TRITAX BIG BOX

Tritax Big Box REIT plc
Standbrook House
4th Floor
2-5 Old Bond Street
Mayfair
London
W1S 4PD

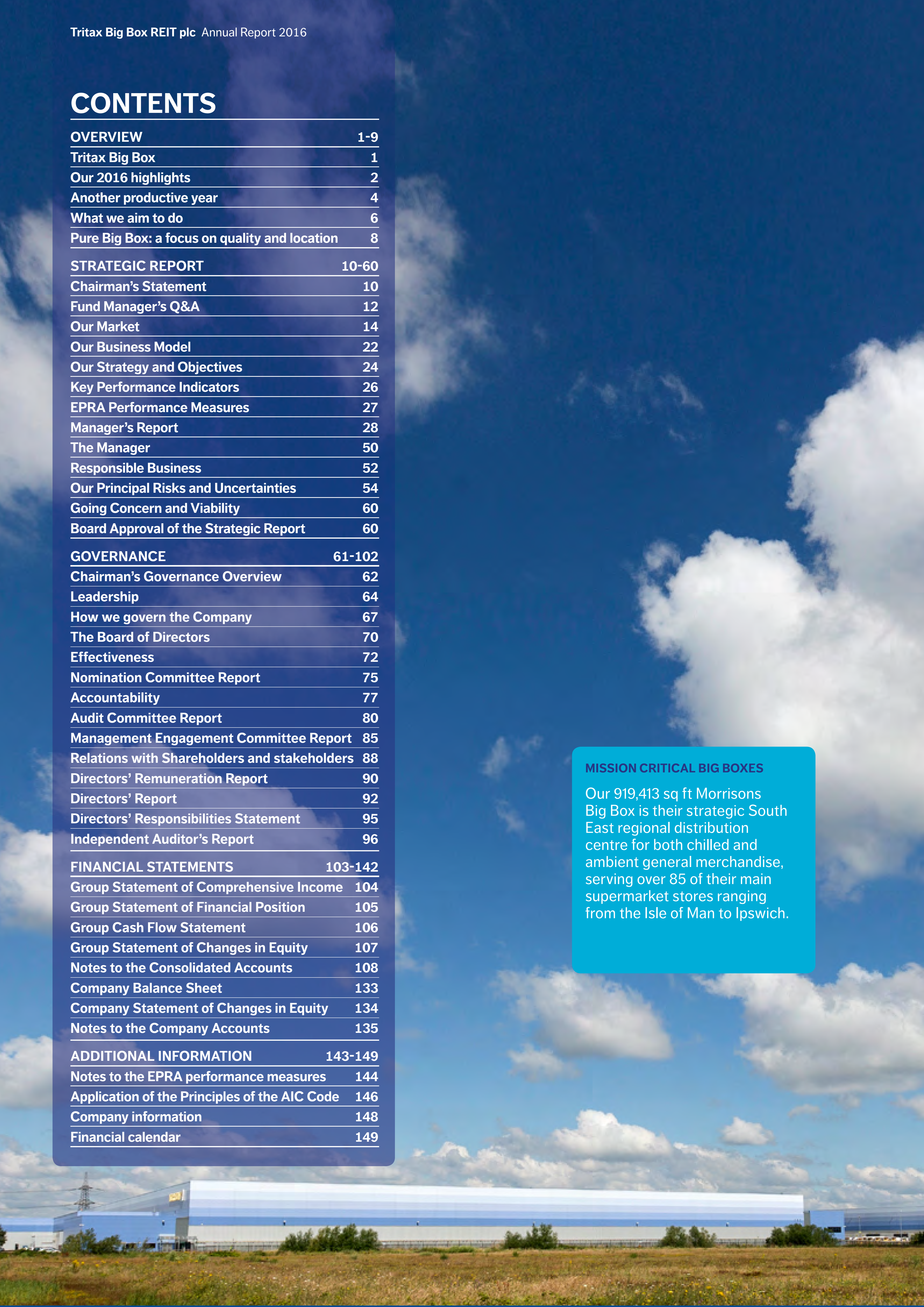
www.tritaxbigbox.co.uk

TRITAX BIG BOX

Tritax Big Box REIT plc Annual Report 2016

Mission Critical Big Boxes

CONTENTS



MISSION CRITICAL BIG BOXES

Our 919,413 sq ft Morrisons Big Box is their strategic South East regional distribution centre for both chilled and ambient general merchandise, serving over 85 of their main supermarket stores ranging from the Isle of Man to Ipswich.

Tritax Big Box is the UK's only Real Estate Investment Trust giving pure exposure to Big Box logistics assets. These properties are strategically important to tenants, as they offer efficiency savings and are essential to fulfilling e-commerce sales. Strong demand and limited supply make Big Box logistics one of the most exciting asset classes in the UK real estate market.

We invest in and manage both standing assets and pre-let forward funded developments. Our Big Boxes are some of the most sought-after in the UK and our tenants include some of the biggest names in retail, logistics, consumer products and automotive.

We aim to provide an attractive, 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.

Our 2016 highlights

Financial

DIVIDEND PER SHARE

6.20p

Dividends declared in relation to 2016 totalled 6.20 pence per share, in line with our target. Dividends fully covered by Adjusted earnings per share of 6.51 pence.

TOTAL RETURN

9.6%

Total Return for the year was 9.6%, compared to our medium-term target of 9% per annum.

EPRA NAV

129.00p (3.5% or 4.7%[1])

EPRA net asset value per share increased by 3.5% or 4.7%[1] on a like-for-like basis, to 129.00 pence as at 31 December 2016 (31 December 2015: 124.68 pence).

