesco, Goole	June 2015
22	Dunelm, Stoke-on-Trent	June 2015
23	Howdens, Raunds	October 2015
24	TK Maxx, Knottingley	September 2015
25	Matalan, Knowsley	December 2015

Key: ● Foundation asset ● Value add asset ● Growth covenant asset ① Forward funded development ■ Major port



Matalan, Knowsley

Acquisition price:	£42.38 million
Net initial yield:	6.27%
GIA:	578,127 sq ft
Eaves height:	15m
Built:	2006, extended 2014
Lease expiry:	September 2036



- The asset is adjacent to Matalan's newly constructed office building and together they form its headquarters. Site cover is approximately 50%
- The tenant has invested heavily in the unit, creating an advanced automated clothing conveyor belt system across four mezzanine floors
- The property is approximately 11 miles east of Liverpool and 30 miles west of Manchester. It benefits from excellent transport links, being served by the M57, M56, M62, M58 and M6, and being close to the main airports in both Liverpool and Manchester, and to Liverpool Docks

Forward funded pre-let developments

Ocado, Erith

→ See case study, **Forward Funded Development** p42-43.

Nice-Pak, Wigan

Acquisition price:	£28.66 million
Net initial yield:	6.42%
GIA:	399,519 sq ft
Eaves:	c.11m
Practical completion:	Spring 2016
Lease expiry:	25 years from practical completion



- Located in Westwood Park, just south of Wigan town centre and approximately two miles from the M6, with good motorway connectivity to the rest of the UK and the West coast ports
- Pre-let on a new 25-year lease from practical completion, without break, subject to five-yearly upward only rent reviews indexed to RPI (collared at 2% per annum and capped at 4% per annum)
- The tenant intends to commit significant capital into the property through machinery and automation, in order to enhance production and distribution efficiency

Dunelm, Stoke-on-Trent

Acquisition price:	£43.43 million
Net initial yield:	5.47%
GIA:	526,426 sq ft
Eaves height:	15m
Practical completion:	February 2016
Lease expiry:	10 years from practical completion



- Strategically located approximately two miles from the M6 on the A500 dual carriageway, which connects to the A50 and A52, providing a key East-West link between the M6 and M1. The site has good access to the Port of Liverpool and Manchester and Birmingham Airports
- Dunelm intends to commit significant capital into this property. It already occupies two smaller units at nearby Prologis Park, Stoke, together totalling approximately 500,000 sq ft. When combined with this new site, these three buildings will form Dunelm's national distribution hub

Howdens, Raunds

Acquisition price:	£67.00 million
Net initial yield:	5.03%
GIA:	657,000 sq ft
Eaves height:	15m
Practical completion:	June 2016 target
Lease expiry:	30 years from practical completion



- Strategically located on the A45 corridor, approximately three miles from J13 of the A14, which provides access to the ports of Felixstowe and Harwich and direct links to the A1(M) and M1. The site is close to Northampton and Thrapston, which have a strong Big Box logistics presence and demand
- The building will have modern specifications, including cross-docking

TK Maxx, Knottingley

Acquisition price:	£59.00 million
Net initial yield:	5.32%
GIA:	638,745 sq ft
Eaves height:	17m
Practical completion:	January 2017 target
Lease expiry:	20 years from practical completion



- Strategically located at the junction of the M62 and A1, providing good access to Leeds, Manchester and the ports of Liverpool and Hull. The facility is expected to benefit from planned lane expansion on the M62 and from the upgrade of the A1 to motorway status
- The facility will accommodate three mezzanine floors, to create an additional c.765,000 sq ft of usable space
- The lease will be subject to five yearly upward-only rent reviews indexed to RPI, providing a minimum 1% per annum rental growth (capped at 3% per annum)

STRATEGIC REPORT: [MANAGER'S REPORT](#)**Portfolio summary**

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

TENANT	LOCATION	MONTH OF ACQUISITION	NET PURCHASE PRICE £m	PURCHASE NIY %	SIZE sq ft*	NEXT RENT REVIEW DATE
Sainsbury's Supermarket Ltd	Leeds	December 2013	48.75	6.65	571,522	May 2018
Marks & Spencer plc	Castle Donington	December 2013	82.58	5.20	906,240	December 2016
Tesco Stores Ltd	Chesterfield	March 2014	28.64	6.60	501,751	May 2020
Tesco Stores Ltd	Didcot	April 2014	27.20	6.90	288,295	August 2019
Next Group plc	Doncaster	June 2014	60.00	6.07	755,055	March 2018
Wm Morrison Supermarkets Ltd	Sittingbourne	June 2014	97.80	5.20	919,443	June 2016
DHL Supply Chain Ltd	Langley Mill	August 2014	17.53	6.50	255,680	August 2019
DHL Supply Chain Ltd	Skelmersdale	August 2014	28.87	6.50	470,385	August 2019
Wolseley UK Ltd	Ripon	August 2014	12.24	6.73	221,763	September 2016
Rolls-Royce Motor Cars Ltd	Bognor Regis	October 2014	36.98	6.25	313,220	September 2020
CDS (Superstores International) Ltd (trading as The Range)	Thorne	November 2014	48.50	6.10	750,431	October 2017
Tesco Stores Ltd	Middleton	December 2014	22.45	8.25	302,111	December 2017
Kuehne + Nagel Ltd*	Derby	December 2014	29.27	6.00	343,248	April 2017
L'Oréal (UK) Ltd	Manchester	December 2014	25.83	7.13	261,259	August 2016
Argos Ltd	Heywood	April 2015	34.10	5.31	395,186	March 2018
B&Q plc	Worksop	April 2015	89.75	5.13	880,175	November 2016
New Look Retailers Ltd	Newcastle-under-Lyme	May 2015	30.05	5.90	398,618	April 2017
Nice-Pak International Ltd	Wigan	May 2015	28.66	6.42	399,519	February 2021
Ocado Holdings Limited [†]	Erith	May 2015	101.73	5.25	563,103	April 2021
Brake Bros Ltd	Harlow	June 2015	37.18	5.00	276,213	July 2019
Tesco Stores Ltd	Goole	June 2015	47.10	5.67	711,933	October 2017
Dunelm (Soft Furnishings) Ltd	Stoke-on-Trent	June 2015	43.43	5.47	526,426	January 2021
TJX UK (trading as TK MAXX)	Knottingley	September 2015	59.00	5.32	638,745	January 2022
Howden Joinery Group Plc	Raunds	October 2015	67.00	5.03	657,000	June 2021
Matalan	Knowsley	December 2015	42.38	6.27	578,127	October 2021
Total			1,147.02	5.78	12,885,448	

* Guaranteed by Hays Plc

† Guaranteed by Ocado Group plc

‡ CBRE measured floor area

Total portfolio statistics

	NUMBER OF ASSETS	VALUATION	VALUATION NIY	ANNUAL CONTRACTED RENT	WAULT
Portfolio	25	£1.31 billion	4.93%	£68.37 million	16.5yrs

Total portfolio

The portfolio's long WAULT means that 57% of the rent roll does not expire for more than 15 years. The spread of the rent review profile over the next few years supports the Group's ability to deliver income growth, which underpins its progressive dividend policy.

Valuation and portfolio value growth

CBRE independently valued the portfolio as at 31 December 2015, in accordance with the RICS Valuation – Professional Standards January 2014. CBRE valued the properties individually, without applying a premium or discount to the portfolio as a whole.

The total value of the portfolio at the year end was £1.31 billion, including forward funded commitments, compared with the assets' aggregate purchase price of £1.15 billion, excluding purchase costs. This represents a valuation increase of £164.03 million or 14.3%, when compared to the property purchase prices excluding acquisition costs.

The valuation increase reflects strong investment demand, the hardened yields discussed in Our Market [↔](#) and our ability to source investments for the Group at attractive prices.

	31 December 2015 £'000	31 December 2014 £'000
Investment properties per the Group Statement of Financial Position	1,157,854	586,179
Forward funding prepayments	–	27,204
Cost to complete forward funded developments	139,221	–
Licence fees receivable	4,602	1,587
Restricted cash	9,378	4,310
Total portfolio valuation	1,311,055	619,280

Financial results

Operating profit under IFRS was £142.69 million for the year (2014: £46.67 million). This increase reflects:

- the growth of the underlying portfolio, with the contracted rent roll increasing to £68.37 million across 25 assets (2014: £36.16 million across 14 assets);
- the portfolio's strong rental income, which equates to a yield based on book cost of 5.78%;
- the gain of £106.75 million (2014: £31.67 million) recognised on revaluing the Group's investment properties at the year end, which was calculated after accounting for all costs associated with asset purchases during the year; and
- the Group's low and predominantly fixed cost base, with the TER reducing to 1.09% for the year (2014: 1.13%). This continues to compare very favourably with the Company's peers.

Administrative and other expenses, which include management fees and other costs of running the Group, were £7.83 million (2014: £3.60 million), equivalent to 0.60% (2014: 0.58%) of the portfolio's gross valuation (including forward funded commitments) at 31 December 2015.

Net financing costs for the year were £8.71 million (2014: £4.82 million), including a reduction in the fair value of interest rate derivatives of £1.99 million (2014: £2.58 million). Further information on financing and hedging is provided below.

Total profit before tax for the year was £133.98 million (2014: £41.84 million), which resulted in basic earnings per share of 21.56 pence (2014: 15.10 pence).

The Group's EPRA earnings per share for the year were 4.70 pence (2014: 4.60 pence). The EPRA NAV per share at 31 December 2015 was 124.68 pence (31 December 2014: 107.57 pence). A full list of EPRA performance measures is provided [↔](#) on page 27.

The Group's Adjusted earnings per share for the year were 6.12 pence (2014: 4.86 pence). The Adjusted earnings per share figure takes EPRA earnings per share and adds the developer's licence fees received on forward funded developments. We see this as the most relevant measure when assessing dividend distributions. Further information is set out in note 13 [↔](#) to the financial statements.

[↔](#) See **Our Market** p16-19

[↔](#) See **EPRA Performance Measures** p27

[↔](#) See **note 13** p90

STRATEGIC REPORT: **MANAGER'S REPORT**

FOUNDATION ASSETS

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



B&Q, WORKSOP



Acquisition price:	£89.8 million
Net initial yield:	5.13%
GIA:	880,175 sq ft
Eaves height:	14-24m
Built:	2005
Lease expiry:	November 2031
On/Off-market:	Off-market

Foundation assets
make up

75.15%

of our portfolio by value

Our foundation assets

Map location and tenant

- 1 Sainsbury's, Leeds
- 2 M&S, Castle Donington
- 4 Tesco, Didcot
- 6 Morrisons, Sittingbourne
- 7 DHL, Langley Mill
- 8 DHL, Skelmersdale
- 10 Rolls-Royce Motor Cars, Bognor Regis
- 13 Kuehne + Nagel, Derby

Map location and tenant

- 15 Ocado, Erith
- 16 Brake Bros, Harlow
- 17 Argos, Heywood
- 18 B&Q, Worksop
- 21 Tesco, Goole
- 23 Howdens, Raunds
- 24 TK Maxx, Knottingley



Key: ● Foundation asset 1 Forward funded development ○ Case study ■ Major port

CASE STUDY: B&Q, WORKSOP

A modern facility benefiting from significant capital investment

In April 2015, the Group acquired the B&Q Core Products National Distribution Centre at Worksop, Nottinghamshire. The high-specification property was purpose built in 2005 for B&Q and is designed to manage the tenant's wide product range.

This 880,175 sq ft asset was acquired with an unexpired lease term of approximately 16.5 years. It is currently let at a rent of approximately £4.7 million per annum (£5.34 per sq ft), which is subject to five-yearly rent reviews to the higher of the open market rent or RPI, capped at 5% per annum. The next review is due in November 2016.

It is well located in the East Midlands, adjacent to the A57 which links directly to both the A1 to the East and M1 to the West. The facility incorporates modern design features and benefits from very significant capital investment by the tenant, including a fully automated racking system.

The property benefits from power generated by a wind turbine. The Manager is currently in discussion with the tenant in relation to the potential to install solar panels thereby reducing operational costs to the tenant and creating an income stream for us as landlord.



The facility holds around **60%** of B&Q's UK stock by value

A prime, high specification Big Box

- Exceptionally low site cover of **24%**
- Planning consent is in place to increase the facility to a total of **1.1 million sq ft**
- **71** loading bays and **360** degree circulation
- The facility processes c.**400** vehicle movements a day

STRATEGIC REPORT: **MANAGER'S REPORT****Financing and hedging** 

On 2 February 2015, 30 April 2015 and 13 May 2015, the Group agreed three new term loan facilities with Barclays Bank PLC, with a combined value of £68.38 million. Two of the loans had terms of five years and one had a four year term. The loans were secured individually against the forward funded development asset pre-let to Rolls-Royce Motor Cars and the freehold assets let to Kuehne + Nagel and B&Q respectively. These loans were subsequently refinanced into the larger syndicated facility as set out below.

On 14 July 2015, the Group agreed a new five-year term facility provided by Helaba for £50.87 million. This debt was secured against the forward funded development asset pre-let to Ocado in Erith and will be drawn over the remainder of the building's construction phase.

On 2 October 2015, the Group announced that it had agreed a new £500 million secured debt facility with a syndicate of four lenders: Barclays Bank PLC, Helaba, Wells Fargo Bank, N.A. and ING Real Estate Finance (UK) B.V.

The facility comprises:

- a £320 million term loan, which was drawn immediately;
- a further £80 million term loan, available to draw up to the first anniversary of the facility; and
- a £100 million revolving credit facility, including a £10 million overdraft component.

The facility has an opening margin of 1.40% above 3 month Libor, reducing the Group's average margin payable on its debt facilities, when fully drawn, from 1.77% to 1.42%. The facility extended the Group's average unexpired loan term to 4.67 years at 31 December 2015. Subject to lender support, the facility has two 12-month extension options, which the Group can exercise after year one and year two. The facility can also be increased to £700 million, again subject to lender support.

The margin applied to the facility has the ability to reduce to 1.30% in the final three years of the loan term, providing that the LTV is below a certain threshold.

The Group has used the facility to refinance £253.34 million of its existing debt, which had been provided by Barclays and Santander. The Group's existing loans with Helaba remain outside the facility and are unaffected.

The loans that were refinanced were not subject to any early redemption charges, nor was the Group required to write-off any unamortised arrangement fees relating to the old facilities.

The facility is secured against a portfolio of the Group's assets with a cross-collateralised framework and an additional guarantee provided by the Company. The security under this facility currently includes all but one of the Group's forward funded development assets, with the same margin being applied to both the forward funded and standing assets included in the security framework.

The facility provides the Group with the operational flexibility it requires. As at the year end, there was £150 million of headroom under the facility. The headroom is set aside to allow the Group to meet its remaining forward funding commitments, as well as providing additional capacity to fund any prime opportunities that the Company wishes to purchase. The option to increase the facility to £700 million, which is not a current commitment from the lenders, has been put in place to assist with future growth ambitions.

At the year end, the Group had total long-term bank borrowings of £385.04 million (31 December 2014: £203.64 million). This resulted in a LTV ratio of 33.2% (31 December 2014: 32.9%). The Group continues to target a LTV in the medium term of 40%, which we believe is conservative given the quality and low risk nature of the portfolio.

Lender	Asset	Expiry date	Amount drawn at 31 December 2015 £m
Syndicate	Portfolio	October 2020 ¹	350.00
Helaba	DHL, Langley Mill	November 2019	7.06
Helaba	DHL, Skelmersdale	November 2019	11.60
Helaba	Ocado, Erith	July 2020 ²	16.38
Total			385.04

¹ Two one year extension options available

² One year extension option available


The Group's hedging strategy is designed to minimise the effect of a significant rise in underlying interest rates. The terms of the new debt facility require the Group to put in place interest rate hedging in respect of at least 75% of the debt drawn under the facility. At the year end, the Group had in place derivative instruments that either fix or cap the interest rates on 99.95% of its drawn debt. These instruments comprise one interest rate swap and a number of interest rate caps, each running for the same term as the respective loan.

Our facility let to Morrisons, was one of three assets subject to a review in the period.




Taking into account the interest rate derivatives, this gives the Group a weighted average all-in running capped rate of borrowing on hedged debt of 2.94%, a substantial reduction from the prior year (2014: 3.81%). The actual average interest rate payable on the Group's debt was 2.01% (2014: 2.35%) per annum as at 31 December 2015.

Dividends

The Company declared aggregate dividends in respect of the year of 6.0 pence per share, as set out in the Chairman's Statement  on page 5. The dividend was fully covered by the Group's Adjusted EPS of 6.12 pence per share.

Asset management

The potential for adding capital value from asset management is a key consideration when we select assets for purchase. For an explanation of our approach to asset management see The Asset Management Opportunity  on pages 22-23.

Over the past two years, we have met and kept regular dialogue with each tenant, to discuss their corporate strategy, understand how the property fits into that strategy and assess the property's efficiency. This allows us to assess how we can help the tenant to meet its objectives, by either enhancing the property or by expansion. A number of tenants have indicated their commitment to the property and location with the opportunity to extend lease lengths or achieve their need for expansion, which may be incorporated within the existing site or through further land acquisition or in collaboration with neighbouring developers.

Timescales for delivery of potential extensions vary but we believe there are some promising opportunities for the Group. Significant projects may allow the Group to commit capital expenditure in return for increased and potentially enhanced rent or to initiate a re-gear of the lease, to extend for a longer term.


During the year, one open market rent review date arose, in respect of the property at Chesterfield, let to Tesco. We appointed specialist rent review surveyors to negotiate on the Group's behalf. This review has been referred to arbitration, which instigates a more formal process and timetable to proceedings. Based on the initial submissions to the arbitrator, the comparable evidence suggests that a healthy uplift is likely to be secured. The annual RPI and fixed rental uplifts at the facilities let to Morrisons and L'Oréal were settled in June 2015 and August 2015. This resulted in rental uplifts agreed at over 1% for Morrisons, Sittingbourne and 3% for L'Oréal, Trafford Park.

A number of tenants have completed building alterations or applied for the Group's consent to undertake them. These works have included installing sophisticated automation systems and constructing a link bridge to an adjoining new property. A number of these projects represent a significant capital commitment by the tenant, reflecting the property's importance to the tenant's distribution network. Where alterations improve the property's investment credentials, we will typically offer to fund the works in return for variations to the lease, so as to enhance value for the Group.

We have reviewed each property to assess the potential for environmental enhancements such as adding roof-mounted solar panels. This improves a property's EPC rating and offers power to tenants at lower rates, reducing their operational costs and supporting their sustainability commitments. If the Group is able to fund these works, this produces an additional income stream and improves the quality of the property.

Alternative Investment Fund Manager ("AIFM")

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




As part of this regulatory process, Langham Hall UK Depository LLP ("Langham Hall") is responsible for cash monitoring, asset verification and oversight of the Company's internal controls and risk management systems  see page 72 for a summary of their work and conclusions.

Company Secretary

On 7 May 2015, the Company announced our appointment as Company Secretary, replacing Taylor Wessing Secretaries Limited.

Tritax Management LLP Manager

16 March 2016

-  See **Chairman's Statement** p5
-  See **The Asset Management Opportunity** p22-23
-  See **Depository Statement** p72

THE OPPORTUNITY IN FORWARD FUNDED DEVELOPMENT +

We do not undertake speculative development (i.e. develop buildings without a tenant pre-let). We do, however, forward fund development, which allows us to capture much of the benefit of development without taking on many of the risks associated with traditional speculative development projects.

Capturing value for Shareholders while mitigating development risk

The Manager's experience, specialist knowledge and key relationships:

The Manager has a long track record of funding developments, as well as acting as a developer. This knowledge is recognised and valued by developers who work in the Big Box sector. Such experience has also given the Manager a detailed understanding of both the structure of these investments and the physical development process, which sets it apart from many other landlords.

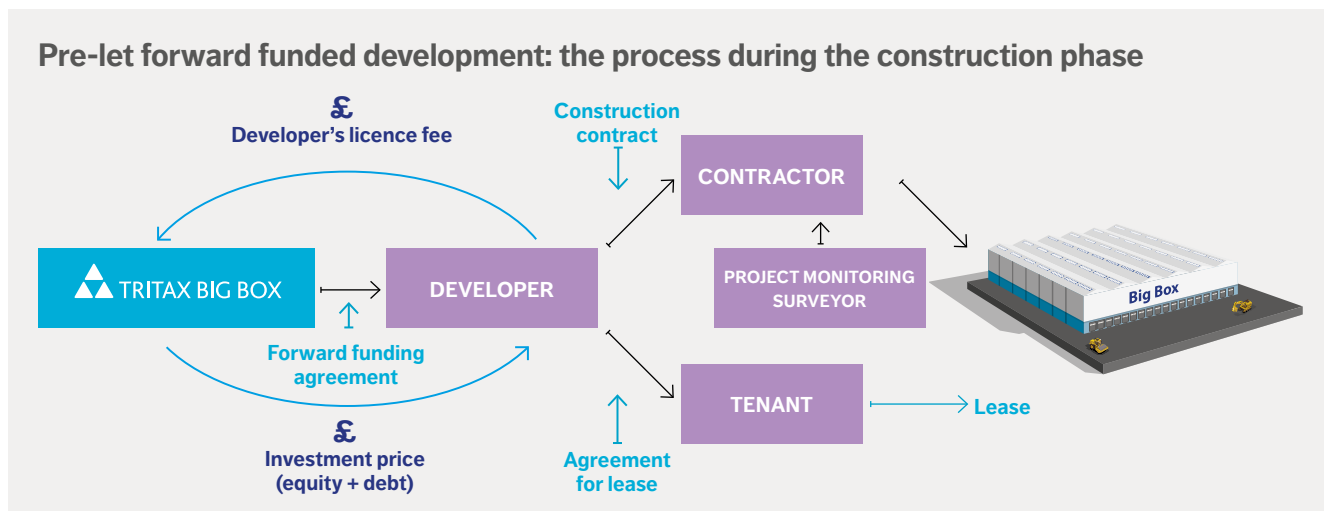
A forward funded pre-let development's main components:

With the current scarcity of available Big Boxes, tenants are increasingly engaging developers to design and build facilities to meet their specific requirements. This is creating more opportunities for knowledgeable investors in the forward funded pre-let marketplace, where quality tenants are often prepared to commit to longer leases in return for new assets that are built-to-suit. Having secured a pre-let, developers often prefer to bring in a forward funder since this avoids the developer having to tie up valuable capital in infrastructure and construction costs when they would prefer to be deploying this capital into new land opportunities.

After terms have been agreed for the purchase, we begin the process by entering a forward funding development agreement with a reputable logistics developer which is responsible for co-ordinating the entire development process – this includes securing detailed planning consent, negotiating the terms of the lease and specification of the scheme, appointing the contractor and a team of highly experienced professionals and subsequently overseeing the development process.

Once the legal agreements between developer, tenant and funder have been entered into and planning has been granted, we acquire the land on which the building is to be constructed and provide the necessary capital during the construction period. We usually structure the arrangements such that the developer pays to the Company a “developer’s licence fee” until completion. This fee will typically equal the lease rent, meaning that the investment is fully income producing from the point at which we purchase the land.

We own the land and building as construction progresses and make monthly payments, principally against architects’ certificates. Consequently, we do not make payments until the work to which they relate has been completed. We withhold the developer’s profit element of the total commitment until the project has achieved practical completion, and the tenant has taken up the lease.



Our Bognor Regis Big Box, let to Rolls-Royce Motor Cars Ltd, is the first of our forward funded developments to reach practical completion. The warehouse and distribution centre is on the Oldlands Farm Business Park and next to the new Bognor Regis Northern Relief Road. It was constructed in 11 months and completed in September 2015.



Why undertake pre-let forward funded development?

- The opportunity to **acquire new, high specification, institutionally attractive facilities** which are designed and built to the latest occupational requirements.
- The ability to **influence the lease terms** and therefore increase the attractions of the investment if we get involved at an early stage.
- The buildings are **pre-let to quality tenants**, generally among the strongest companies in the UK.
- The investment can provide attractive income due to **long lease lengths** (typically 15-30 years).
- **Staggered funding:** We usually earn a return on our gross investment from land purchase, even though our full commitment is invested progressively over the construction period.
- **Off-market:** Strong, longstanding relationships with key logistic developers often enable us to source and negotiate such deals off-market and therefore out of competition.
- **Attractive entry price:** It is possible to acquire prime assets at a discount to the price of a completed and income producing logistics investment.

Benefiting from development whilst mitigating risk:

A number of factors make these developments significantly lower risk for us than speculative developments. In particular:

- **Pre-let to an appropriate tenant:** The developer will already have secured a tenant, which significantly reduces our investment risk and means there should be no marketing or income voids, vacant rates liabilities or uncovered rent free incentives.
- **Reduced planning risk:** We only acquire the land subject to developer securing planning consent.
- **Income producing during construction:** The developer typically pays us a licence fee (equivalent to the rent) during construction; this ensures the investment is income producing for us from the outset, supporting our Shareholder dividend.
- **Highly experienced contractor:** The developer will engage a contractor of significant experience and financial standing that is responsible for constructing the building. This contractor, along with significant sub-contractors and consultants, will provide warranties against defective workmanship or design; such warranties usually apply for at least 10 years following practical completion.

- **Professional teams:** The design and build is planned and overseen by highly experienced professionals including engineers, architects, quantity surveyors and building surveyors which all carry suitable professional indemnity insurance.
- **Independent monitor:** A building monitoring surveyor that reports only to us and our bank(s).
- **Short construction period:** Big Boxes are quick to build compared to other property types. Construction typically takes around nine months but the agreements will provide significant tolerance to cover any delays.
- **Insurance:** The building under construction is fully insured at all times.
- **The Manager's development experience and expertise:** If the developer were to become insolvent, we can typically step in to procure completion of the development, thereby securing completion of the lease to the tenant.
- **Financial control:** We retain control of the money required to complete construction and only release this to the developer in stages, principally on the basis of independent architect certificates. In addition, we withhold retentions during the construction process and for 12 months following practical completion to cover snagging and any subsequent defects. Typically, we will also hold any rent-free incentive monies which have been granted to the tenant as part of the lease arrangements, and we also retain the developer's profit which can be used to cover any increase in project costs or delays in achieving practical completion.

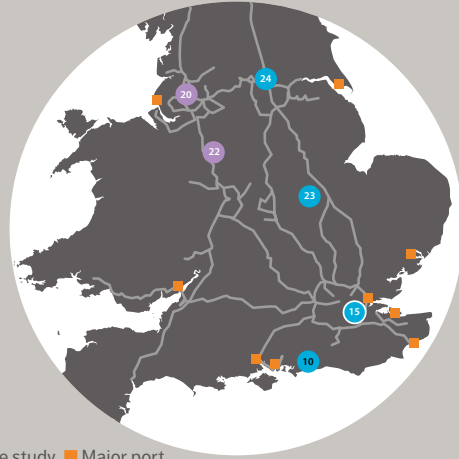
Tritax has established a number of key relationships with some of the most recognisable names in logistics development. Those with whom we have developed buildings in the last two years include:



**5 Big Boxes
under construction
totalling 2.8 million sq ft**

Our forward funded developments

Map location and tenant	Acquisition date	Practical completion target	Lease length
10 Rolls-Royce Motor Cars Ltd	October 2014	Winter 2015*	10yrs
15 Ocado	May 2015	Spring 2016	30yrs
20 Nice-Pak	May 2015	Spring 2016	25yrs
22 Dunelm	June 2015	February 2016	10yrs
23 Howdens	October 2015	Summer 2016	30yrs
24 TK Maxx	September 2015	Winter 2017	20yrs



* Achieved practical completion 1 September 2015

Key: ● Foundation asset ● Growth covenant asset 1 Forward funded development ○ Case study ■ Major port

CASE STUDY: OCADO, ERITH

A forward funded, state-of-the-art development

In May 2015, the Group completed the purchase of land at Erith, in the London Borough of Bexley and began to forward fund a new warehouse facility, which is pre-let to Ocado Holdings Limited and guaranteed by Ocado Group plc.

The completed building will have a gross internal area of approximately 563,103 sq ft, equating to a low site cover of c.35%. Construction began in May 2015, with practical completion of the developer's base build targeted for the spring of 2016.

Ocado has signed a 30-year lease, without a break. The initial rent will be approximately £5.5 million per annum (£9.75 per sq ft), subject to five-yearly rent reviews indexed to RPI and capped and collared at 3% and 1% per annum respectively. During the construction phase, the Group will receive a licence fee from the developer equivalent to the initial passing rent, providing an overall income term of c.31 years.

The site is in a core South-East location inside the M25 (Junction 1a approximately 5 miles to the South-East), with

Tilbury Docks and the DP World container port further to the East and central London approximately 12 miles to the West. It benefits from excellent motorway connections to Greater London and the Home Counties.

The unit is to facilitate the growth of the Ocado business by improving the speed at which stock is picked via bespoke mechanical handling equipment coupled with its close proximity to Ocado's core customer base in the densely populated areas of London and the Home Counties of South East England.

"The new facility will be enormous, the biggest of the biggest. Nobody else does them on this scale."

Jon Hillary, Director of Development & Engineering, Ocado, March 2015



Ocado's largest Big Box:

- £175 million tenant fit out¹
- Capacity for dealing with **200,000 orders a week**²
- Will hold **53,000 products** (the average supermarket holds 20,000 products)²
- Close proximity to a dense population means **35% of deliveries** will be home deliveries, with remaining going to regional spokes²
- Upon full capacity expected to employ **3,500 people**²

¹ The Times, January 2015, Kathryn Hopkins

² B4B – Economic Development, 23 March 2015, Kirsty Mcauley

OCADO, ERITH

Acquisition price:	£101.7 million
Net initial yield:	5.25%
GIA:	563,103 sq ft
Eaves height:	10-12.75m
Built:	Practical completion targeted for spring 2016
Lease expiry:	30 years from practical completion
On/Off-market:	Off-market

“We were looking for a logistics space and we had a lengthy list of requirements. The Tritax Big Box team showed their in-depth understanding of our needs, underlining their expertise in the UK big box market and are delivering us a site matching our demanding requirements.”

Duncan Tatton-Brown, CFO, Ocado, January 2016

STRATEGIC REPORT

THE MANAGER

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

The Manager is 100% owned by Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin. Between them, this team of property, legal and finance professionals has more than 140 years of experience in the real estate sector. They have a track record of creating value for their clients by procuring the right type of assets and by actively managing them. The core management team (whose details are set out below) is supported by a team of other accounting, marketing, public relations, administrative and support staff.



Colin Godfrey BSc MRICS
Partner, Fund Manager

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

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



James Dunlop BSc MRICS
Partner, Property Sourcing

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

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



Henry Franklin BA CTA
Partner, Structuring and Legal

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

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



Petrina Austin BSc MRICS
Partner, Asset Management and Sustainability

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

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



Bjorn Hobart MA BSc (Hons) MRICS
Partner, Property

Bjorn is responsible for identifying and sourcing suitable investments for the Company, then financially modelling and appraising the returns, to establish their validity within the context of the portfolio assets. He also manages day-to-day due diligence during the acquisition process.

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



Frankie Whitehead ACA
Head of Finance

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

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



Edward Plumley MBA MSc MRICS
Assistant Fund Manager

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

Edward's investment career began when he joined Ereira Mendoza in 2011, advising on investment and development transactions. He joined Tritax in May 2014, having completed an MBA with Distinction in Construction & Real Estate from the University of Reading. Ed has been a full member of the Investment Property Forum since 2012.



Olivia Cox Non practicing Solicitor
Deputy Company Secretary

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

STRATEGIC REPORT

BOARD APPROVAL OF STRATEGIC REPORT

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

Richard Jewson Chairman
16 March 2016

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M&S, CASTLE DONINGTON

Our Big Box in Castle Donington, Leicestershire, let to M&S. Racking prior to stock.

GOVERNANCE

CHAIRMAN'S GOVERNANCE OVERVIEW

Since its inception in 2013, the Company has undergone substantial growth and in June 2015 was included in the FTSE 250 Index. Throughout this period, as a Board, we have been committed to maintaining and improving the structures and processes required to underpin such growth and befitting a Company of our size.

We are committed to the highest standards of corporate governance, which meet the statutory and regulatory requirements for companies listed in the United Kingdom. In this section of the Annual Report we set out the principles of corporate governance that the Board has adopted, we highlight our corporate governance activities and our compliance with the codes of corporate governance we have chosen to adopt.

As an investment company, we comply with the AIC Code of Corporate Governance (the "AIC Code") published by the Association of Investment Companies (the "AIC") and the relevant provisions of the UK Corporate Governance Code (September 2014) (the "UK Corporate Governance Code"). Details of our compliance with the AIC Code are included in the Corporate Governance report [↔](#).

[↔](#) The **AIC Code** and **AIC Guide** can be found at www.theaic.co.uk/sites/default/files/uploads/files/AICCodeofCorporateGovernanceFeb15.pdf

[↔](#) The **UK Corporate Governance Code** is available at www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf

[↔](#) See **The Board of Directors p54-55**, for biographical details of the current Directors and their roles

There have been no changes to the Board over the course of the year. Following an assessment of the composition of the Board by the Nomination Committee we have appointed Jim Prower as Senior Independent Director and we are in the process of seeking an additional Independent Non-Executive Director to ensure that we continue to have the right balance of skills, experience and independence in place to support the future development of the Company. This is detailed in my 2015 Nomination Committee Report [↔](#).

We believe that an annual review of the Board's effectiveness is an important process to assist in identifying areas for future improvement or focus. In 2015, we invited Board Evaluation Limited, an independent corporate advisory firm, to undertake an evaluation of the competence and effectiveness of the Board. Details of the evaluation are set out on page 56 [↔](#).

For more details of our compliance with the provisions of the AIC Code and AIC Guide and actions taken since the Board effectiveness review,

[↔](#) See **Application of the Principles of the UK Governance Code** p50

[↔](#) See **Effectiveness** p56

[↔](#) See **Nomination Committee Report** p57

In addition to the Board effectiveness review, the Management Engagement Committee undertook a detailed review of the performance to date of the Company's Manager, Tritax Management LLP (the "Manager") and, with the Manager's assistance, the performance of the Company's corporate advisers and principal suppliers. I am pleased to report that, overall, we are satisfied that the Manager and the Company's corporate advisers and principal suppliers are performing in line with our expectations and providing good value to Shareholders as evidenced by the Company's TER of 1.09%, which compares favourably against our contemporaries. Further details of this review are set out in Stephen Smith's Management Engagement Committee Report for 2015 [↔](#).