MARKET CAPITALISATION

£1.54 billion

Market capitalisation of £1.54 billion as at 31 December 2016.

PORTFOLIO VALUE

£1.89 billion[2] (+44.4%)

Portfolio independently valued at £1.89 billion as at 31 December 2016, which includes all forward funded commitments.

LOAN TO VALUE (LTV)

30.0% (-3.2%)

Further diversified our sources of borrowing, with a new £72 million, long-term, fixed-rate facility with Canada Life. The Loan to Value (LTV) as at 31 December 2016 was 30.0%.

EPRA COST RATIO

15.8%

TOTAL EXPENSE RATIO

1.06%

A reducing EPRA cost and total expense ratio of 15.8% and 1.06% respectively, reflecting the benefits of increased scale.

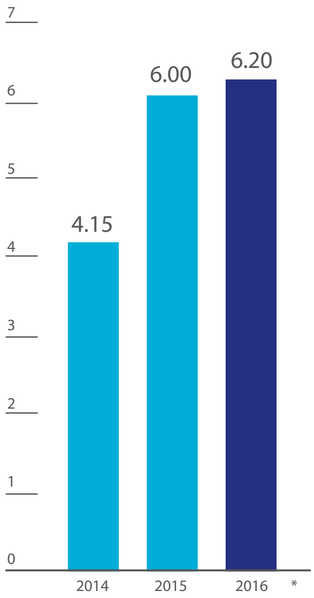
EQUITY RAISED

£550 million

Raised £550 million of equity during 2016, through two substantially oversubscribed share issues.

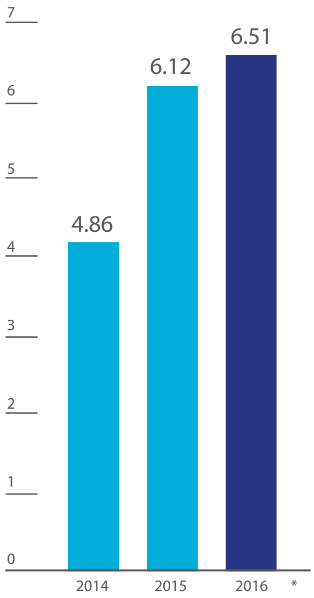
Dividend declared per share (p)

6.20p (+3.3%)



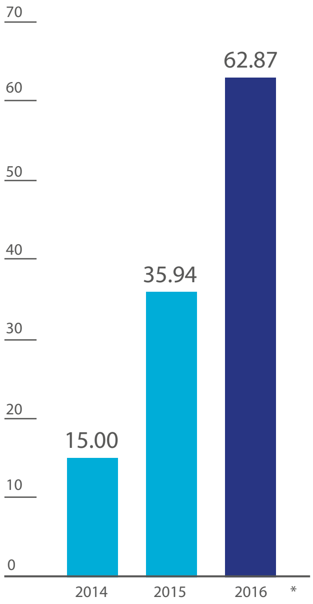
Adjusted earnings per share (p)

6.51p (+6.4%)



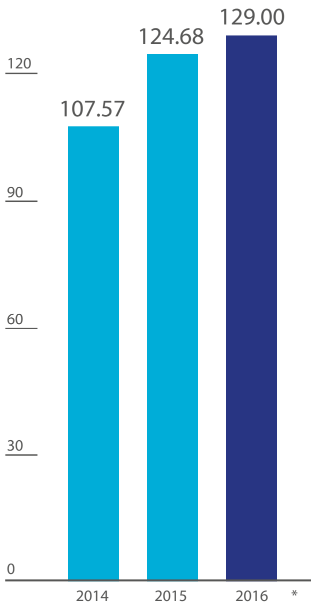
Operating profit before changes in fair value of investment properties (£m)

£62.87m (+75.0%)



EPRA NAV per share (p)

129.00p (+3.5%)



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

Operational

ASSETS

+10 Big Boxes

Acquired 10 Big Boxes during the year with an aggregate purchase price of £524.4 million, further diversifying the portfolio by geography and tenant.

CONDITIONAL EXCHANGE

+2 Big Boxes

Acquired two forward funded developments, both pre-let to Howdens in December 2016, conditional on planning for a purchase price of £101.8 million.

COMPLETED PRE-LET DEVELOPMENTS

4

Four forward funded pre-let developments reached practical completion in the year, with a total valuation of £272.8 million as at 31 December 2016.

PORTFOLIO

100% let or pre-let

Portfolio was fully let or pre-let and income producing during the year.

PORTFOLIO AREA

c.18.2 million sq ft[2]

As at the year end our portfolio comprised 35 assets, covering more than 18.2 million sq ft of logistics space.

AVERAGE NIY

5.70%

Average net initial yield of the portfolio at acquisition is 5.70%, against our year-end valuation of 4.93%.

WAULT

15.3 years (-1.2 years)

At the year end, the weighted average unexpired lease term was 15.3 years, against our target of at least 12 years.

Post balance sheet activity

DIVIDEND PER SHARE TARGET†

6.40p

Progressive dividend target of 6.40 pence per share announced for 2017.