The Board understands the importance of presenting a fair, balanced and understandable assessment of the Company's position and prospects and the importance of effective reporting, risk management and control procedures. Further details regarding these key areas are set out in Jim Prower's Audit Committee Report for 2015 [↔](#).

Statement of compliance

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, incorporates the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are specifically relevant to the Company. The Board considers that reporting against the AIC Code's principles and recommendations by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

[↔](#) See **Management Engagement Committee Report** p63-64

[↔](#) See **Audit Committee Report** p60-62



The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Code, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors or employees. Further, under the AIFMD regulations, Langham Hall UK Depositary LLP provides a service which is similar to an audit of the internal control and risk management systems of the Company's corporate governance and control environment. [↪](#) See page 72 for a summary of their work and conclusions. The Company has, therefore, not reported further in respect of these provisions.

For the year ended 31 December 2015, the Company voluntarily complied with the provisions of the UK Corporate Governance Code, except as follows:

- A.4.1 – the appointment of a Senior Independent Director: the Company appointed Jim Prower as Senior Independent Director in March 2016 following the rapid growth of the Company and its inclusion in the FTSE 250 Index in 2015;
- D.1.2 and 2.1 – as an externally managed investment company, the Board does not have any Executive Directors. As such, the UK Corporate Governance Code's provisions in respect of Executive Directors' remuneration are not applicable. The Board has decided that there is no need for a separate Remuneration Committee;
- E.1.1 – the Senior Independent Director meeting with the major Shareholders: Jim Prower was appointed to this role on 15 March 2016. While there has been no Senior Independent Director during 2015, we have been in close communication with Shareholders throughout the year. The appointment of Jim Prower to the role will now provide Shareholders with a formal channel for communication.

[↪](#) See **Depositary Statement** p72

Other key statements

The Directors confirm that to the best of our knowledge:

- The Company is well placed to manage its financing and other business risks. The Board is, therefore, of the opinion that the **going concern** basis adopted in the preparation of the Annual Report is appropriate. Further details regarding this opinion are set out in the Accountability [↪](#) section of this Corporate Governance report on page 58;
- Taking into account the Group's current position and the impact of the principal risks documented in the Strategic Report, the Directors have a reasonable expectation that the Company will remain **viable**, continuing to operate and meet its liabilities as they fall due, over the period to 16 March 2019. Further details of the Board's assessment of the viability of the Company are set out in the Accountability [↪](#) section of this Corporate Governance report on page 58 and also Our Principal Risks and Uncertainties [↪](#) on page 29;
- A continuing process for identifying, evaluating and managing the risks the Company faces has been established and the Board has reviewed the effectiveness of the internal control systems. Further details are set out in the Accountability [↪](#) section of this Corporate Governance report on page 58;
- The Annual Report and accounts taken as a whole is **fair, balanced and understandable** and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. See the Audit Committee Report [↪](#), for further information;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces [↪](#); and
- The continuing appointment of the Manager on the terms agreed is in the interests of the Company's Shareholders as a whole. Further details on the basis for this conclusion are set out in the Management Engagement Committee Report [↪](#) on page 63.

Richard Jewson Chairman
16 March 2016

[↪](#) See **Our Principal Risks and Uncertainties** p29-31

[↪](#) See **Accountability** p58-59

[↪](#) See **Audit Committee Report** p60-62

[↪](#) See **Management Engagement Committee Report** p63-64

GOVERNANCE

APPLICATION OF THE PRINCIPLES OF THE AIC CODE

The Company has complied with the 21 Principles of the AIC Code which have been applied 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. The majority of the Board should be independent

The Board currently comprises four Non-Executive Directors of which the Chairman, Richard Jewson, Jim Prower and Stephen Smith 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, each of the Directors will retire and stand for re-election at the AGM in May 2016.

4. The Board should have a policy on tenure

The Company's practice is to appoint Directors for a minimum three 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 is actively considering a further appointment to the Board. 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 page 57.

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 Board Evaluation Limited to carry out its first annual evaluation of effectiveness during 2015 and a report on the 2015 review is set out on page 56 [↔](#).

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 Directors each received an increase of £10,000 to their annual fee in July 2015, back dated to January 2015, to reflect the increased time commitment to the Company over that originally anticipated.

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 57.

10. Directors should be offered relevant training and induction

All Directors receive an induction on joining the Board and their training and development needs have been assessed as part of the 2015 annual effectiveness evaluation. A formal training session was undertaken in early 2016.

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 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 (in conjunction with the Manager) 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 and the approval of all investments.

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 2015 are set out in the Management Engagement Committee Report [↔](#) on pages 63 and 64.

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 on pages 60-62.

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 on page 58. Langham Hall UK Depository LLP acts as depository for the Company and conducts an independent review of the internal controls of the Company. Further details of the role of Langham Hall UK Depository LLP [↔](#) are set out on page 72.

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 as noted on page 116 [↔](#).

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 2015 and specifically during the course of the Company's financial results and fundraising activities, providing the Board with feedback on Shareholder views and concerns.

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.

Details of specific activities are set out in the Relations with Shareholders [↔](#) on page 65.

20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues

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 1-46 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.

GOVERNANCE

LEADERSHIP

BOARD

The Board consists of four Non-Executive Directors. All the Directors are independent of the Manager with the exception of Mark Shaw, who is a partner and chairman of the Manager.

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

The Board has approved a schedule of matters reserved for its consideration and approval. These matters include:

- reviewing and approving Board membership and powers, including the appointment of Directors;
- approving the budget, financial plans and annual and interim financial reports; reviewing property valuations and valuations of its interest rate derivatives;
- overseeing treasury functions;
- managing the Company's capital structure;
- managing and controlling the Manager and, in conjunction with the Manager, the Company's principal suppliers;
- approving the dividend policy;
- approving all investment decisions; and
- reviewing and approving all compliance and governance matters.

The Board also delegates matters to Board Committees and the Manager, as appropriate.

AUDIT COMMITTEE	NOMINATION COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	MANAGER
To oversee the Group's financial reporting, risk management and internal control procedures and the work of its external auditors.	To review the Board's composition and to assess whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.	To review and make recommendations on any proposed amendment to the Investment Management Agreement, to review the Manager's performance and the performance of the Company's other key service providers.	Day-to-day responsibility for running the Company, with open and regular communication with the Board on, inter alia, investment decisions, performance of the Group's assets and securing of debt.
➔ See p60-62	➔ See p57	➔ See p63-64	➔ See p44-45

The Board reviews the terms of reference for each committee as necessary but at least every two years. Copies are available from the Company Secretary or the Company's Website [📄](#).

The Board has not established a Remuneration Committee as it has no Executive Directors and the Company has no other employees. The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration. Details of the Directors' remuneration for the year ended 31 December 2015 are included in the Directors' Remuneration Report [➔](#).

The Board

Each Director has been appointed for a term of three years. In line with the requirements of the AIC Code, each Director must be elected by Shareholders at the Company's AGM and submitted for re-election at every AGM thereafter.

The Directors believe that the Board is well balanced and possesses sufficient breadth of skills, a variety of backgrounds, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one Director. Biographical information on each Director is set out in The Board of Directors [➔](#). Owing to the Company's growth over the past year and its entry into the FTSE 250 Index, the Board intends to appoint an additional Independent Non-Executive Director to complement and add to its existing expertise, knowledge and skills base.

[📄](#) See www.tritaxbigbox.co.uk/investors/#corporate-governance

[➔](#) See **Directors' Remuneration Report** p60-62

[➔](#) See **The Board of Directors** p54-55

Board meetings

During 2015, the Board held 11 formal scheduled meetings, with additional meetings as required. These meetings were typically held at the Manager's office and were subject to a quorum of two Directors.

During the year ended 31 December 2015, there were 19 Board meetings. The table below shows each Director's attendance [↴](#). The Company continued in its growth phase during 2015, so the Board convened a substantial number of additional meetings during the year, to consider and implement equity fundraisings, debt financings and to consider investment opportunities.

The Board followed a formal agenda at its meetings, which the Company Secretary circulated in advance of each meeting. A typical agenda includes reviewing investment performance, assessing the progress of new investment opportunities, reviewing asset management initiatives at existing investments, reviewing the Company's strategy, reviewing the Company's historical financial performance and future forecasting, an update on investor relations and an update on any regulatory or compliance issues advised by the Manager or other advisers. When considering investment opportunities, the Board reviewed detailed written proposals prepared by the Manager and approved all investment decisions.

Attendance at Board and Committee meetings during the year ended 31 December 2015

The following table shows the Directors' attendance at Board and Board Committee meetings, where they were eligible to attend, during the year [↴](#).

For the year to 31 December 2015.

	BOARD MEETINGS ELIGIBLE TO ATTEND	BOARD MEETINGS ATTENDED	AUDIT COMMITTEE	NOMINATION COMMITTEE	MANAGEMENT COMMITTEE
Meetings held	19	–	4	1	2
Richard Jewson	19	18	4	1	2
Jim Prower	19	19	4	1	2
Stephen Smith	19	15	4	1	2
Mark Shaw	19	14	N/A	1	1

All Directors are expected to attend all Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend meetings, their comments are provided to the Chairman before the meeting and shared with the rest of the Board and the Manager.

Because of the significant number of additional meetings during the year, it was not logistically feasible for all the Directors to attend every meeting. The Nomination Committee is satisfied that all the Directors, including the Chairman, have sufficient time to meet their commitments to the Company.

Anti-bribery and corruption

The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. In considering The Bribery Act 2010, at the date of this report, the Board had assessed the perceived risks to the Company arising from bribery and corruption and to identify aspects of the business which may be improved to mitigate such risks. The Manager actively reviews and monitors perceived risks in order to mitigate them.

GOVERNANCE

THE BOARD OF DIRECTORS



Richard Jewson Chairman

Appointed: 18 November 2013

Independent: Yes

Committee memberships:

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

Relevant skills and experience:

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

Principal external appointments:

- Chairman, Raven Russia Limited
- Senior non-executive director, Temple Bar Investment Trust plc

Significant previous external experience:

- Chairman of Meyer International plc, holding company of Jewsons Limited
- Archant Limited – Chairman for 17 years
- Chairman of Savills plc for 10 years
- Board member of Grafton Group plc for 18 years
- Non-executive director and Deputy Chairman of Anglian Water plc for 14 years



Jim Prower Senior Independent Non-Executive Director

Appointed: 18 November 2013

Independent: Yes

Committee memberships:

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

Relevant skills and experience:

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

Principal external appointments:

- Senior Independent Director and chairman of audit committee, Empiric Student Property plc

Significant previous external experience:

- Jim has acted as finance director and company secretary at several public companies including:
- Minty plc for two years
 - Creston Land & Estates plc for six years
 - NOBO Group plc for two years



Stephen Smith

Appointed: 18 November 2013

Independent: Yes

Committee memberships:

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

Relevant skills and experience:

- Significant experience in real estate investment, having managed very large property portfolios on behalf of life funds, listed property vehicles, unit linked and closed-end funds
- Responsibility for property and investment strategy at British Land Company PLC

Principal external appointments:

- Chairman, Starwood European Real Estate Finance Limited
- Non-executive director, Gatehouse Bank plc, a London based wholesale investment bank specialising in global real estate

Significant previous external experience:

- Chief Investment Officer of British Land Company PLC for three years
- Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers for 11 years
- Managing Director at Sun Life Properties for five years



Mark Shaw

Appointed: 8 November 2013

Independent: No

Committee memberships:

- Nomination Committee
- Management Engagement Committee

Relevant skills and experience:

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

Principal external appointments:

- Chairman, Tritax Management LLP

For further information on the Board, Board Committees and the Directors:

➔ see **Audit Committee** p60-62

➔ see **Nomination Committee** p57

➔ see **Management Engagement Committee** p63-64

🌐 See www.tritaxbigbox.co.uk/investors/#corporate-governance

🌐 See www.tritaxbigbox.co.uk/about/#management

GOVERNANCE

EFFECTIVENESS

Board performance and evaluation

We believe that an annual review of Board effectiveness is an important process to assist in identifying areas for future improvement or focus, taking into account the Board's balance of skills, experience, independence, knowledge of the Company and diversity, as well as how the Board works together as a unit and other factors relevant to its effectiveness.

In April 2015, we commissioned an external evaluation of how the Board and its Committees function and the performance of the Chairman by the independent corporate advisory firm, Board Evaluation Limited. Board Evaluation Limited has no other connection to the Company.

The aim of the evaluation was to obtain the views of Board members that would provide an insight into the Board's effectiveness highlight actions required to improve its performance and establish a benchmark for measuring future progress. The evaluation was conducted using a questionnaire which was completed by all the Directors and returned to Board Evaluation Limited who summarised the feedback in a report for discussion by the Board.

The evaluation assessed the performance of the Board in relation to its seven key objectives, which have been designed to ensure that the Board operates efficiently and the Company runs smoothly and include measures such as a review of the performance of the investments and an assessment of progress on new investment possibilities at each Board meeting, using the following effectiveness measures:

- Controls and procedures (including financial);
- Strategic aims;
- Entrepreneurial leadership; and
- Communication and relationships.

Each Director was asked to complete a detailed questionnaire. Board Evaluation Limited collated the responses, presented its findings in a written report to the Board and attended a Board meeting in July 2015 to discuss the results of the evaluation with the Board.

The evaluation process produced a sound set of results, with a generally high level of consensus across the Directors. As the Company matures, future evaluations may invite input from other stakeholders such as the Manager. The evaluation concluded that the Board's performance in relation to the seven key objectives was good but the following areas were identified as areas for improvement:

- Administration of and procedures for Board meetings;
- Board succession planning;
- Director training; and
- Composition of the Audit Committee [↪](#).

Accordingly, since the evaluation process, the Board has implemented various initiatives including new procedures for the dissemination of Board papers and agenda management and a programme for Director training that commenced in January 2016. The Nomination Committee has considered Board succession planning (see page 52) and the composition of the Audit Committee will be considered when a new Independent Non-Executive Director is appointed.

Training and development

The Board believes that the Directors should develop their skills and knowledge by attending courses and by holding other positions. The Chairman is responsible for reviewing and discussing each Director's training and development needs. Accordingly, a Director training programme has been established for 2016 to assist the Directors to effectively undertake their duties and to comply with the Company's corporate governance obligations.

Upon appointment, all Directors took part in discussions with the Chairman and other Directors to understand their responsibilities and the Company's business and procedures. The Company also provides regular opportunities for the Directors to obtain a thorough understanding of its business, by meeting senior representatives of the Manager and other service providers, both in person and by phone.

GOVERNANCE

NOMINATION COMMITTEE REPORT



NOMINATION COMMITTEE MEMBERSHIP

Richard Jewson Chairman

Jim Prower Stephen Smith Mark Shaw

The Nomination Committee is responsible for reviewing the Board's structure, size and composition, and for considering succession planning for Directors. We have a policy of identifying and approving candidates to fill Board vacancies, using external search consultants where appropriate. We operate within defined terms of reference which are available on the Company's Website [📄](#) and on request from the Company Secretary.

Meetings and activities during the year

We met once during the year to consider the Board's structure. We believe that the Board has appropriate experience and knowledge for the Company, the composition of the Audit Committee will need to be addressed through the appointment of an additional Independent Non-Executive Director to the Board. An additional Independent Non-Executive Director will also support the existing Board, given the Company's growth and inclusion into the FTSE 250 Index.

We have appointed Jim Prower as Senior Independent Director who will be the alternative point of contact for the Company's Shareholders. The appointment was made in March 2016.

Appointment process

Having identified the need to appoint a further Independent Non-Executive Director, we have begun the process of identifying suitable candidates with relevant experience and will consider, establish and start the formal recruitment process in 2016.

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next AGM of the Company after his/her appointment and is then eligible to stand for election.

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

When renewing current appointments, all Directors except the individual in question are able to vote at the general meeting.

Board diversity

The Nomination Committee considers that the Directors have a balance of skills, qualifications and experience which is relevant to the Company. We support the recommendations of the Davies Report and believe in the value and importance of diversity in the boardroom but we do not consider it appropriate or in the interest of the Company and its Shareholders to set prescriptive diversity targets on the Board.

Richard Jewson Chairman of the Nomination Committee
16 March 2016

GOVERNANCE

ACCOUNTABILITY

Internal controls review

The Directors acknowledge their responsibility for maintaining the Company's system of internal control and risk management in order to safeguard the Company's assets. This system is designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Company. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board and the Manager have together reviewed all financial performance and results notifications. Non-financial internal controls include the systems of operational and compliance controls maintained by the Company's administrator, Capita Sinclair Henderson Limited (the "Administrator"), and by the Manager in relation to the Company's business, as well as the management of key risks referred to in the Directors' Report.

The Board has contractually delegated responsibility for accounting services to the Administrator and for company secretarial services to Taylor Wessing Secretaries Limited up until 1 May 2015 and thereafter, to the Manager. These entities have their own internal control systems relating to these matters, which the Board has reviewed as part of its Financial Position and Prospects Procedures memorandum which was updated in 2015 to better reflect the operations of the Company.

Internal control assessment process

The Board regularly monitors the effectiveness of the Company's internal controls and ensures their adequacy. This includes reviewing reports from the external auditor, details of which are included in the Audit Committee Report [↪](#) and the quarterly reports prepared by Langham Hall UK Depository LLP [↪](#). The Board also conducts a formal risk assessment each year.

The Board confirms that, in accordance with the AIC Code and Guide, and the UK Corporate Governance Code, it has established a continuing process for identifying, evaluating and managing the risks the Company faces and has reviewed the effectiveness of the internal control systems.

AIFM Directive

The Alternative Investment Fund Managers Directive ("AIFMD") became part of UK law in 2013. It regulates AIFMs and imposes obligations on managers who manage alternative investment funds ("AIF") in the EU or who market shares in AIFs to EU investors. Under the AIFMD, the AIFM must comply with various organisational, operational and transparency obligations.

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

AIFM Remuneration policy applied by the Manager

As a full scope AIFM, the Manager must apply a remuneration policy in line with its business strategy, objectives, values and interests, as well as those of the AIFs it manages or their investors. The policy must include measures to avoid conflicts of interest.

The Manager's partnership board therefore meets at least twice a year to discuss the remuneration of its entire staff. Staff are remunerated in accordance with their seniority, expertise, professional qualifications, responsibilities and performance. They are paid salaries in line with market rates and, in profitable years, awarded a discretionary bonus from a bonus pool of at least 5% of the Manager's profits. This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's profitability, rather than the performance of a particular AIF.

The Manager's partners are entitled to their partnership share of its profits and losses. None of the partners are entitled to additional partnership drawings that depend on the performance of any AIF managed by the partnership. The partners' remuneration therefore depends on the Manager's profitability, rather than the performance of the AIF. This ensures that the partners have a vested interest in ensuring the Manager remains financially sound.

The annual fee paid by the AIF is based on a percentage of NAV, as set out in the Management Engagement Committee Report [↪](#). In addition, the Manager's partners are required to invest 25% of that fee (net of tax and certain other costs, as described on page 64) in the Company's shares. Those shares are subject to a 12 month lock-in period. This aligns the interests of the Manager's partners with the strategy and interests of the Company.

Going concern and viability

The Strategic Report [↪](#) describes the Group's financial position, cash flows, liquidity position and borrowing facilities. The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 33.2% as at 31 December 2015. It also benefits from a secure income stream from leases with long average unexpired terms, which are not overly reliant on any one tenant. The Company's cash balance as at 31 December 2015 was £68.6 million, of which £59.2 million was readily available. It also had undrawn amounts under its debt facilities of a further £184.5 million. On 16 February 2016, the Company issued a further 161,290,323 Ordinary Shares, raising £196,125,000 of net equity proceeds.

As a result, the Directors believe that the Company is well placed to manage its financing and other business risks. The Directors believe that there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of the Company's financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Further, in accordance with the provision C.2.2 of the revised UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a period longer than the 12 months required by the "Going Concern" provisions. The Board conducted this review for a period of three years, up to 16 March 2019, which was selected to match the period over which the Board monitors and reviews its financial performance and forecasting.

Considerations in support of the Company's viability over this period includes:

- The current blended unexpired term under the Company's debt facilities stands at 4.7 years;
- The Company has a WAULT of 16.5 years, which represents a long and secure income stream; and
- The Company's tenants are all of Investment Grade and as such the likelihood of any default under the leases is low and in any event the Company has a diverse tenant base which should spread the risk of any default.

The review also considers the Company's business model, future performance, solvency and liquidity and, therefore, covers the Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period. These metrics are subject to a sensitivity analysis, which involves flexing a number of key assumptions underlying the forecast both individually and in aggregate. Where appropriate, this analysis was carried out to evaluate the potential impact of the Group's principal risks actually occurring. The three-year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required.

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

GOVERNANCE

AUDIT COMMITTEE REPORT



AUDIT COMMITTEE MEMBERSHIP

Jim Prower Chairman*

Richard Jewson** Stephen Smith

* *Jim Prower, is considered to possess recent and relevant financial experience for the purpose of the AIC Code. Details of Jim Prower's experience can be found in his biography on page 54.*

** *Richard Jewson, the Chairman of the Board, sits on the Audit Committee to enable his greater understanding of the issues facing the Company.*

Activities of the Committee

The Audit Committee operates within defined terms of reference, which are available on the Company's Website [📄](#) and on request from the Company Secretary. We met four times during the year. These meetings were attended by the Committee members, as well as representatives of the Manager, the Company Secretary and the external auditor.

[📄](#) See www.tritaxbigbox.co.uk/investors/#corporate-governance

During the year, the work undertaken by the Audit Committee included:

- Reviewing the internal controls and risk management systems. These systems are set out in the Financial Position and Prospects Procedures memorandum, which is revised annually and was most recently approved by the Board in December 2015;
- Reviewing the interim and annual audited financial statements, including considering key accounting policies and areas of significant judgement, compliance with statutory obligations and accounting standards and consistency throughout the Annual Report;
- Reviewing the process undertaken to ensure that the Board can confirm that the annual financial statements are fair, balanced and understandable; and
- Reviewing and approving the external auditor's terms of engagement, remuneration and tenure of appointment.

External auditor

During the year we considered the appointment, compensation, performance and independence of the Company's external auditor, BDO LLP ("BDO").

BDO was appointed as the Company's auditor following a formal tender process as part of the IPO. During the year we met key members of the audit team and BDO formally confirmed its independence as part of the annual reporting process. We liaise regularly with the lead audit partner to discuss any issues arising from the audit as well as its cost-effectiveness.

We acknowledge that, in some circumstances, the external auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work and, therefore, engaging the external auditor for non-audit services has been considered. To ensure that providing these services does not impair BDO's independence and objectivity, the Audit Committee has developed the Company's policy on this issue. The policy allows the external auditor to provide routine tax compliance and advisory services.

In developing the policy, we have considered the Financial Reporting Council's Ethical Standard Number 5 (revised). This relates to non-audit services provided to audited entities and sets out the six principal threats to objectivity and independence. For example, the auditor cannot act as management or audit its own work. The Audit Committee has reviewed the level of non-audit fees paid to BDO in the year, which totalled £194,000. It has also reviewed the terms under which BDO is able to perform non-audit services and has acknowledged that tax advice and corporate due diligence is provided by separate teams within BDO. We are therefore satisfied that the audit is independent, objective and effective.

We will keep this issue under constant review, particularly at the time of new engagements and in light of proposed legislative changes to ensure that the auditor's independence and objectivity is not impaired.

Of the £194,000 non-audit fees paid to BDO, the significant expenditure that was authorised in the year is outlined below:

WORK UNDERTAKEN	RATIONALE FOR USING THE EXTERNAL AUDITOR	FEE (£)
Reporting accountant on the Company's secondary offerings	Detailed knowledge and understanding of the business and the requirements of the exercise, having acted as reporting accountant on previous equity fundraisings for the Company. Low risk of self-interest and self-review threat, as the work is not used in the audit of the financial statements.	£62,000
Financial and tax due diligence on corporate acquisitions	Detailed knowledge and understanding of the business and the requirements of the exercises. The work was performed by a team independent of the audit team. The audit team places no reliance on these procedures.	£132,000

The Audit Committee has recommended that a resolution to reappoint BDO is proposed to Shareholders at the next AGM.

Risk management and internal controls

As part of the Board meetings and Audit Committee meetings, the Directors review the financial position of the Company and assess any risks in relation to the Company's business model and the Group's future performance, liquidity and solvency. To facilitate this process the Manager produces a full set of reports including the latest management accounts, a review and report on the Company's financial planning model, substantiation of any dividend payments and a general update on the financial health of the Company.

As the Company's AIFM, the Manager is subject to a rigorous reporting and ongoing compliance regime under the AIFMD. As part of this regulatory process, Langham Hall UK Depository LLP [↪](#) has been retained by the Company and is responsible for cash monitoring, asset verification and oversight of the Company and the Manager.

Due to the Company's size and structure and the nature of its activities and taking into account the controls already in place and, more particularly, the external service already provided by Langham Hall UK Depository LLP, the Audit Committee has concluded that an internal audit function is unnecessary. However, we will continue to consider the need for an internal audit function each year and make recommendations to the Board as appropriate.

Financial reporting and significant judgements

The Audit Committee monitors the integrity of the financial information published in the interim and annual financial statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed. In assessing this we consider whether the Manager has made suitable and appropriate estimates and judgements, and seek support from the external auditor to assess them.

Valuation of property portfolio

The Group had property assets of £1.16 billion at 31 December 2015, as detailed on the Group Statement of Financial Position [↪](#). As explained in note 15 to the financial statements [↪](#), CBRE independently valued the properties in accordance with IAS 40: Investment Property. The total portfolio valuation including forward funded commitments at the year end was £1.31 billion. We have reviewed the assumptions underlying the property valuations and discussed these with management, and have concluded that the valuation is appropriate.

Valuation of interest rate derivatives

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

[↪](#) For further information on Langham Hall UK Depository LLP, see **Depository Statement** p72

[↪](#) See **Group Statement of Financial Position** p79
[↪](#) See **note 15, Notes to the Consolidated Accounts** p92-93

GOVERNANCE: [AUDIT COMMITTEE REPORT](#)**Revenue recognition**

Revenue is the Group's rental income arising from operating leases on investment property and is recognised on a straight-line basis. Any increases in rent following rent reviews are recognised as and when the rent reviews are settled, unless the Directors are reasonably certain that a rental uplift will be agreed, in which case a rental adjustment is recognised from the date of the rent review. Tenant lease incentives are recognised on a straight-line basis over the term of the lease.

Conclusions in respect of the Company's Annual Report

The production and audit of the Company's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Company's financial statements are fair, balanced and understandable, as required under the AIC Code and the UK Corporate Governance Code, the Board has requested that the Audit Committee advise on whether we consider that the Annual Report fulfils these requirements. In outlining our advice, we have considered the following:

- The comprehensive documentation that outlines the controls in place for the production of the Annual Report, including the verification processes to confirm the factual content;
- The detailed reviews undertaken at various stages of the production process by the Manager, Administrator, joint financial advisers, auditor and the Audit Committee, which are intended to ensure consistency and overall balance;

- A letter provided by the Administrator that there have been no changes to its control environment since 31 December 2014 and that all internal controls in place as at the time of the last review remain active;
- Controls enforced by the Manager, Administrator and other third-party service providers, to ensure complete and accurate financial records and security of the Company's assets; and
- The satisfactory control report produced by the Administrator for the year ended 31 December 2014, which has been reviewed and reported upon by the Administrator's external auditor, to verify the effectiveness of the Administrator's internal controls, such as the Audit and Assurance Faculty (AAF) Report.

As a result of the work performed, the Audit Committee has concluded and reported to the Board that the Annual Report for the year ended 31 December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Directors' Responsibilities Statement [↪](#).

Jim Prower Chairman of the Audit Committee
16 March 2016

GOVERNANCE

MANAGEMENT ENGAGEMENT COMMITTEE REPORT



MANAGEMENT ENGAGEMENT COMMITTEE MEMBERSHIP

Stephen Smith Chairman

Richard Jewson

Jim Prower

Mark Shaw

The Management Engagement Committee met twice in the year to 31 December 2015, to review its terms of reference, the Company's relationships with its main service providers, their performance and the terms of their appointment, and to review the Company's relationship with the Manager, the Manager's performance and the terms of the Manager's appointment.

We conducted a comprehensive review of the performance of the Manager and, together with the Manager, all of the Company's corporate advisers and principal service providers. This included an assessment of the ongoing requirement for the provision of such services, the fees paid to and the performance of such advisers and service providers and additional added value given by the Manager and the Company's service providers and advisers, and whether additional services were required. The review was for the period ending 30 June 2015 thereby allowing the Committee to refer to figures subject to review from the auditor, in its assessment of performance.

Under the terms of the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager, including sourcing of investment opportunities in line with the Company's Investment Policy, asset management of the existing portfolio, negotiation of debt facilities within the parameters of the Company's policy on gearing and liaising with the Company's advisers on equity fundraisings. As all of the Company's subsidiaries and therefore all of its assets are wholly owned and controlled by the Company, the Board exercises direct control in respect of the Group's holdings and the Manager is not required to vote on behalf of the Company.

To ensure open and regular communication between the Manager and the Board, the Manager is invited to attend all Board meetings to update the Board on the Company's investments and to discuss generally the market and the performance and strategy of the Company. Details of the Company's performance in 2015 is set out in the Strategic Report [↪](#). The Manager

has continued to identify a pipeline of high-quality Big Box assets, drawing on its market intelligence and its excellent relationships with vendors, agents and developers. These relationships allowed the Manager to source 78% of its Big Box assets off-market, thereby ensuring that the Company benefited from pricing imperfections in the market and met its growth objectives. In the 12 month period to 30 June 2015, the Company had met or exceeded all of its target investment objectives, delivering exceptional returns for Shareholders and, on this basis, the Management Engagement Committee concluded that the Manager had performed its obligations in accordance with the Investment Management Agreement. The Company has continued to exceed its target investment objectives for the year ending 31 December 2015. We have concluded, therefore, that the performance of the Manager for the year 31 December 2015 has been exceptional.

In addition, following an extensive review and full analysis, we agreed with the Manager that the performance of all of the Company's current service providers for the past year was satisfactory and in some cases exceptional and with the Manager's recommendation that each be retained until the next review. We did not suggest any material changes to the engagement terms of any of the advisers or service providers. Our review did not reveal any material weaknesses in the advice and support provided to the Group and we are satisfied that the Company is benefiting from added value in respect of the services it procures.

As part of our review, we considered the terms of the Investment Management Agreement, to ensure it continues to reflect properly the commercial arrangements agreed between the Company and the Manager. We were satisfied that this was the case.

Under the Investment Management Agreement, the Manager is entitled to a management fee in consideration for its services. This is payable in cash by the Company each quarter and is calculated as a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents, announced before the end of the relevant quarter. If the Group buys or sells any assets after the date at which the relevant NAV is calculated, the NAV is adjusted pro rata for the net purchase or sale price, less any third-party debt drawn or repaid.

[↪](#) See **Strategic Report** p1-46

GOVERNANCE: MANAGEMENT ENGAGEMENT COMMITTEE REPORT

The management fee as a percentage of NAV is as set out below:

NAV	RELEVANT PERCENTAGE
Up to and including £500 million	1.0%
Above £500 million and up to and including £750 million	0.9%
Above £750 million and up to and including £1 billion	0.8%
Above £1 billion	0.7%

The management fee paid each quarter is 25% of the amount calculated, based on the information below.

During specified periods after publication of the Company's annual or half year results the relevant members of the Manager (and/or their connected parties) will use 25% of the management fee (net of any VAT, personal taxation liabilities and dealing costs, including stamp duty or stamp duty reserve tax) (the "net cash amount"), to subscribe for Ordinary Shares in the Company. The price will be equivalent to the prevailing NAV per share, adjusted for any dividend declared after the NAV per share is announced. Where this would result in the Company issuing Ordinary Shares at a price below the NAV per share, the Company's broker will be instructed to acquire Ordinary Shares in the market for those persons, to the value as near as possible equal to the net cash amount.

On 20 March 2015, the Company issued 175,557 Ordinary Shares in respect of the net cash amount, relating to the six months to 31 December 2014. The issue price was 106.22 pence per Ordinary Share, equivalent to the prevailing NAV of 107.02 pence per Ordinary Share less the third interim dividend of 0.8 pence per Ordinary Share. On 21 September 2015, the Company issued 290,795 Ordinary Shares in respect of the net

cash amount, relating to the six months to 30 June 2015. The issue price was 114.68 pence per Ordinary Share, equivalent to the prevailing NAV of 116.68 pence per Ordinary Share less the interim dividends paid in June and August 2015 of, in aggregate, 2.0 pence per Ordinary Share.

Following these issues of Ordinary Shares, the relevant members of the Manager as at the year end had the following beneficial interests:

TRITAX PARTNER	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2015
Mark Shaw	320,094	0.05%
Colin Godfrey	248,535	0.04%
James Dunlop	248,535	0.04%
Henry Franklin	196,436	0.03%

The Board has concluded that, on the basis of our assessment above, the continuing appointment of the Manager on the terms agreed is in the interests of the Company's Shareholders as a whole.

The Management Engagement Committee will review the continuing appointment of all of the Company's principal service providers and the performance of the Manager on an annual basis and ensure they are in the best interests of Shareholders as a whole.

Stephen Smith

Chairman of the Management Engagement Committee
16 March 2016

GOVERNANCE


RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of maintaining strong relationships with Shareholders and the Directors place a great deal of importance on communication. The Manager, the Company's broker and the Company's joint financial adviser regularly meet Shareholders and take calls from them. The Board also receives periodic feedback from its broker and joint financial adviser on Shareholder issues.

During the year, the Manager devoted time to meeting with existing Shareholders and prospective new investors in the UK, the US, and the Netherlands, in particular. In November and December 2015, the Company's broker, Jefferies International Limited ("Jefferies"), together with Colin Godfrey, undertook a specific programme of consultation with 18 of the Company's largest Shareholders, representing 53% of the share register in order to gauge their views on the Company's performance to date and ascertain what, if any, concerns they had in relation to the Company's future. Jefferies presented a formal report to the Board on the feedback received from these Shareholders, the contents of which were discussed and noted at the December Board meeting. The feedback, which was highly positive overall, has been taken into account by the Board.