FURTHER INVESTMENT

£29.2 million

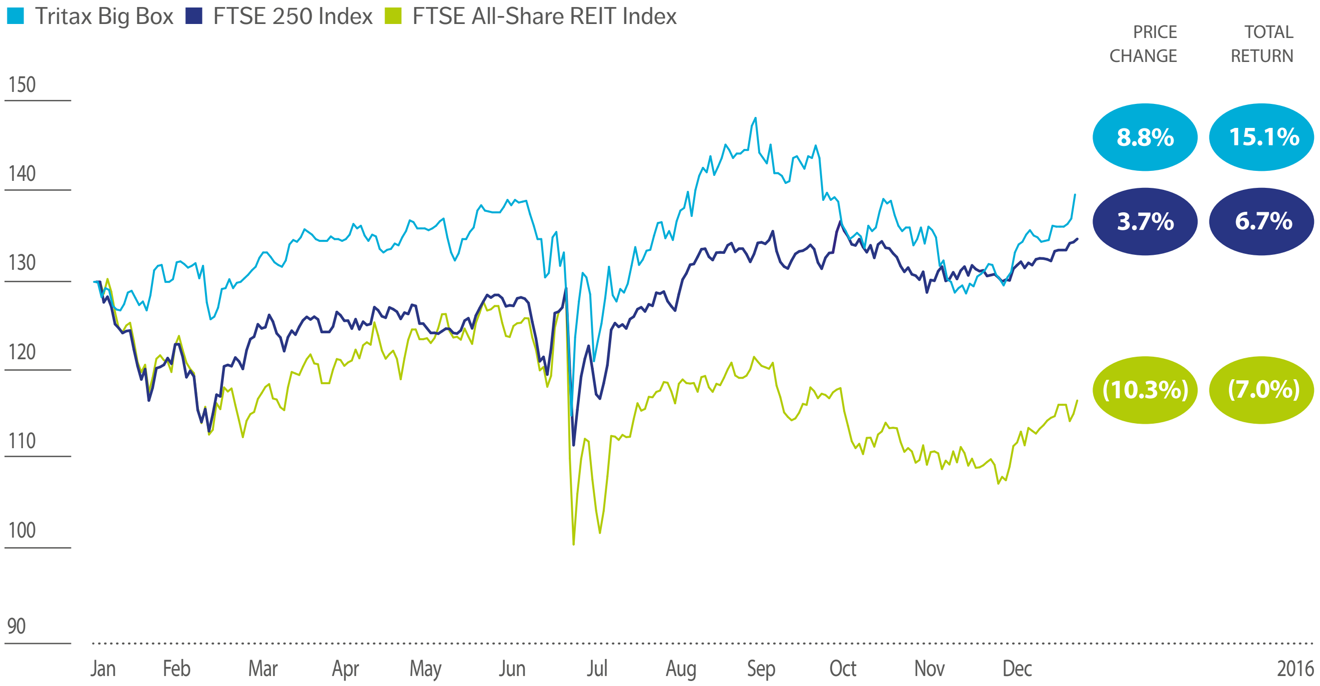
Invested in the forward funded development pre-let to Hachette UK.

LOAN FACILITY

£90.0 million

Agreed a new 10 year fixed term loan facility with a fixed rate payable of 2.54% per annum.

Total Shareholder Return (p)



Source: Bloomberg

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

→ Chairman's Statement p10-11
→ Key Performance Indicators p26
→ EPRA Performance Measures p27
→ Manager's Report p28-49

Another productive year

Since listing, we have acquired approximately one asset each month while maintaining strong capital discipline in terms of value and quality. 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 dividend and total return targets each year since listing.

2016 in brief

5 February

Dunelm

Reached practical completion of the forward funded development at Stoke-on-Trent, pre-let to Dunelm.

12 February
Raised gross proceeds of £200 million through the issue of 161,290,323 shares at a price of 124 pence per share.

15 March
Appointed Jim Prower as Senior Independent Director.

24 March

brakes

Acquired the Brake Bros Ltd distribution centre at Portbury, Bristol, for £25.2 million.

29 March
Acquired the Argos National Distribution Centre at Burton-upon-Trent, Staffordshire, for £74.6 million.

Argos

22 April
Reached practical completion of the forward funded development at Erith, pre-let to Ocado.

11 May
Passed resolution at the Annual General Meeting to allow the Company to invest in land, limited to 10% of the net asset value at the time of investment.

31 May

Nice-Pak International

Achieved practical completion of the forward funded development at Wigan, pre-let to Nice-Pak.

24 May

DSG

Acquired the Dixons Carphone National Distribution Centre at Newark, Nottinghamshire, for £77.3 million.

27 June

Achieved practical completion of the forward funded development at Raunds, pre-let to Howdens.

→ Chairman's Statement p10-11
→ Manager's Report p28-49


Amazon distribution centre, Peterborough


Co-operative Group distribution facility, Thurrock

1 August
Extended the maturity of £50.9 million loan facility with Landesbank Hessen-Thüringen Girozentrale ("Helaba") from July 2020 to July 2023.

2 August
Gestamp

Acquired the forward funded development of a new logistics facility at Four Ashes, Wolverhampton, pre-let to Gestamp, for an investment price of £56.3 million.

3 August
Agreed £72 million interest only, fixed-rate term loan facility with Canada Life, repayable in April 2029.

9 August
Kellogg's

Acquired the Kellogg's distribution facility at Trafford Park, Manchester, for £23.5 million.

10 August
amazon

Acquired the Amazon distribution centre at Kingston Park, Peterborough, for £42.9 million.

11 August
Declared an interim dividend of 3.1 pence per share, in respect of the six months to 30 June 2016.

13 September
Appointed Susanne Given as a Non-Executive Director.

28 September
Declared an interim dividend of 1.55 pence per share, in respect of the period from 1 July to 30 September 2016.

11 October
euro CAR PARTS
Any Part For Any Car

Acquired the Euro Car Parts national distribution facility at Birch Coppice Business Park, Birmingham, for £80.1 million.

11 October
Whirlpool
CORPORATION

Acquired the Whirlpool logistics facility at Raunds, Northamptonshire, for £35.4 million.

12 October
co op

Acquired the Co-operative Group distribution facility at Oliver Road, Thurrock, for £56.6 million.

14 October
Raised gross proceeds of £350 million through the issuance of 265,151,515 shares at a price of 132 pence per share, after which Big Box became the tenth largest UK REIT by market capitalisation.

8 December
SCREWFIX

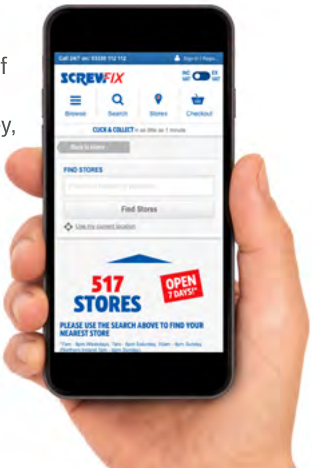
Acquired the forward funded development of a new logistics facility at Prologis Park Fradley, Staffordshire, pre-let to Screwfix, for an investment price of £52.7 million.

19 December
Agreed a further £50 million of bank debt from Wells Fargo, increasing the existing syndicate secured debt facility from £500 million to £550 million, repayable October 2020.

20 December
Amendment of the Investment Management Agreement, lowering management fee percentages for NAV over £1.25 billion, tightening conflict provisions and extending the contract term to an earliest termination of 31 December 2021.

23 December
HOWDENS
JOINERY CO.

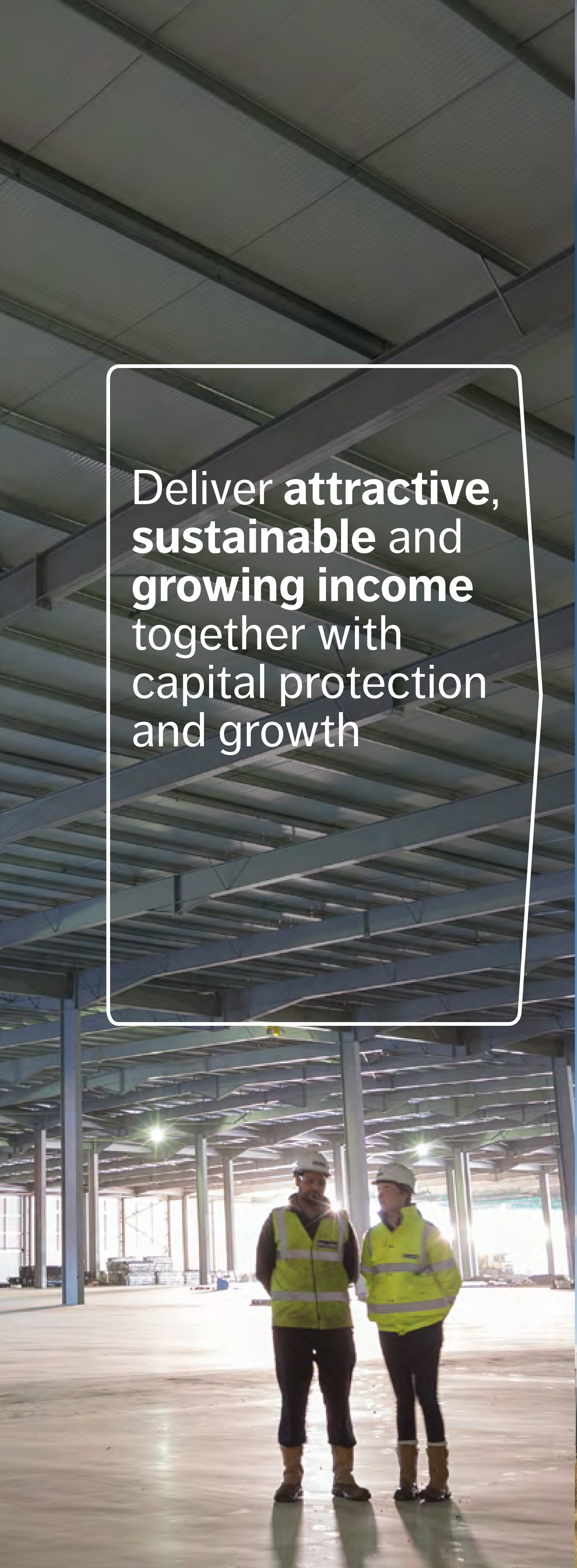
Exchanged contracts (conditional on planning) to forward fund the development of two distribution warehouses at Warth Park, Raunds, both pre-let to Howdens, for a combined price of £101.8 million.