The Manager has also hosted several "Big Box" site visits for existing and prospective investors during the year and will continue the initiative in 2016, with the first event having taken place in January 2016, which included a visit to the assets in Castle Donington (let to Marks & Spencer) and Worksop (let to B&Q).

Shareholders are encouraged to attend and vote at the Company's general meetings so they can discuss governance and strategy and the Board can enhance its understanding of Shareholders' issues. The Board makes itself available at the Company's general meetings to answer any Shareholder questions and the Chairman makes himself available, as necessary, outside of these meetings to speak to Shareholders. The Board is currently establishing a programme of more informal opportunities for Shareholders to meet with the Directors, in particular the Chairman and senior members of the Manager. The Board has also recently appointed Jim Prower as the Senior Independent Director who will be an alternate point of communication for Shareholders. The Board is contactable by emailing the Company Secretary at bigboxcosec@tritax.co.uk.

The Company ensures that any price sensitive information is released to all Shareholders at the same time and in accordance with regulatory requirements. The Company's Annual Report and Interim Report are dispatched to Shareholders by mail and are also available to download from the Company's Website . The Manager also produces a quarterly fact sheet summarising the events of the previous quarter which is available on the Company's Website.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT**Annual statement**

As the Board has no Executive Directors, it does not consider it necessary to establish a separate Remuneration Committee. The Board as a whole is therefore responsible for discussions regarding remuneration. The Directors' remuneration is disclosed in this Remuneration Report, which will be presented at the AGM for Shareholders' consideration and approval.

Directors' remuneration policy

Under the Company's Articles of Association, all Directors are entitled to the remuneration determined from time to time by the Board. The Independent Non-Executive Directors each received a pay increase of £10,000 per annum on 22 July 2015 backdated to 1 January 2015 in recognition of the additional time spent by each Director on the Company's affairs compared to that originally anticipated, reflected by the Company's considerable expansion since its IPO in December 2013.

The Company's policy is to determine the level of Directors' fees with regard to those payable to Non-Executive Directors in the industry generally, individual Directors' Board and Audit Committee responsibilities, and the time each Director dedicates to the Company's affairs.

The Directors are entitled only to their annual fee and their reasonable expenses. No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

Annual report on remuneration

Each Director has been appointed pursuant to a letter of appointment dated 18 November 2013, except for Mark Shaw whose letter of appointment is dated 8 November 2013. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

Each Director, other than Mark Shaw, is entitled to receive a fee from the Company at a rate determined in accordance with the Articles. The Directors are each paid an annual fee of £40,000 per annum, other than the Chairman (Richard Jewson) who is currently entitled to a fee of £70,000 per annum, and the Chairman of the Audit Committee (Jim Prower), who is currently entitled to a fee of £45,000 per annum.

The fees paid to the current Directors in the year to 31 December 2015, which have been audited, are set out in the table below.

In addition, each Director is entitled to recover all reasonable expenses properly incurred in connection with performing his duties as a Director. Directors' expenses for the year to 31 December 2015 totalled £1,877. No other remuneration was paid or payable during the year to any Director.

DIRECTOR*	2015		2014
	ANNUAL FEES £	TOTAL £	TOTAL £
Richard Jewson Chairman	£70,000	£70,000	£60,000
Jim Prower	£45,000	£45,000	£35,000
Stephen Smith	£40,000	£40,000	£30,000
Total		£155,000	£125,000

* As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

Statement of voting at general meeting

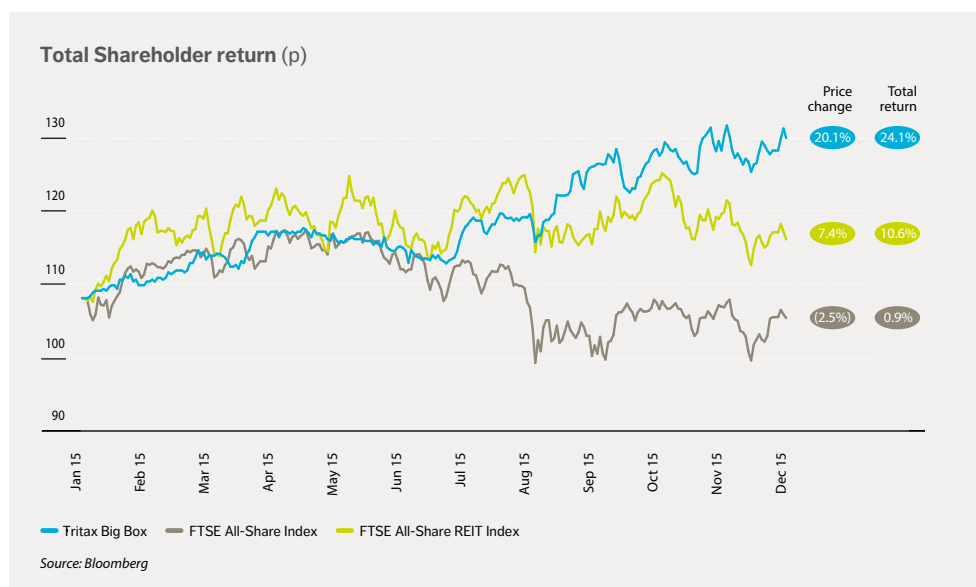
The Company is committed to ongoing Shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration the Company will seek the reasons for any such vote and will detail any resulting actions in the Directors' Remuneration Report. The Directors' Remuneration Policy and the Directors' Remuneration Report were approved by Shareholders at the AGM held on 15 April 2015. The voting on the respective resolutions was as follows:

RESOLUTION	VOTES CAST	FOR AGAINST		VOTES WITHHELD
Directors' Remuneration Policy	337,094,403	100%	0%	2,260,800
Directors' Remuneration Report	337,094,403	100%	0%	2,260,800

Total Shareholder return

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

Total Shareholder return is the measure of returns provided by a Company to Shareholders reflecting share price movements and assuming reinvestment of dividends.



Statement of Directors' shareholding and share interests

The Directors are not required to hold shares in the Company. At 31 December 2015, the Directors held the following interests in the Company's shares:

DIRECTOR	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2015
Richard Jewson (Chairman)*	50,000	0.007%
Jim Prower*	23,760	0.004%
Stephen Smith	–	–
Mark Shaw	320,094	0.047%

* The shareholdings of Richard Jewson and Jim Prower are not significant and, therefore, do not compromise their independence.

Richard Jewson acquired an additional 4,545 shares under the Open Offer on 16 February 2016.

Other items

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

Richard Jewson Chairman

16 March 2016

GOVERNANCE

DIRECTORS' REPORT**Introduction**

The Directors are pleased to present the Annual Report, including the Company's audited financial statements as at, and for the year ended, 31 December 2015.

The Directors' Report, together with the Strategic Report [↔](#) comprise the "Management Report", for the purposes of Disclosure and Transparency Rule 4.1.5R.

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference, as indicated in the relevant section.

Financial results and dividends

The financial results for the year can be found in the Group Statement of Comprehensive Income [↔](#).

During the year, the following interim dividends amounting to, in aggregate, 3.00 pence per share were declared and paid:

- On 22 April 2015, an interim dividend of 1.0 pence per share was paid to Shareholders on the register on 20 March 2015;
- On 15 July 2015, an interim dividend of 1.5 pence per share was paid to Shareholders on the register on 19 June 2015; and
- On 23 September 2015, an interim dividend of 0.5p per share was paid to Shareholders on the register on 4 September 2015.

An additional interim dividend in respect of the six months ended 31 December 2015 of 3.00 pence per share was declared on 26 January 2016, which was paid on 9 March 2016 to Shareholders on the register on 12 February 2016.

Directors

The names of the Directors who served during the year are set out in the Board of Directors pages [↔](#), together with their biographical details.

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

Directors' interests in shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report [↔](#).

Future developments

An indication of the likely future developments of the Company's business is set out in the Strategic Report [↔](#).

Political donations

No political donations were made during the year.

Employees

The Group has no employees and therefore no employee share scheme.

Financial instruments

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

Share capital

As part of the Company's IPO on 9 December 2013, the Company issued 200,000,000 Ordinary Shares at a price of 100 pence per share. The shares were admitted to trading on the Specialist Fund Market of the London Stock Exchange and the Channel Islands Stock Exchange Authority Limited ("CISEA") and listed on the Official List of the CISEA. This was followed by the placing of an additional 19,980,000 Ordinary Shares in June 2014.

On 30 July 2014, the Company's shares were listed on the premium segment of the Financial Conduct Authority's Official List and were admitted to trading on the Main Market of the London Stock Exchange. The Company simultaneously issued 145,631,068 Ordinary Shares, approved a share issuance programme under which the Company was authorised to issue up to 350,000,000 Ordinary Shares between July 2014 and July 2015 (the "Share Issuance Programme"), and approved the cancellation of its trading on the CISEA and of its listing on the Official List of the CISEA, which both took effect on 5 August 2014. Pursuant to the Share Issuance Programme, the Company issued 104,761,904 Ordinary Shares in December 2014.

In March 2015, the Company issued 175,557 Ordinary Shares pursuant to the Investment Management Agreement and

[↔](#) See **Strategic Report** p1-46

[↔](#) See **Group Statement of Comprehensive Income** p78

[↔](#) See **The Board of Directors** p54-55

[↔](#) See **Directors' Remuneration Report** p66-67

[↔](#) See **note 22, Financial Risk Management** p98-100

a further 159,090,909 Ordinary Shares pursuant to the Share Issuance Programme. In June 2015, the Company issued 47,787,607 Ordinary Shares as a final tranche under the Share Issuance Programme. In September 2015, the Company issued a further 290,795 Ordinary Shares pursuant to the Investment Management Agreement.

As at 31 December 2015, there were 677,840,088 Ordinary Shares in issue.

ORDINARY SHARES	NUMBER	GROSS PROCEEDS (£)
Balance at start of the year	470,495,220	–
Shares issued in March 2015	159,266,466	175,186,477
Shares issued in June 2015	47,787,607	53,999,996
Shares issued in September 2015	290,795	333,484
Balance at end of the year	677,840,088	229,519,957

On 16 February 2016, the Company issued a further 161,290,323 Ordinary Shares under a prospectus dated 27 January 2016.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except as a result of:

- the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- the Company's Articles of Association, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or the Manager breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Going concern

The Directors believe that the Company is well placed to manage its financing and other business risks. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate. Please refer

to the Accountability section as covered within Governance on pages 58-59 for greater detail.

Greenhouse gas emissions reporting

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

During the year ended 31 December 2015:

- Any emissions from the Group's properties have been the tenants' responsibility rather than the Group's, so the principle of operational control has been applied;
- Any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Manager's responsibility; and
- The Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such, the Board believes that the Company has no reportable emissions for the year ended 31 December 2015.

Substantial shareholdings

As at 29 February 2016, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital:

INVESTOR	NO. OF ORDINARY SHARES	% HOLDING OF ISSUED SHARE CAPITAL
Aviva plc	59,163,154	7.05
BlackRock, Inc	51,119,307	6.09
Quilter Cheviot Limited	39,127,056	4.66
Smith & Williamson Holdings Limited	33,389,799	3.98
Baillie Gifford & Co	30,237,935	3.60
Brooks Macdonald Group plc	27,386,296	3.26
East Riding of Yorkshire Council	27,347,333	3.26
Brewin Dolphin Limited	25,617,428	3.05

GOVERNANCE: [DIRECTORS' REPORT](#)**Amendment of Articles of Association**

The Articles may be amended by a special resolution of the Company's Shareholders.

Powers of the Directors

The Board will manage the Company's business and may exercise all the Company's powers, subject to the Articles, the Companies Act and any directions given by the Company by special resolution.

Powers in relation to the Company issuing its shares

At a general meeting on 25 July 2014, the Directors were granted authority to allot Ordinary Shares in accordance with section 551 of the Companies Act 2006, inter alia, up to an aggregate nominal amount of £3,500,000 (based on a further 350,000,000 Ordinary Shares issued with a nominal amount of £0.01 per Ordinary Share) pursuant to the Share Issuance Programme and for premium management purposes. The Directors were also granted authority to issue those Ordinary Shares non-pre-emptively and wholly for cash. Such authority expired on 8 July 2015.

Further, at the Annual General Meeting held on 15 April 2015, the Directors were granted a general authority to allot Ordinary Shares in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £3,136,634 (based on a further 313,663,400 shares issued with a nominal amount of £0.01 per Ordinary Share). Of those Ordinary Shares, the Directors were also granted authority to issue up to an aggregate nominal amount of £470,495 (based on 47,049,500 Ordinary Shares with a nominal amount of £0.01 per Ordinary Share) non-pre-emptively and wholly for cash. These authorities expire at the next Annual General Meeting.

Change of control

Under the Group's financing facilities, any change of control at the borrower or immediate parent company level may trigger a repayment of the outstanding amounts to the lending banks. In certain facilities, the change of control provisions also include a change of control at the ultimate parent company level.

Appointment and replacement of Directors

Details of the process by which Directors can be appointed or replaced are included in the Nomination Committee Report [↪](#).

Events subsequent to the year end date

For details of events since the year end date, please refer to note 32 [↪](#).

Independent auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2016. A resolution relating to this appointment will be tabled at the forthcoming AGM.

Manager and service providers

The Manager during the year was Tritax Management LLP. Details of the Manager and the Investment Management Agreement are set out in the Management Engagement Committee Report [↪](#).

The Company's administration was delegated to Capita Sinclair Henderson Limited.

Disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report have confirmed that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Company's AGM will be held at the offices of Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW at 10:00am on 11 May 2016.

This report was approved by the Board on 16 March 2016.

Tritax Management LLP Company Secretary
16 March 2016

Company Registration Number: 08215888

GOVERNANCE

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare the Group and Company financial statements for each financial year. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that year.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- For the Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standard 100 Applications of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), as adopted in the year, subject to any material departures disclosed and explained in the Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report [↗](#), a Strategic Report [↗](#), a Directors' Remuneration Report [↗](#) and a Corporate Governance Statement [↗](#) that comply with that law and those regulations. These can be found at pages 68-70, 1-46, 66-67 and 48-49 respectively.

Website publication

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board by:

Richard Jewson Chairman
16 March 2016

GOVERNANCE

DEPOSITARY STATEMENT



Established in 2013, Langham Hall UK Depositary LLP is an FCA regulated firm that works in conjunction with the Manager and the Company to act as depositary. Consisting exclusively of qualified and trainee accountants and alternative specialists, we represent net assets of US\$70bn and deploy our services to 80 alternative investment funds across various jurisdictions worldwide. Our role as depositary primarily involves oversight of the control environment of the Company, in line with UK regulatory requirements.

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

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

In the year ended 31 December 2015, our work included the review of two equity and two management share issues, eleven acquisitions, five third-party financing arrangements and four property income distributions. Based on the work performed during this period, we confirm that no issues came to our attention to indicate that controls are not operating appropriately.

Rachael Lyon Head of Client Services

For and on behalf of Langham Hall UK Depositary LLP
London
United Kingdom
16 March 2016

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

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT

to the members of Tritax Big Box REIT plc

Opinion on financial statements**In our opinion:**

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group's financial statements, Article 4 of the IAS Regulation.

Overview

Materiality	Overall Group materiality of £10.0 million which represents 0.8% of total assets.
Audit scope	The whole Group was subject to a full audit. We have obtained an understanding of the controls in place at the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error as well as assisting us in determining the most appropriate audit strategy.
Areas of focus	Valuation of the investment property portfolio and in particular property under construction (forward funded assets).
What has changed since our 2014 audit	We increased our focus on the risks associated with investment property under construction as a result of the increase in the significance of these assets. We reduced our assessment of risk arising from inappropriate revenue recognition because revenue is due contractually under long term property lease agreements with single tenants and there were no significant new lease incentives in 2015.

What we have audited

We have audited the financial statements of Tritax Big Box REIT plc for the year ended 31 December 2015 which comprise the Group Statement of Comprehensive Income, the Group

Statement of Financial Position and parent company Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	£10.0 million
Performance materiality	£7.5 million
Specific materiality	£1.5 million
Reporting threshold	£0.1 million

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £10.0 million (2014: £6.0 million), which was set at 0.8% of Group total assets (2014: 0.8%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that the carrying value of investment property would be the most appropriate basis for determining overall materiality given that the Group's investment property balance accounts for around 92% (2014: 82%) of the Group's total assets and the fact that users of the Group's financial statements are primarily focused on the valuation of the investment property portfolio.

We determined that for other account balances, classes of transactions and disclosures not related to investment properties, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We have determined that materiality for these areas

GOVERNANCE: **INDEPENDENT AUDITOR'S REPORT**

should be £1.5 million (2014: £0.6 million), which was set at 5% (2014: 5%) of EPRA adjusted earnings. EPRA adjusted earnings excludes the impact of the net surplus on revaluation of investment properties and interest rate derivatives.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality for the Group should be 75% (2014: 75%) of materiality, namely £7.5 million (2014: £4.5 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £100,000 (2014: £75,000) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

An overview of the scope of an audit of the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation in the financial statements.

In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Tailoring the scope of our audit and our assessment of risks of material misstatement

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

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

The table opposite shows the risks we identified that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team, together with our audit response to the risks. This is not a complete list of all risks identified by our audit.

This year we included accounting for investment properties under construction (forward funded assets) as a key area of focus given that some 25% of the Group's properties were under construction during the year and accounting for such assets is typically more complex than the Group's standing assets.

Last year we included revenue recognition as a key area; this year we have reduced our risk assessment given that, in our view, the risk of material misstatement from inappropriate revenue recognition within the Group's portfolio of investment property is low because of the long term contractual nature of the Group's rental income and because there were no significant new lease incentives in 2015 (a potential area of judgement).

The Audit Committee's consideration of the judgements set out in this section is set out [↪](#) on page 61.

RISK	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE RISK
<p>Valuation of investment property portfolio, including properties under construction (forward funded assets)</p> <p>The valuation of investment property requires significant judgement and estimates by management and the external valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.</p> <p>The Group's investment property portfolio includes:</p> <ul style="list-style-type: none"> • Standing investments: these are existing properties that are currently let. They are valued using the income capitalisation method. • Properties under construction: these are properties being built under forward funded agreements with developers and which have agreed pre lets with tenants. Such assets have a different risk and investment profile to standing investments. They are valued using the residual method (ie by estimating the fair value of the completed project using the income capitalisation method less estimated costs to completion and an appropriate developer's margin). <p>Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied and estimated costs to complete for assets under construction) could result in a material misstatement of the income statement and statement of financial position.</p> <p>There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.</p> <p>Additionally, properties under construction may involve licence fees receivable from the developer during the construction phase and lease incentives to the pre let tenant. Accounting for such assets is typically more complex than for standing assets.</p>	<p>We obtained an understanding of the approach to the valuation of both investment properties and properties under construction.</p> <p>We met with the Group's external valuer, who valued all of the Group's investment properties, to understand the assumptions and methodologies used in valuing these properties, the market evidence supporting the valuation assumptions and the valuation movements in the year.</p> <p>We used our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used.</p> <p>We agreed the accuracy of the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate.</p> <p>We assessed the competency, independence and objectivity of the external valuer.</p> <p>For properties under construction we assessed project costs and progress of development and verified the forecast costs to complete included in the valuations through cost analysis.</p> <p>For such forward funded assets we also reviewed the accounting treatment of licence fees receivable from the developer during the construction phase as well as the treatment of any lease incentives with the pre let tenant, by reference to the agreement with the tenant.</p>

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' Responsibilities (→), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GOVERNANCE: INDEPENDENT AUDITOR'S REPORT

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out [↪](#) on pages 58-59 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Report and Accounts is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement [↪](#), set out on page 59, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules of the Financial Conduct Authority.

We have nothing to report in respect of these matters.

Richard Levy (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
16 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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DHL, SKELMERSDALE

Our Big Box in Skelmersdale, Lancashire, let to DHL. This is a highly specified and fully fitted distribution facility, located approximately one mile from Junction 4 of the M58 and five miles from Junction 6 of the M6. The port of Liverpool is approximately 14 miles. DHL has committed significant capital expenditure to fit the unit out, in order to fulfil a new distribution contract; the unit will also operate as a multi-contracted facility.

FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Gross rental income	6	43,784	18,603
Service charge income	6	1,415	511
Service charge expense	7	(1,431)	(511)
Net rental income		43,768	18,603
Administrative and other expenses	8	(7,830)	(3,603)
Operating profit before changes in fair value of investment properties		35,938	15,000
Changes in fair value of investment properties	15	106,751	31,668
Operating profit		142,689	46,668
Finance income	10	272	205
Finance expense	11	(6,983)	(2,452)
Changes in fair value of interest rate derivatives	21	(1,994)	(2,577)
Profit before taxation		133,984	41,844
Tax charge on profit for the year	12	–	–
Total comprehensive income (attributable to the Shareholders)		133,984	41,844
Earnings per share – basic	13	21.56p	15.10p
Earnings per share – diluted	13	21.54p	15.10p

FINANCIAL STATEMENTS

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	At 31 December 2015 £'000	At 31 December 2014 £'000
Non-current assets			
Investment property	15	1,157,854	586,179
Interest rate derivatives	21	8,635	2,379
Total non-current assets		1,166,489	588,558
Current assets			
Trade and other receivables	17	19,733	30,668
Cash held at bank	18	68,586	98,616
Total current assets		88,319	129,284
Total assets		1,254,808	717,842
Current liabilities			
Deferred rental income		(11,828)	(7,332)
Trade and other payables	19	(24,243)	(6,048)
Total current liabilities		(36,071)	(13,380)
Non-current liabilities			
Bank borrowings	20	(377,635)	(200,933)
Total non-current liabilities		(377,635)	(200,933)
Total liabilities		(413,706)	(214,313)
Total net assets		841,102	503,529
Equity			
Share capital	24	6,778	4,705
Share premium reserve	25	52,738	272,536
Capital reduction reserve	26	605,758	184,444
Retained earnings	27	175,828	41,844
Total equity		841,102	503,529
Net asset value per share – basic	28	124.09p	107.02p
Net asset value per share – diluted	28	124.01p	107.02p
EPRA net asset value per share	28	124.68p	107.57p

These financial statements were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Richard Jewson Chairman

FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2015

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
	Note	
Cash flows from operating activities		
Profit for the year (attributable to equity Shareholders)	133,984	41,844
Less: changes in fair value of investment properties	(106,751)	(31,668)
Add: changes in fair value of interest rate derivatives	1,994	2,577
Less: finance income	(272)	(205)
Add: finance expense	6,983	2,452
Accretion of tenant lease incentive	(2,206)	(937)
Increase in trade and other receivables	(12,135)	(1,787)
Increase in deferred income	3,597	7,332
Increase in trade and other payables	162	3,194
Cash received as part of corporate acquisitions	1,283	–
Cash generated from operations	26,639	22,802
Tax paid	(112)	–
Net cash flow generated from operating activities	26,527	22,802
Investing activities		
Purchase of investment properties	(437,607)	(555,696)
Forward funded payment	–	(27,204)
Licence fees received	16,590	1,514
Interest received	289	115
Amounts transferred into restricted cash deposits	18 (5,851)	(4,310)
Amounts transferred out of restricted cash deposits	18 783	–
Net cash flow used in investing activities	(425,796)	(585,581)
Financing activities		
Proceeds from issue of Ordinary Share capital	229,520	480,901
Cost of share issues	(4,726)	(9,594)
Bank borrowings drawn	20 186,897	215,144
Bank borrowings repaid	20 (5,500)	(11,500)
Loan arrangement fees paid	(6,080)	(2,658)
Bank interest paid	(5,663)	(1,418)
Interest rate cap premium paid	(8,324)	(4,956)
Proceeds from disposal of interest rate cap	74	–
Dividends paid to equity holders	(22,027)	(8,834)
Net cash flow generated from financing activities	364,171	657,085
Net (decrease)/increase in cash and cash equivalents for the year	(35,098)	94,306
Cash and cash equivalents at start of the year	18 94,306	–
Cash and cash equivalents at end of the year	18 59,208	94,306

FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

	Undistributable reserves		Distributable reserves		
	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2015	4,705	272,536	184,444	41,844	503,529
Total comprehensive income	-	-	-	133,984	133,984
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (March 2015)	1,591	173,409	-	-	175,000
Share issue expenses in relation to Equity issue (March 2015)	-	(3,547)	-	-	(3,547)
Shares issued in relation to further Equity issue (June 2015)	477	53,522	-	-	53,999
Share issue expenses in relation to Equity issue (June 2015)	-	(1,078)	-	-	(1,078)
Shares issued in relation to management contract	5	515	-	-	520
Share based payments	-	-	-	836	836
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(836)	(836)
Cancellation of share premium account	-	(442,619)	442,619	-	-
Dividends paid:					
Third interim dividend for the period ended 31 December 2014 (0.80 pence)	-	-	(3,764)	-	(3,764)
First interim dividend for the year ended 31 December 2015 (1.00 pence)	-	-	(4,707)	-	(4,707)
Second interim dividend for the year ended 31 December 2015 (1.50 pence)	-	-	(9,446)	-	(9,446)
Third interim dividend for the year ended 31 December 2015 (0.50 pence)	-	-	(3,388)	-	(3,388)
31 December 2015	6,778	52,738	605,758	175,828	841,102
1 November 2013	50	-	-	-	50
Total comprehensive income	-	-	-	41,844	41,844
Issue of Ordinary Shares					
Shares issued in relation to IPO	1,950	198,000	-	-	199,950
Share issue expenses in relation to IPO	-	(4,000)	-	-	(4,000)
Shares issued in relation to Tap (June 2014)	200	20,579	-	-	20,779
Share issue expenses in relation to Tap (June 2014)	-	(402)	-	-	(402)
Shares issued in relation to further Equity issue (July 2014)	1,456	148,544	-	-	150,000
Share issue expenses in relation to further Equity issue (July 2014)	-	(3,042)	-	-	(3,042)
Shares issued in relation to management contract	1	121	-	-	122
Shares issued in relation to further Equity issue (December 2014)	1,048	108,952	-	-	110,000
Share issue expenses in relation to further Equity issue (December 2014)	-	(2,216)	-	-	(2,216)
Share based payments	-	-	-	320	320
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(320)	(320)
Cancellation of share premium account	-	(194,000)	194,000	-	-
Dividends paid:					
First interim dividend for the period ended 31 December 2014 (1.85 pence)	-	-	(4,070)	-	(4,070)
Second interim dividend for the period ended 31 December 2014 (1.50 pence)	-	-	(5,486)	-	(5,486)
31 December 2014	4,705	272,536	184,444	41,844	503,529

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED ACCOUNTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2015 comprise the results of the Company and its subsidiaries and were approved by the Board for issue on 16 March 2015. Tritax Big Box REIT plc (“the Company”) is a public listed company incorporated and domiciled in England and Wales. The Company’s Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

The nature of the Group’s operations and its principal activities are set out in the Strategic Report [↔](#) on pages 1-46.

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 prior period is for a period of greater than 12 months, due to the change of year end of the Company to align it with the calendar year. As a result the comparative information disclosed in the Group Statement of Comprehensive Income is not directly comparable.

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

The consolidated financial information is presented in Sterling, which is also the Group’s functional currency, and all values are rounded to the nearest thousand (£’000), except where otherwise indicated.

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

2.1. Going concern

The consolidated financial statements are prepared on a going concern basis as explained within Accountability [↔](#) on pages 58-59.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1. Judgements

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

Business combinations

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

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

Operating lease contracts – the Group as lessor

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

Fair valuation of investment property

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

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 15 [↔](#).

Fair valuation of interest rate derivatives

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

Group refinancing arrangements

The Group undertook a debt refinancing during the year, to lower its cost of borrowing and provide it with flexible debt arrangements. In accordance with IAS39, the Group has evaluated whether or not the refinancing represents an extinguishment of the old financial instruments and whether this would give rise to a gain or loss being recognised in the Group Statement of Comprehensive Income. In doing so, the Group has considered that it has met all criteria for the refinancing not to be considered an extinguishment of a liability, which includes, existing borrower and lender relationships, the qualitative test and the 10% present value test of cash flows, where the net present value of future cash flows of the refinanced instrument do not differ from those of the existing instrument by more than 10%.

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.

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

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 period in which they arise under IAS 40 Investment Property.

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

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

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

4.5. Derivative financial instruments

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

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

4.6. Fair value hierarchy

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

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

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

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

4.7. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written-off when the probability of recovery is assessed as being remote.

4.8. Forward funded pre-let investments

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

4.8.1. Forward funded prepayments

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

4.8.2. Licence fees receivable

During the period between initial investment in a forward funded agreement and the rent commencement date, the Group receives licence fee income. This is payable by the developer to the Group throughout this period and typically reflects the approximate level of rental income that is expected to be payable under the lease, as and when practical completion is reached. Under IFRS 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.

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 accounts to cover future rent-free periods; this is not available for everyday use.

4.10. Trade payables

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

4.11.1 Bank borrowings

All bank borrowings are initially recognised at fair value net of attributable transaction costs. Any attributable transaction costs relating to the issue of the bank borrowings are amortised through the Group Statement of Comprehensive Income over the life of the debt instrument on a straight-line basis. After initial recognition, all bank borrowings are measured at amortised cost, using the effective interest method.

4.11.2 Refinancing arrangements

The Group accounts for refinancing exchanges with an existing lender by considering both quantitative and qualitative indicators of extinguishment or modifications. Where the net present value of the future cash flows of the refinanced instrument do not differ from those of the existing instrument by more than 10%, the quantitative criteria are met to treat the exchange as a modification. The indicators of qualitative factors as to modification or extinguishment are considered a judgement as referred to in 3.1. Where an extinguishment exists the new instrument is recognised at fair value and the difference between that and the carrying value of the old instrument is recognised as a gain or loss in the Group Statement of Comprehensive Income.

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**4.12. Share-based payments**

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

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.

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

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

4.15. Finance income

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

4.16. Finance costs

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

4.17. Taxation

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

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9: Financial Instruments (effective 1 January 2018 subject to EU endorsement);

IFRS 15: Revenue from Contracts with Customers (effective 1 January 2017 subject to EU endorsement);

IFRS 16: Leases (effective 1 January 2019).

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

6. TOTAL PROPERTY INCOME

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Rental income – freehold property	32,893	14,851
Rental income – long leasehold property	8,685	2,815
Spreading of tenant incentives and guaranteed rental uplifts	2,206	937
Gross rental income	43,784	18,603
Property insurance recoverable	1,234	460
Service charges recoverable	181	51
Total insurance/service charge income	1,415	511
Total property income	45,199	19,114

Included within rental income is £2.21 million (2014: £0.94 million) of accrued contracted rental income, relating to fixed or minimum uplift rental reviews or rent-free lease incentives. → See note 15.

Revenue from three individual tenants represents £4.99 million, £5.49 million and £5.72 million respectively of gross rental income and therefore each individually representing more than 10% of gross rental income.

7. SERVICE CHARGE EXPENSES

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Property insurance expense	1,250	460
Service charge expense	181	51
Total property expenses	1,431	511

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

8. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Investment management fees	6,310	2,330
Directors' remuneration (note 9)	173	154
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	129	44
– Fees payable for the review of the Company's interim accounts	20	14
– Fees payable for the audit of the Company's initial accounts	–	9
– Fees payable for the audit of the Company's subsidiaries	32	27
– Fees payable for taxation services	75	60
Total Auditor's fee	256	154
Corporate administration fees	358	254
Regulatory fees	25	25
Legal and professional fees	448	488
Marketing and promotional fees	94	95
Other administrative costs	166	103
	7,830	3,603

The Auditor has also received £62,000 in respect of providing reporting accountant services in connection with the two equity issuances occurring during the year. A total £132,000 has been incurred in respect of due diligence and advisory services provided in connection with the acquisition of Group assets. The fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees in relation to the acquisition of assets have been capitalised in to the cost of the respective assets.

9. DIRECTORS' REMUNERATION

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Directors' fees	155	141
Employer's National Insurance	18	13
	173	154

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 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Interest received on bank deposits	272	205
	272	205

11. FINANCE EXPENSE

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Interest payable on bank borrowings	5,843	2,142
Commitment fees payable on bank borrowings	118	–
Swap interest payable	76	–
Amortisation of loan arrangement fees	946	310
	6,983	2,452

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings of £6.48 million (2014: £2.14 million) of which £0.52 million were capitalised in the year (2014: £nil) and amortisation of loan arrangement fees of £1.08 million (2014: £0.31 million) of which £0.13 million (2014: £nil) were capitalised in the year. The total interest payable on bank borrowings specifically drawn to finance the construction of investment properties was capitalised in the current and preceding period.

12. TAXATION

a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
UK corporation tax	–	–

A reduction in the UK corporation tax rate from 21% to 20% was effective from 1 April 2015. In addition, the Government announced its intention to further reduce the UK corporation tax rates from 20% to 19% from 1 April 2017. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2015.

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 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Profit on ordinary activities before taxation	133,984	41,844
Theoretical tax at UK corporation tax rate of 20.25% (31 December 2014: 21.71%)	27,131	9,084
REIT exempt income	(5,927)	(2,672)
Non-taxable items	(21,114)	(6,406)
Transfer pricing adjustment	343	144
Residual losses	(433)	(150)
Total tax credit	–	–

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

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:

	Net profit attributable to Ordinary Shareholders £'000	Weighted average number of Ordinary Shares ¹ Number	Earnings per share Pence
For the year ended 31 December 2015			
Basic earnings per share	133,984	621,514,696	21.56p
Adjustment for dilutive shares to be issued		415,179	
Diluted earnings per share	133,984	621,929,875	21.54p
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(106,751)		
Changes in fair value of interest rate derivatives (note 21)	1,994		
EPRA² basic earnings per share	29,227	621,514,696	4.70p
EPRA² diluted earnings per share	29,227	621,929,875	4.70p
Adjustments to include:			
Licence fee receivable on forward funded developments	9,519		
Interest capitalised on forward funded developments	(708)		
Adjusted basic earnings per share	38,038	621,514,696	6.12p
Adjusted diluted earnings per share	38,038	621,929,875	6.12p
For the period 1 November 2013 to 31 December 2014			
Basic and diluted earnings per share	41,844	277,169,193	15.10p
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(31,668)		
Changes in fair value of interest rate derivatives (note 21)	2,577		
EPRA² basic and diluted earnings per share	12,753	277,169,193	4.60p
Adjustments to include:			
Licence fee receivable on forward funded developments	710		
Adjusted basic and diluted earnings per share	13,463	277,169,193	4.86p

¹ Based on the weighted average number of Ordinary Shares in issue throughout the year.