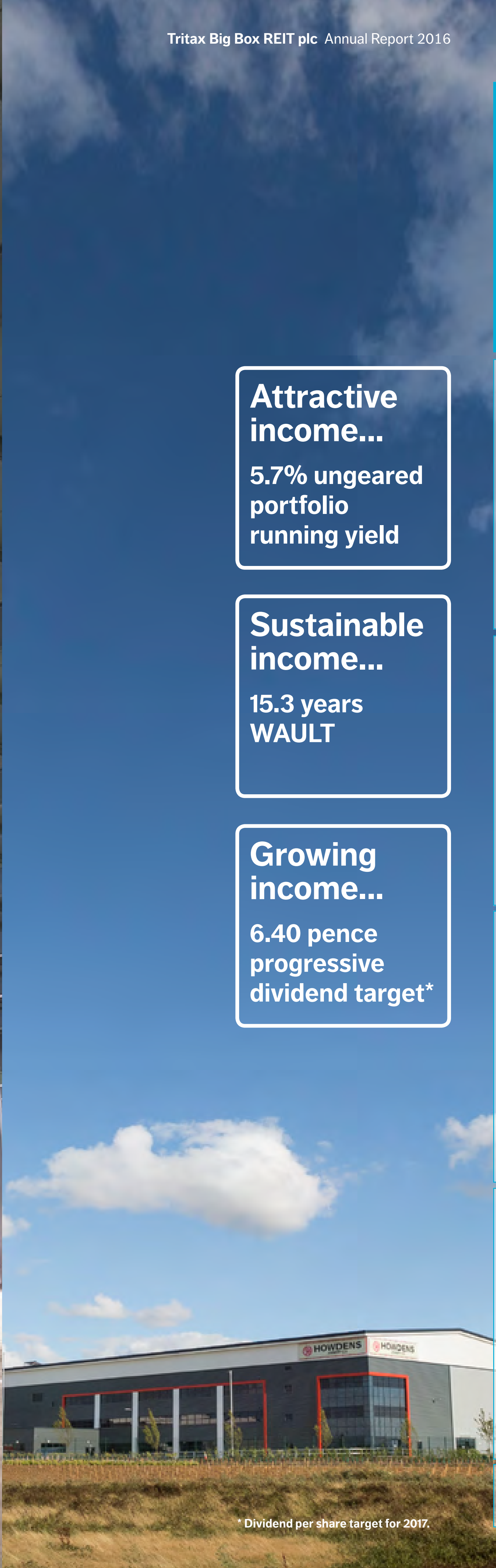
What we aim to do

Selectively acquire, own and manage the UK's best logistics assets that are mission critical to our tenants

Utilise the expertise with specialist sub-sector focus and knowledge of our Manager to deliver out-performance



Deliver **attractive, sustainable** and **growing income** together with capital protection and growth



Attractive income...

5.7% ungeared portfolio running yield

Sustainable income...

15.3 years WAULT

Growing income...

6.40 pence progressive dividend target*

*** Dividend per share target for 2017.**

Pure Big Box: a focus on quality and location

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

The character of these properties has changed – they are no longer simple warehouses but are often now the central hub of an occupier's operation. Many of our tenants have invested significant amounts in internal fit-out and sophisticated automation. This investment may well exceed the cost of constructing the building, demonstrating tenant 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 objective of delivering low-risk and growing income.

£1.89bn

portfolio value

15.3yrs

WAULT against our target of 12 years

5.70% NIY

average net initial purchase yield of portfolio

£99.7m

contracted rental income

80%

of portfolio acquired off-market

100%

let or pre-let

Sainsbury's	1
YOUR M&S	2
TESCO	3, 4, 12, 21
next	5
Morrisons	6
DHL	7, 8
WOLSELEY	9
ROLLS ROYCE	10
The RANGE	11
KUEHNE+NAGEL	13
L'ORÉAL	14
ocado	15
brakes	16, 26
Argos	17, 27
B&Q	18
NEW LOOK	19
Nice-Pak International	20
Dunelm	22
HOWDENS	23, 36, 37
TK maxx	24
MATALAN	25
Dixons Carphone	28
Gestamp	29
Kellogg's	30
amazon	31
euro CAR PARTS	32
Whirlpool	33
co op	34
SCREWFIX	35

Our five largest tenants, by contracted rent roll

Tesco	8.72%
Argos	6.12%
Morrisons	5.58%
Ocado	5.51%
B&Q	5.24%

as at 31 December 2016

* Note the assets numbered 36 and 37 relate to the conditional exchange of Howdens units II and III at Warth Park, Raunds. They are excluded from the portfolio information on pages 8 and 9.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

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

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

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

Share issuance and share price performance

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

In addition to the demand for income, the Group also benefited from investors switching their attention to specialist property investment companies, whose management focus and depth of knowledge helps them to outperform and whose assets are essential to their tenants' businesses and cannot be easily replicated. Over the course of the year we had a strong price performance, and delivered a Total Shareholder Return of 15.1%, as compared to the FTSE 250 Index, the FTSE All-Share REIT Index and the EPRA NAREIT UK Index which delivered total returns of 6.7%, (7.0%) and (8.5%) respectively.

Financial results

The Group's financial performance was strong, with a 75.0% increase in operating profit before changes in fair value of investment properties and a 25.2% rise in EPRA earnings per share (EPS), when calculated under IFRS. The EPRA net asset value per share grew by 3.5% to 129.00 pence, or 4.7% when viewed on a like-for-like basis taking into account the timings of distributions made, against those made in the period to 31 December 2015.

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

Dividends

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

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

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

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

Loan financing

The availability of debt for high-quality investments remains healthy. We have maintained the Group's low cost of borrowing,

despite banking margins having risen across the market since the spring of 2016. Borrowing costs remain well below property yields, making the continued case for modest debt attractive.

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

Board and governance

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

Investment Management Agreement

The Board believes the Manager has delivered outstanding performance since the IPO. Just prior to the year end, we gained Shareholder support to extend the Manager's contract resulting in an earliest termination date of 31 December 2021.

Outlook

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

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

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

Richard Jewson Chairman
7 March 2017

FUND MANAGER'S Q&A

Colin Godfrey, Fund Manager, at our Erith Big Box, let to Ocado.

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

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

We purchase assets with a long-term view, targeting high-quality modern buildings, in strong locations, that are intrinsic to the tenants' businesses and have the best prospects for rental growth. These properties are defensive because if they became vacant, they would attract good occupier demand.

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

Q How has the EU Referendum result affected your tenants?

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

Q Why are you less positive about prospects for capital growth and total returns?

A Most commercial property sectors saw significant capital growth after the recession, as investment demand grew.

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[1] Office of National Statistics, Retail sales in Great Britain: January 2017 (2015 latest data available)

[2] Office of National Statistics, Retail sales in Great Britain: December 2016

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

Q Are you concerned about the recent increase in Gilt yields and potential for rising interest rates?