² European Public Real Estate Association.

14. DIVIDENDS PAID

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Third interim dividend in respect of period ended 31 December 2014 at 0.80 pence per Ordinary Share	3,764	–
First interim dividend in respect of year ended 31 December 2015 at 1.00 pence per Ordinary Share (31 December 2014: 1.85 pence)	4,707	4,070
Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share (31 December 2014: 1.50 pence)	9,446	5,486
Third interim dividend in respect of year ended 31 December 2015 at 0.50 pence per Ordinary Share	3,388	–
Total dividends paid	21,305	9,556
Total dividends paid for the year	3.00p	3.35p
Total dividends unpaid but declared for the year	3.00p	0.80p
Total dividends declared for the year	6.00p	4.15p

On 23 February 2015, the Company announced the declaration of a third interim dividend in respect of the period from 1 November 2014 to 31 December 2014 of 0.80 pence per Ordinary Share, which was payable on 18 March 2015 to Ordinary Shareholders on the register on 6 March 2015.

On 6 March 2015, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2015 to 28 February 2015 of 1.00 pence per Ordinary Share which was payable on 22 April 2015 to Shareholders on the register on 20 March 2015.

On 8 June 2015, the Company announced the declaration of a second interim dividend in respect of the period 1 March 2015 to 31 May 2015 of 1.50 pence per Ordinary Share which was payable on 15 July 2015 to Shareholders on the register on 19 June 2015.

On 21 August 2015, the Company announced the declaration of a third interim dividend in respect of the period 1 June 2015 to 30 June 2015 of 0.50 pence per Ordinary Share which was payable on 23 September 2015 to Shareholders on the register on 4 September 2015.

On 27 January 2016, the Company announced the declaration of a fourth interim dividend in respect of the period 1 July 2015 to 31 December 2015 of 3.00 pence per Ordinary Share which was payable on 9 March 2016 to Shareholders on the register on 12 February 2016.

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

15. INVESTMENT PROPERTY

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 ("the Red Book") and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

The Valuer in forming its opinion make a series of assumptions, which are typically market related such as net initial yields and expected rental values and are based on the Valuer's professional judgement. The Valuer has sufficient current local and national knowledge of the particular property markets involved and 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 £'000	Investment property long leasehold £'000	Investment property under construction £'000	Total £'000
As at 1 January 2015	467,320	110,150	8,709	586,179
Property additions	152,983	133,363	176,372	462,718
Fixed rental uplift ¹	2,132	74	–	2,206
Transfer of completed property to investment property	41,191	–	(41,191)	–
Change in fair value during the year	57,265	17,108	32,378	106,751
As at 31 December 2015	720,891	260,695	176,268	1,157,854
As at 1 November 2013	–	–	–	–
Property additions	442,698	103,375	7,501	553,574
Fixed rental uplift ¹	937	–	–	937
Change in fair value during the period	23,685	6,775	1,208	31,668
As at 31 December 2014	467,320	110,150	8,709	586,179

¹ Included within the carrying value of investment property is £3.14 million in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimal rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

	31 December 2015 £'000	31 December 2014 £'000
Investment property at fair value	1,157,854	586,179
Forward funding prepayments (note 17)	–	27,204
Licence fee receivable	4,602	1,587
Capital commitments	139,221	–
Restricted cash (note 18)	9,378	4,310
Total portfolio valuation*	1,311,055	619,280

* Including costs to complete on forward funded development assets.

The valuation summary is set out in the Strategic Report [↗](#), page 35.

Fair value hierarchy

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

	Date of valuation	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value:					
Investment properties	31 December 2015	1,157,854	–	–	1,157,854
Investment properties	31 December 2014	586,179	–	–	586,179

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

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

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

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

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

Valuation techniques: market comparable method

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

Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £838,500-£5,490,254 per annum).

Unobservable input: rental growth

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

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 4.25%-7.00%).

Sensitivities of measurement of significant unobservable inputs

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

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £'000	+5% in passing rent £'000	+0.25% in net initial yield £'000	-0.25% in net initial yield £'000
Increase/(decrease) in the fair value of investment properties as at 31 December 2015	(65,553)	65,553	(63,563)	69,716
Increase/(decrease) in the fair value of investment properties as at 31 December 2014	(30,964)	30,964	(26,835)	29,381

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

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%
Tritax Acquisition 1 Limited	Investment Holding Company	Jersey	100%
Baljean Properties Limited	Property Investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment Holding Company	Jersey	100%
The Sherburn RDC Unit Trust	Property Investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property Investment	UK	100%
Tritax REIT Acquisition 4 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 5 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Tritax Acquisition 6 Limited	Investment Holding Company	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Acquisition 7 Limited	Investment Holding Company	Jersey	100%
Tritax Ripon Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 9 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 10 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 11 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 12 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 13 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 14 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Acquisition 15 Limited	Investment Holding Company	Jersey	100%
Tritax Worksop Limited	Property Investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 16 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 17 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 18 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Acquisition 19 Limited	Investment Holding Company	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Acquisition 20 Limited	Investment Holding Company	Jersey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 21 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 22 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 23 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 23 Limited	Property Investment	Jersey	100%
Tritax Acquisition 24 Limited	Property Investment	Jersey	100%
Tritax Knowsley Limited	Property Investment	Isle of Man	100%

17. TRADE AND OTHER RECEIVABLES

	31 December 2015 £'000	31 December 2014 £'000
Forward funded prepayment	–	27,204
Trade receivables	2,110	1,718
Licence fee receivable	4,602	1,587
Prepayments and other receivables	98	159
VAT	12,923	–
	19,733	30,668

As at 31 December 2015, some trade receivables were past due but not impaired, as set out below.

Past due but not impaired		
< 30 days	1,202	1,718
30-60 days	–	–
60-90 days	853	–
90 days+	55	–
	2,110	1,718

18. CASH HELD AT BANK

	31 December 2015 £'000	31 December 2014 £'000
Cash and cash equivalents to agree with cash flow	59,208	94,306
Restricted cash	9,378	4,310
	68,586	98,616

Restricted cash represents amounts relating to future rent-free periods on certain assets within the portfolio or rental to-up amounts, where a cash deduction against the net purchase price was agreed with the vendor. Currently the cash is held in an account at the bank that has debt security over the asset to cover the periods of cash shortfall as set out in the lease. The restricted cash is not readily convertible to cash available on demand.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £59.21 million (2014: £94.31 million) as at the year end, which excludes long-term restricted cash deposits totalling £9.38 million (2014: £4.31 million). Total cash held at bank as reported in the Group Statement of Financial Position is £68.59 million (2014: £98.62 million).

19. TRADE AND OTHER PAYABLES

	31 December 2015 £'000	31 December 2014 £'000
Trade and other payables	19,969	1,997
Bank loan interest payable	1,326	723
Accruals	2,881	1,763
VAT	–	1,490
Tax liability	67	75
	24,243	6,048

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

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

20. BANK BORROWINGS

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

	Bank borrowings drawn £'000	Bank borrowings undrawn £'000	Total £'000
As at 1 January 2015	203,644	13,172	216,816
Bilateral bank borrowings agreed in the year	84,740	21,313	106,053
Bank borrowings refinanced in the year	(253,343)	–	(253,343)
Syndicated bank borrowings agreed in the year	350,000	150,000	500,000
As at 31 December 2015	385,041	184,485	569,526
As at 1 November 2013	–	–	–
Bank borrowings drawn in the period	203,644	–	203,644
Bank borrowings available but undrawn in the period	–	13,172	13,172
As at 31 December 2014	203,644	13,172	216,816

The Group entered into three separate bilateral facilities during the year, drawing on £84.7 million of debt whilst having undrawn debt facilities available of £34.5 million at the year end in respect of the Ocado, Erith facility. The facilities are secured against individual investment properties, the asset owning entities and certain intermediary holding companies of those subsidiaries.

On 2 October 2015, the Group agreed a new £500 million secured debt facility with a syndicate of four lenders; Barclays Bank PLC, Helaba, Wells Fargo Bank N.A. and ING Real Estate Finance (UK) B.V. The facility comprises a £320 million term loan, which was drawn immediately, a further £80 million term loan and a £100 million revolving credit facility. The revolving credit facility included an overdraft component of £10 million. As at the year end, the Group has drawn £350 million under this facility. The facility is fully cross-collateralised against a portfolio of assets, the asset owning entities and certain intermediary holding companies. The Company provides a full guarantee on behalf of each obligor in respect of each and every lender.

The Group used proceeds from the syndicated facility to refinance £253.3 million of its bilateral debt arrangements, which had been provided by Barclays and Santander. Its existing loans with Helaba remain outside the facility and are unaffected. There were no early redemption charges payable on any of the loans that were refinanced.

Each of the Group's debt facilities has an interest charge which is payable quarterly based on a margin above 3 month Libor. The weighted average margin payable by the Group on its debt portfolio as at the year end was 1.42% (2014: 1.76%) above 3 month Libor.

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

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

	31 December 2015 £'000	31 December 2014 £'000
Bank borrowings drawn: due in more than one year	385,041	203,644
Less: Unamortised costs	(7,406)	(2,711)
Non-current liabilities: Bank borrowings	377,635	200,933

Maturity of bank borrowings

	31 December 2015 £'000	31 December 2014 £'000
Repayable between 1 and 2 years	–	–
Repayable between 2 and 5 years	385,041	203,644
Repayable in over 5 years	–	–
	385,041	203,644

The weighted average term to maturity of the Group's debt as at the year end is 4.67 years. The syndicated facility has two, one-year extension options, exercisable after years one and two respectively. One of the bilateral facilities also has a one-year extension option exercisable after the first year. All of the options require lender consent, when taking these into account the weighted average term to maturity, for the Group, assuming all options were exercised, would be 6.51 years.

21. INTEREST RATE DERIVATIVES

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into a number of interest rate derivatives during the year. Interest rate caps and an interest rate swap have been taken out in respect of each loan drawn to cap the rate to which 3 month Libor can rise, with each running coterminous to the initial term of the respective loans. The weighted average capped rate of Libor for the Group as at the year end was 1.52% (2014: 2.09%), which effectively caps the Group's drawn borrowing facilities at an all-inclusive interest rate payable of 2.94% (2014: 3.85%). The total premium payable in the year towards securing the interest rate caps was £8.32 million.

	31 December 2015 Drawn £'000	31 December 2014 Drawn £'000
Non-current assets: Interest rate derivatives	8,635	2,379

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 2015 Drawn £'000	31 December 2014 Drawn £'000
Interest rate derivative valuation brought forward	2,379	–
Interest rate cap premium paid	8,325	4,956
Disposal of interest rate cap	(75)	–
Changes in fair value of interest rate derivatives	(1,994)	(2,577)
	8,635	2,379

As part of the Group refinancing, on repayment of the borrowings to Santander, the Group disposed of one interest rate cap held against the loan. The Group received proceeds of £0.08 million on disposal.

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

21. INTEREST RATE DERIVATIVES (CONTINUED)

It is the Group's target to hedge at least 90% of the total debt portfolio using interest rate derivatives. As at the year end date the total proportion of hedged debt equated to 99.95%, as shown below.

	31 December 2015 Drawn £'000	31 December 2014 Drawn £'000
Total bank borrowings (note 20)	385,041	203,644
Notional value of interest rate derivatives	384,854	198,918
Proportion of hedged debt	99.95%	97.68%

Fair value hierarchy

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

	Date of valuation	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value:					
Interest rate derivatives	31 December 2015	8,635	–	8,635	–
Interest rate derivatives	31 December 2014	2,379	–	2,379	–

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

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

22. FINANCIAL RISK MANAGEMENT**Financial instruments**

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

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 2015 £'000	Fair value 31 December 2015 £'000	Book value 31 December 2014 £'000	Fair value 31 December 2014 £'000
Financial assets				
Interest rate derivatives	8,635	8,635	2,379	2,379
Trade and other receivables ¹	6,786	6,786	3,447	3,447
Cash held at bank	68,586	68,586	98,616	98,616
Financial liabilities				
Trade and other payables ²	24,176	24,176	(4,484)	(4,484)
Bank borrowings	385,041	385,041	203,644	203,644

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

² Excludes tax and VAT liabilities.

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

Risk management

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

Market risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £1.53 million or a decrease of £1.19 million.

Credit risk

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

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

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the balance sheet net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition. Any rentals past due as at the period end were received shortly after the year end.

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances are 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.

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
31 December 2015						
Bank borrowings	–	1,947	5,842	413,599	–	421,388
Trade and other payables	–	24,176	–	–	–	24,176
	–	26,123	5,842	413,599	–	445,564
31 December 2014						
Bank borrowings	–	1,180	3,539	219,243	–	223,962
Trade and other payables	–	4,484	–	–	–	4,484
	–	5,664	3,539	219,243	–	228,446

Included within the contracted payments is £36.35 million (2014: £20.32 million) of bank interest payable up to the point of maturity across the facilities.

23. CAPITAL MANAGEMENT

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

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

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

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 40% of the Group's gross assets. However, during the investment phase post admission, the Group's target level of aggregate borrowings will be 45% 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 would include loan value, interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 33.2% (2014: 32.9%).

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 2015 Number	31 December 2015 £'000	31 December 2014 Number	31 December 2014 £'000
Issued and fully paid at 1 pence each	677,840,088	6,778	470,495,220	4,705
At beginning of year – £0.01 Ordinary Shares	470,495,220	4,705	50,000	50
Conversion to £0.01 Ordinary Shares	–	–	4,950,000	–
Shares issued in relation to IPO December 2013	–	–	195,000,000	1,950
Shares issued in relation to further Equity issuance	206,878,516	2,068	270,372,972	2,704
Shares issued in relation to management contract	466,352	5	122,248	1
At end of year	677,840,088	6,778	470,495,220	4,705

On 6 March 2015 the Company announced that it intended to proceed with an institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 110 pence per share. Following this on 19 March 2015 the Company announced it had exercised its right to increase the size of the Issue to £175 million. As a result, a total of 159,090,909 Ordinary Shares were issued at a price of 110 pence per Ordinary Share, of which 141,646,051 Ordinary Shares were to be issued under the Placing and 17,444,858 Ordinary Shares will be issued pursuant to the Offer for Subscription.

On 9 March 2015 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 175,557 Ordinary Shares at an issue price per Ordinary Share of 106.22 pence.

On 8 June 2015 the Company announced that it intended to proceed with an institutional Placing of new Ordinary Shares at a price of 113 pence per share. Following this on 18 June 2015 the Company announced that 47,787,607 new Ordinary Shares were to be issued under the Placing at a Placing Price of 113 pence per share raising gross proceeds of £54.0 million.

On 18 September 2015 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 290,795 Ordinary Shares at an issue price per Ordinary Share of 114.68 pence.

25. SHARE PREMIUM

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

	31 December 2015 £'000	31 December 2014 £'000
Balance at beginning of year	272,536	–
Share premium on Ordinary Shares issued in relation to IPO	–	198,000
Share issue expenses in relation to IPO	–	(4,000)
Share premium on Ordinary Shares issued in relation to further equity issuance	226,931	278,075
Share issue expenses in relation to further Equity issuance	(4,625)	(5,660)
Transfer to capital reduction reserve (see note 26)	(442,619)	(194,000)
Share premium on Ordinary Shares issued to management	515	121
Balance at end of year	52,738	272,536

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

26. CAPITAL REDUCTION RESERVE

	31 December 2015 £'000	31 December 2014 £'000
Balance at beginning of year	184,444	–
Transfer from share premium	442,619	194,000
Third interim dividend for the period ended 31 December 2014	(3,764)	–
First interim dividend for the year ended 31 December 2015	(4,707)	(4,070)
Second interim dividend for the year ended 31 December 2015	(9,446)	(5,486)
Third interim dividend for the year ended 31 December 2015	(3,388)	–
Balance at end of year	605,758	184,444

On 3 June 2015, the Company by way of Special Resolution, cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £422.6 million has been transferred from the share premium account, into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve.

Please refer to note 14 [↔](#) for details of the declaration of dividends to Shareholders.

27. RETAINED EARNINGS

	31 December 2015 £'000	31 December 2014 £'000
Balance at beginning of year	41,844	–
Retained profit for the year	133,984	41,844
Balance at end of year	175,828	41,844

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

28. NET ASSET VALUE PER SHARE (NAV)

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

Net asset values have been calculated as follows:

	31 December 2015 £'000	31 December 2014 £'000
Net assets per Group Statement of Financial Position	841,102	503,529
EPRA NAV	845,673	506,106
Ordinary Shares:		
Issued share capital (number)	677,840,088	470,495,220
Basic net asset value per share	124.09p	107.02p
Dilutive shares in issue (number)	415,179	–
Diluted net asset value per share	124.01p	107.02p
Basic EPRA NAV per share	124.76p	107.57p
Dilutive shares in issue (number)	415,179	–
Diluted EPRA NAV per share	124.68p	107.57p

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

29. OPERATING LEASES

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

	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
31 December 2015	49,828	194,416	476,899	721,143
31 December 2014	32,787	130,579	294,312	457,678

FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED ACCOUNTS

30. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2015 all Directors plus the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Directors' Report. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8 [↔](#). The total amount outstanding at the year end relating to the Investment Management Agreement was £2.34 million (2014: £1.01 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £0.84 million (2014: £0.31 million), of which £0.50 million (2014: £0.19 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 £0.72 million (2014: £1.71 million) in respect of agency services for the year; this represents a total of 31% of agency fees paid by the Group during the year. There were £0.07 million (2014: £nil) of fees outstanding as at the year end. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. While there are currently no existing contractual arrangements between the Company and SG Commercial, the Company may choose to appoint SG Commercial in the future from time to time on either a sole or joint agency basis. Any such appointments have been and will continue to be made on normal market-based contractual terms. In the event that any such appointment is proposed by the Manager, the Board has and shall continue to be consulted and asked for its approval.