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

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

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

Q Can you continue to grow? Can you still source attractive property investments?

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

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

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

Q You have not sold any assets. Are there any plans to do so?

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

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

STRATEGIC REPORT

OUR MARKET

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

> “…you cannot have a conversation about logistics property without mentioning Amazon or Tritax Big Box…”
>
> Logistics Report: How Soon is Now?
> Addleshaw Goddard, November 2016

Big Boxes are mission critical to their tenants

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

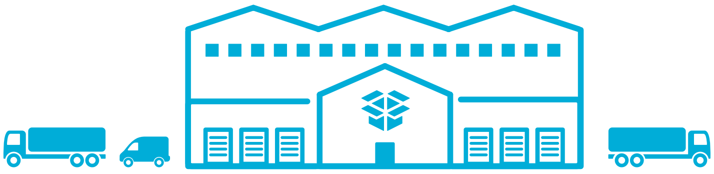
Big Boxes’ unique characteristics

Strategically located

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

Very big

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



Modern

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

Technologically sophisticated

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

Highly sought after

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

→ Our Investment Policy p24
→ Our Strategy and Objectives p30-31
→ Responsible Business p52-53
→ Our Principal Risks and Uncertainties p54-59

These properties are strategically important to tenants, as they offer efficiency savings and are essential to fulfilling e-commerce sales.

Our market drivers

Demand for Big Boxes comes from three main sources: conventional and online retailers, third-party logistics companies ("3PLs"), and other companies such as manufacturers. These organisations are responding to structural changes in their markets, such as the relentless rise of e-commerce (refer to pages 18-19), weaker economic growth and increased competition, which means that improving operational efficiency can be a key factor in determining profits.

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

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

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

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

The Big Box format is particularly attractive in the UK

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

To drive efficiency, occupiers increasingly invest in advanced systems that allow them to stock automatically and rapidly retrieve products, so they can operate on a "just in time" basis.

Big Boxes will remain vital as supply chains evolve

Supply chains continue to evolve in response to commercial demands which in turn impact on commercial property.

Fragmented distribution

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

Centralised distribution

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

Big Boxes' distinguishing features:

- They are port-centric and easy to reach
- They provide a break down point for bulk shipments
- They are very flexible
- They have high barriers to entry and are hard to replicate
- They are often technically sophisticated
- They support dynamic omni-channel frameworks and customer returns

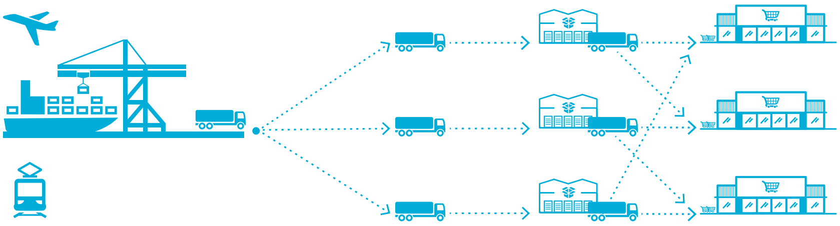
Big Box evolution

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

Modern supply chains need Big Boxes

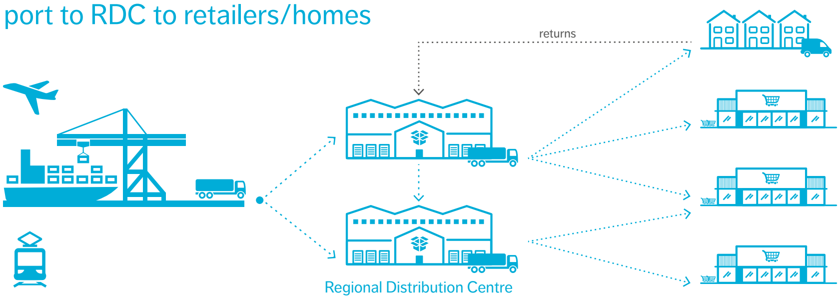
Changing consumer habits have placed pressure on retailers, resulting in the need for swifter and more reliable replenishment of stock in stores. In tandem there has been an exponential growth in online retail sales with consumers demanding ever-faster deliveries. Retailers are increasingly combining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

Pre Big Box supply chains:
small distribution centres

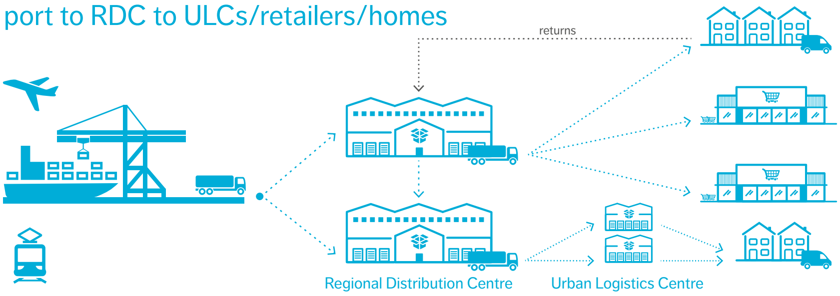


National Distribution Centre (NDC) supply chains:
port to NDC to retailers

Regional Distribution Centre (RDC) supply chains:
port to RDC to retailers/homes



RDC supply chains with ULC:
port to RDC to ULCs/retailers/homes



The relentless rise of e-commerce and omni-channel retailing

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

In addition to pure online retailers, growth is being driven by the expansion of omni-channel retailing. This reflects consumers' desires to interact with retailers in different ways at different points in their transactions. Omni-channel retailers can therefore have physical, online and mobile stores, apps and telephone sales, all requiring fulfilment capabilities. New technology is also creating new channels and changing how consumers interact with retailers. Amazon's Dash service, for instance, allows consumers to order specific products by pressing a button. Smart appliances such as washing machines will, for example, be able to reorder detergents automatically.