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

On 13 November 2014, the Board announced that it had exchanged contracts on The Range UK National Distribution Centre ("NDC") at Nimbus Park, Thorne, Doncaster for a purchase price of £48.5 million (net of acquisition costs). The vendor of the property was Tritax Prime Distribution Income Fund, a limited partnership vehicle managed by the Manager. The four controlling Partners of the Manager (or their beneficiaries), namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin had total aggregated equity interests in the limited partnership of 2.14%.

31. CAPITAL COMMITMENTS

The Group had capital commitments of £138.96 million in relation to its forward funded pre-let development assets outstanding as at 31 December 2015 (31 December 2014: £nil). All commitments fall due within one year from the date of this report.

32. SUBSEQUENT EVENTS

On 27 January 2016 the Company announced the declaration of an interim dividend in respect of the period from 1 July 2015 to 31 December 2015 of 3.0 pence per Ordinary Share.

On 27 January 2016 the Company announced a Placing, Open Offer and Offer for Subscription of new Ordinary Shares at a price of 124.0 pence per Ordinary Share. On 12 February 2016, the Company announced it had upscaled its equity raise to £200 million issuing 161,290,323 shares at a price of 124.0 pence per Ordinary Share.

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

Company Registration Number: 08215888

	Note	At 31 December 2015 £'000	At 31 December 2014 £'000
Non-current assets			
Investment in subsidiaries	4	547,810	284,694
Total non-current assets		547,810	284,694
Current assets			
Trade and other receivables	5	186,507	139,045
Called up share capital not paid		–	–
Cash held at bank	6	22,381	67,266
Total current assets		208,888	206,311
Total assets		756,698	491,005
Current liabilities			
Trade and other payables	7	(2,903)	(2,213)
Loans from Group companies		(53,224)	(18,203)
Total current liabilities		(56,127)	(20,416)
Non-current liabilities			
Loans from Group companies		–	(619)
Total non-current liabilities		–	(619)
Total liabilities		(56,127)	(21,035)
Total net assets		700,571	469,970
Equity			
Share capital	8	6,778	4,705
Share premium reserve	9	52,738	272,536
Capital reduction reserve	10	605,758	184,444
Retained earnings		35,297	8,285
Total equity		700,571	469,970
Net asset value per share – basic	11	103.35p	99.89p
Net asset value per share – diluted	11	103.29p	99.89p
EPRA net asset value per share – basic and diluted	11	103.29p	99.89p

These financial statements were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Richard Jewson Chairman

FINANCIAL STATEMENTS

COMPANY RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2015	4,705	272,536	184,444	8,285	469,970
Total comprehensive income	-	-	-	27,012	27,012
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (March 2015)	1,591	173,409	-	-	175,000
Share issue expenses in relation to Equity issue (March 2015)	-	(3,547)	-	-	(3,547)
Shares issued in relation to further Equity issue (June 2015)	477	53,522	-	-	53,999
Share issue expenses in relation to Equity issue (June 2015)	-	(1,078)	-	-	(1,078)
Shares issued in relation to management contract	5	515	-	-	520
Share based payments	-	-	-	836	836
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(836)	(836)
Cancellation of share premium account	-	(442,619)	442,619	-	-
Dividends paid:					
Third interim dividend for the period ended 31 December 2014 (0.80 pence)	-	-	(3,764)	-	(3,764)
First interim dividend for the year ended 31 December 2015 (1.00 pence)	-	-	(4,707)	-	(4,707)
Second interim dividend for the year ended 31 December 2015 (1.50 pence)	-	-	(9,446)	-	(9,446)
Third interim dividend for the year ended 31 December 2015 (0.50 pence)	-	-	(3,388)	-	(3,388)
31 December 2015	6,778	52,738	605,758	35,297	700,571
1 November 2013	50	-	-	-	50
Total comprehensive income	-	-	-	8,285	8,285
Issue of Ordinary Shares					
Shares issued in relation to IPO	1,950	198,000	-	-	199,950
Share issue expenses in relation to IPO	-	(4,000)	-	-	(4,000)
Shares issued in relation to Tap	200	20,579	-	-	20,779
Share issue expenses in relation to Tap	-	(402)	-	-	(402)
Shares issued in relation to further Equity issue (July 2014)	1,456	148,544	-	-	150,000
Share issue expenses in relation to Equity issue (July 2014)	-	(3,042)	-	-	(3,042)
Shares issued in relation to Management contract	1	121	-	-	122
Shares issued in relation to further Equity issue (December 2014)	1,048	108,952	-	-	110,000
Share issue expenses in relation to further Equity issue (December 2014)	-	(2,216)	-	-	(2,216)
Share based payments	-	-	-	320	320
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(320)	(320)
Cancellation of share premium account	-	(194,000)	194,000	-	-
Dividends paid:					
First interim dividend for the period ended 31 December 2014 (1.85 pence)	-	-	(4,070)	-	(4,070)
Second interim dividend for the period ended 31 December 2014 (1.50 pence)	-	-	(5,486)	-	(5,486)
31 December 2014	4,705	272,536	184,444	8,285	469,970

FINANCIAL STATEMENTS

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").

In the current year the Company adopted FRS 100 and FRS 101. In the previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with old UK GAAP. Consequentially the principal accounting policies are unchanged from the prior year. The change in basis or preparation has enabled the Company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with old UK GAAP.

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.

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 2015 amounted to £27.01 million (period from 1 November 2013 to 31 December 2014: £8.28 million).

Basis of accounting

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

Currency

The Company financial information is presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Other income

Other income represents dividend income which has been declared by its subsidiaries and is recognised at the point of which it is received.

FINANCIAL STATEMENTS: [NOTES TO THE COMPANY ACCOUNTS](#)

1. ACCOUNTING POLICIES (CONTINUED)

Dividends payable for shareholders

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

Financial instruments

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

Trade and other receivables

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

Financial liabilities

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

Investments in subsidiaries

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

Share-based payments

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

Significant accounting judgements, estimates and assumptions

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

2. TAXATION

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
UK corporation tax	–	–

3. DIVIDENDS PAID

	Year ended 31 December 2015 £'000	For the period 1 November 2013 to 31 December 2014 £'000
Third interim dividend in respect of period ended 31 December 2014 at 0.80 pence per Ordinary Share	3,764	–
First interim dividend in respect of year ended 31 December 2015 at 1.00 pence per Ordinary Share (31 December 2014: 1.85 pence)	4,707	4,070
Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share (31 December 2014: 1.50 pence)	9,446	5,486
Third interim dividend in respect of year ended 31 December 2015 at 0.50 pence per Ordinary Share (31 December 2014: 1.50 pence)	3,388	–
Total dividends paid	21,305	9,556
Total dividends paid for the year	3.00p	3.35p
Total dividends unpaid but declared for the year	3.00p	0.80p
Total dividends declared for the year	6.00p	4.15p

4. INVESTMENTS

	Shares £'000	Loan £'000	Total £'000
As at 1 January 2015	254,424	30,270	284,694
Increase in investments via share purchase	293,386	–	293,386
Repayment of loan	–	(30,270)	–
As at 31 December 2015	547,810	–	547,810
As at 1 November 2013	–	–	–
Increase in investments via share purchase	254,424	–	254,424
Increase in investments via loan	–	30,270	30,270
As at 31 December 2014	254,424	30,270	284,694

FINANCIAL STATEMENTS: NOTES TO THE COMPANY ACCOUNTS

4. INVESTMENTS CONTINUED

The Company has the following subsidiary undertakings as at 31 December 2015:

	Principal Activity	Country of incorporation	Ownership %
TBBR Holdings 1 Limited	Investment Holding Company	Jersey	100%
TBBR Holdings 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 1 Limited	Investment Holding Company	Jersey	100%
Baljean Properties Limited	Property Investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment Holding Company	Jersey	100%
The Sherburn RDC Unit Trust	Property Investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property Investment	UK	100%
Tritax REIT Acquisition 4 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 5 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Tritax Acquisition 6 Limited	Investment Holding Company	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Acquisition 7 Limited	Investment Holding Company	Jersey	100%
Tritax Ripon Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 9 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 10 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 11 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 12 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 13 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 14 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Acquisition 15 Limited	Investment Holding Company	Jersey	100%
Tritax Worksop Limited	Property Investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 16 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 17 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 18 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Acquisition 19 Limited	Investment Holding Company	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Acquisition 20 Limited	Investment Holding Company	Jersey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 21 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 22 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 23 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 23 Limited	Property Investment	Jersey	100%
Tritax Acquisition 24 Limited	Property Investment	Jersey	100%
Tritax Knowsley Limited	Property Investment	Isle of Man	100%

During the year the Company undertook a reorganisation of its subsidiary undertakings. The first step of the reorganisation was that TBBR Holdings 2 Limited, a subsidiary company issued share capital of £528.4 million to the Company which, in consideration for those shares, transferred ownership of its investments in certain subsidiaries to TBBR Holdings 2 Limited. No gain or loss was recognised on transfer of these investments as the investment in TBBR Holdings 2 was recognised at the carrying value of those investments transferred of £446.9 million.

The next step was that TBBR Holdings 1 Limited, another subsidiary company then issued share capital of £528.4 million to the Company which, in consideration for those shares, transferred ownership of its investment in TBBR Holdings 2 Limited to TBBR Holdings 1 Limited. Again, no gain or loss was recognised on transfer of these investments as the investment in TBBR Holdings 2 was recognised at the carrying value of those investment transferred of £446.9 million.

The reorganisation has no impact on the Group financial statements or on the ultimate ownership of any subsidiary undertaking. The impact of the reorganisation on the Company is that at the year end the only direct subsidiary undertakings held by the Company were TBBR Holdings 1 Limited, Tritax REIT Acquisition 8 Limited, Tritax REIT Acquisition 9 Limited, Tritax REIT Acquisition 16 Limited, Tritax REIT Acquisition 24 Limited and Tritax Knowsley Limited. The remaining subsidiary undertakings listed in this note are subsequently held indirectly via the Company's investment in TBBR Holdings 1 Limited.

5. TRADE AND OTHER RECEIVABLES

	31 December 2015 £'000	31 December 2014 £'000
Amounts receivable from Group companies	186,346	135,035
Prepayments	18	16
Other receivables	143	3,994
	186,507	139,045

6. CASH HELD AT BANK

	31 December 2015 £'000	31 December 2014 £'000
Cash held at bank	22,381	67,266
	22,381	67,266

7. TRADE AND OTHER PAYABLES

	31 December 2015 £'000	31 December 2014 £'000
Trade and other payables	140	823
Accruals	2,763	1,390
	2,903	2,213

FINANCIAL STATEMENTS: NOTES TO THE COMPANY ACCOUNTS

8. SHARE CAPITAL

	31 December 2015 Number	31 December 2015 £'000	31 December 2014 Number	31 December 2014 £'000
Issued and fully paid at 1 pence each	677,840,088	6,778	470,495,220	4,705
At beginning of year – £1.00 Ordinary Shares	470,495,220	4,705	50,000	50
Conversion to £0.01 Ordinary Shares	–	–	4,950,000	–
Shares issued in relation to IPO December 2013	–	–	195,000,000	1,950
Shares issued in relation to further Equity issue	206,878,516	2,068	270,372,972	2,704
Shares issued in relation to management contract	466,352	5	122,248	1
At end of year	677,840,088	6,778	470,495,220	4,705

On 6 March 2015 the Company announced that it intended to proceed with an institutional Placing and Offer for Subscription of new Ordinary Shares at a price of 110 pence per share. Following this on 19 March 2015 the Company announced it had exercised its right to increase the size of the Issue to £175 million. As a result, a total of 159,090,909 Ordinary Shares were issued at a price of 110 pence per Ordinary Share, of which 141,646,051 Ordinary Shares will be issued under the Placing and 17,444,858 Ordinary Shares will be issued pursuant to the Offer for Subscription.

On 9 March 2015 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 175,557 Ordinary Shares at an issue price per Ordinary Share of 106.22 pence.

On 8 June 2015 the Company announced that it intended to proceed with an institutional Placing of new Ordinary Shares at a price of 113 pence per share. Following this on 18 June 2015 the Company announced that 47,787,607 new Ordinary Shares were to be issued under the Placing at a Placing Price of 113 pence per share raising gross proceeds of £54.0 million.

On 18 September 2015 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 290,795 Ordinary Shares at an issue price per Ordinary Share is 114.68 pence.

9. SHARE PREMIUM

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

	31 December 2015 £'000	31 December 2014 £'000
Balance at beginning of year	272,536	–
Share premium on Ordinary Shares issued in relation to IPO	–	198,000
Share issue expenses in relation to IPO	–	(4,000)
Share premium on Ordinary Shares issued in relation to further Equity issuances	226,931	278,075
Share issue expenses in relation to further Equity issuances	(4,625)	(5,660)
Transfer to capital reduction reserve (see note 10)	(442,619)	(194,000)
Share premium on Ordinary Shares issued in to management	515	121
Balance at end of year	52,738	272,536

10. CAPITAL REDUCTION RESERVE

	31 December 2015 £'000	31 December 2014 £'000
Balance at beginning of year	184,444	–
Transfer from share premium	442,619	194,000
Third interim dividend for the period ended 31 December 2014	(3,764)	–
First interim dividend for the year ended 31 December 2015	(4,707)	(4,070)
Second interim dividend for the year ended 31 December 2015	(9,446)	(5,486)
Third interim dividend for the year ended 31 December 2015	(3,388)	–
Balance at end of year	605,758	184,444

On 3 June 2015, the Company by way of Special Resolution, cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £422.6 million has been transferred from the share premium account, into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve. Please refer to note 3 [↔](#) for all details surrounding the declaration of dividends to Shareholders.

FINANCIAL STATEMENTS: NOTES TO THE COMPANY ACCOUNTS

11. NET ASSET VALUE PER SHARE (NAV)

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

Net asset values have been calculated as follows:

	31 December 2015 £'000	31 December 2014 £'000
Net assets per Company Balance Sheet	700,571	469,970
EPRA NAV	700,571	469,970
Ordinary Shares:		
Issued share capital (number)	677,840,088	470,495,220
Net asset value per Share – Basic	103.35p	99.89p
EPRA net asset value per Share – Basic	103.35p	99.89p
Potentially issuable dilutive shares (number)	415,179	–
Net asset value per Share – Diluted	103.29p	99.89p
EPRA net asset value per Share – Basic	103.29p	99.89p

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

12. RELATED PARTY TRANSACTIONS

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

For all other related party transactions please make reference to note 31 of the Group accounts ↪ on page 102.

13. GUARANTEES

The Company provides a full guarantee on behalf of each obligor in respect of each and every lender with regards to the Group £500 million syndicated debt facility, as signed on 2 October 2015.

ADDITIONAL INFORMATION

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ROLLS-ROYCE MOTOR CARS, BOGNOR REGIS

Our Big Box in Bognor Regis, West Sussex, let to Rolls-Royce Motor Cars. This is our first forward funded development completed in September 2015. The Technology and Logistics Centre was built on a 18.95 acres site and will be used as a warehouse and distribution centre for inbound production parts, a car body store and finished car store with workshop for car preparation. The site is located next to the new Bognor Regis Northern Relief Road, and lies eight miles from Goodwood, West Sussex, Rolls-Royce Motor Cars' historic home, headquarters and principal UK assembly plant.

ADDITIONAL INFORMATION

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

Mark Shaw Non-Executive Director

Stephen Smith Non-Executive Director

Registered office

2-5 Old Bond Street
Mayfair
London
W1S 4PD

Manager

Tritax Management LLP

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Mayfair
London
W1S 4PD

Joint Financial Adviser and Corporate Broker

Jefferies International Limited

Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Joint Financial Adviser

Akur Limited

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Legal Advisers to the Company

as to English law

Taylor Wessing LLP

5 New Street Square
London
EC4A 3TW

Auditor

BDO LLP

55 Baker Street
London
W1U 7EU

Company Secretary

Tritax Management LLP

2-5 Old Bond Street
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London
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Registrar

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Administrator

Capita Sinclair Henderson Limited

Beaufort House
51 New North Road Exeter
EX4 4EP

Depository

Langham Hall UK Depository LLP

5 Old Bailey
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EC4M 7BA

Bankers

Barclays Bank PLC

PO Box 3333
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Snow Hill Queensway
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**ING Real Estate
Finance (UK) B.V.**

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London
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Valuer

CBRE Limited

Henrietta House
Henrietta Place
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ADDITIONAL INFORMATION

FINANCIAL CALENDAR

16 March 2016	Announcement of Full Year Results
11 May 2016	Annual General Meeting
30 June 2016	Half Year End
11 August 2016	Announcement of Half Year Results
31 December 2016	Full Year End



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