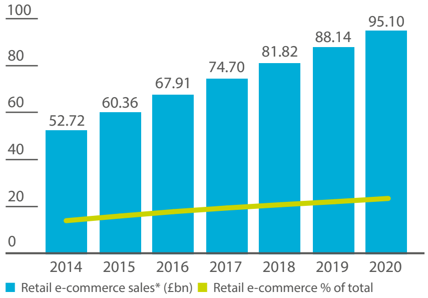
The rapid growth in e-commerce sales is therefore expected to continue in the coming years, with forecasters predicting that e-commerce will account for 22.6% of total retail sales in the UK by 2020, up from 13.0% in 2014. While the impact of Brexit on the UK economy remains uncertain, industry analysts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

To remain competitive in this environment, retailers need to have large, highly efficient distribution facilities that can fulfil orders quickly and accurately. This need is only becoming more acute as customers demand ever-shorter delivery times. The importance of data to successful e-commerce operations means that Big Boxes dedicated to e-commerce increasingly also house the retailer's data and intelligence centres.

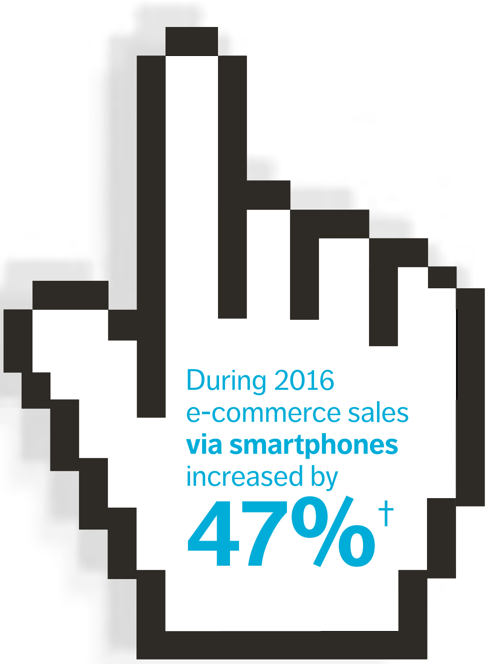
Information collection has become increasingly important for retailers. Bar code scanning at tills in store provides sales data and can trigger automatic re-stocking and the same principles apply to online sales. Cookies, collected when consumers "surf" the internet, provide additional intelligence which allows retailers to know what is being bought by whom, where and when but also provides trending data that allows them to more accurately forecast changes in fashion which means they are able to pre-order product lines that are more likely to sell.

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

Continuing strong growth forecast in UK internet sales (£bn and %)



* includes products or services ordered using the internet via any device regardless of the method of payment or fulfilment. Source: eMarketer, June 2016.



During 2016 e-commerce sales **via smartphones** increased by **47%**†

† Source: Business Insider UK, 19 January 2017.

Big Boxes have a crucial role to play in supporting retailers through peak periods and protecting their brand reputation.

Growing retail demand in peak periods

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

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

Other significant retail trends favour Big Boxes

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

The move to online retail continues to drive the demand for logistics properties

c.775,000 sq ft
of Big Box space
is needed for every
€1 billion
spent online[1]

In the period to
2020
UK & Ireland will require
18 million sq ft
of additional
Big Box space[1]

3x
as much Big Box
space is required for
online fulfilment
compared with
store-based fulfilment[1]

8.5 million sq ft
of UK Big Box space
was taken up by
online retailers in
H1 2016[1]

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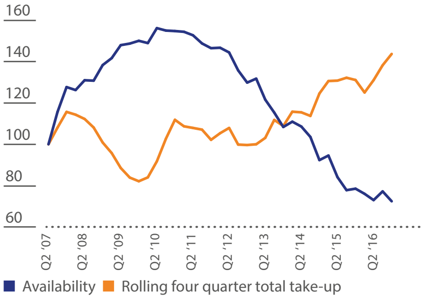
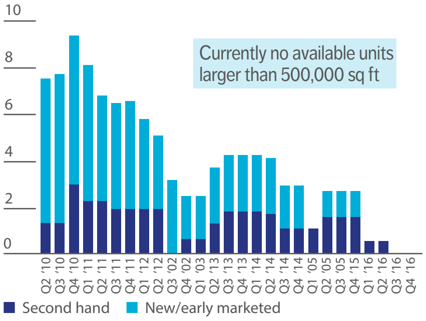
[1] Source: Addleshaw Goddard, Logistics Report: How Soon is Now?

Indexed availability and occupier take-up of units of 50,000 sq ft or more (Q2 2007=100)



Source: Gerald Eve

UK logistics availability of units of 500,000 sq ft (m sq ft)



Currently no available units larger than 500,000 sq ft

Source: CBRE

Compelling market fundamentals

Strong occupational demand and constrained supply

The strong occupier demand outlined on pages 14-15 has led to high levels of take-up and there are a shortage of Big Boxes to let. Take up has, nonetheless, been constrained by low supply levels. Some key areas of the country currently have no new-build supply and there is no modern Big Box currently available to let in the UK of greater than 500,000 sq ft. This creates opportunities for rising rents and increasing capital values for owners.

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

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

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

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

Building-to-suit on a pre-let basis creates opportunities for investors such as us to forward fund these developments and obtain brand new assets on long leases, to high-quality tenants.

Strong demand and limited supply make Big Box logistics one of the most exciting asset classes in the UK real estate market.

Rising rents

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

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

Driving investment values

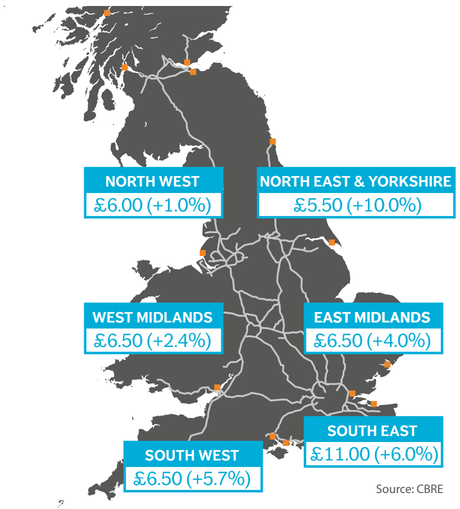
The increased importance of Big Boxes to tenants and evidence of rental growth have heightened investment demand, compressing yields.

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

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

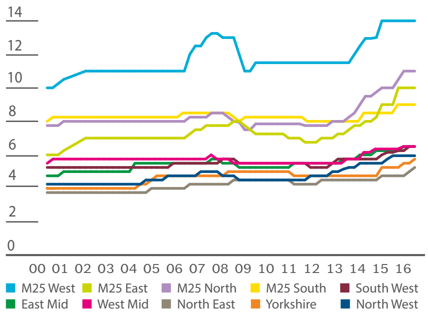
Although yields have hardened for logistics, investors are still able to source attractive opportunities. In a low interest rate environment, property yields remain well above the cost of debt, maintaining a positive yield gap and a considerable premium to 10 Year Gilts.

UK prime logistics headline rent (per sq ft) and 2016 annual growth



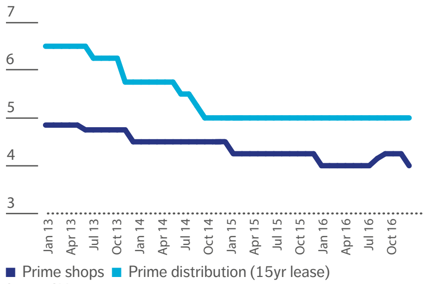
Source: CBRE

Regional estimated rental values (%)



Source: CBRE

Prime UK investment yields: retail versus distribution (%)



Source: CBRE

STRATEGIC REPORT

OUR BUSINESS MODEL

Our sources of capital

Financial capital
- Our Shareholders' equity
- Debt funding, and
- Recycling funds

Asset capital
- High-quality UK logistics assets
- 300,000-1,000,000 sq ft, and
- Institutional-grade tenants

Natural capital
- Strategically located land for pre-let development

Human capital
- Experienced Board of Directors
- Expertise of the Manager to grow the portfolio

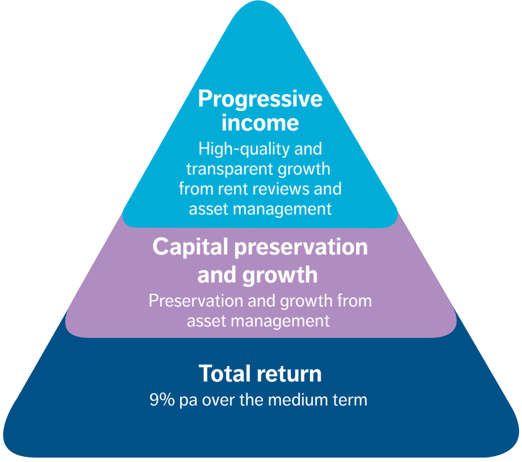
Our expertise

Team
- High calibre
- Consistency
- Knowledgeable
- Forward thinking

Portfolio assembly
- High-quality
- Diversified
- Low risk

Execution
- Relationship building
- Speed and certainty of execution
- Buying for value

Our objectives



Progressive income
High-quality and transparent growth from rent reviews and asset management

Capital preservation and growth
Preservation and growth from asset management

Total return
9% pa over the medium term

What we do

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

The value we add

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

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

→ Our Investment Policy p24
→ Our Strategy and Objectives p24-25

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

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

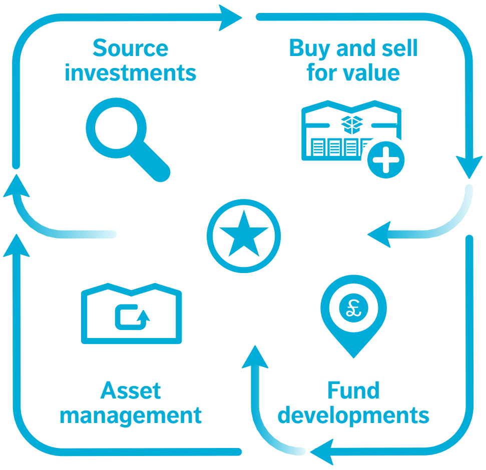
The Manager's relationships with developers are increasingly enabling us to invest in pre-let forward funded developments, through which we fund the construction of a Big Box which has been pre-let to a specific tenant. This approach has resulted in lower transaction costs and delivered strong returns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

→ Responsible Business p52-53
→ Our Principal Risks and Uncertainties p54-59

FOR MORE INFORMATION
You will see links throughout this Annual Report to related content within the report or further reading online.

- £ Our source of capital
- ▲ Our objectives
- ⊕ The value we add
- ✪ Our expertise
- ★ Our goals
- → Related information page
- ▭ Further reading online

The value we can add



Our goals

An attractive total return

Progressive annual dividends
+
Net asset value growth

Our target

6.40 pence†
Annual dividend target for 2017

9%+ pa†
Total return over the medium term

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

Sustaining our advantage

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

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

Delivering returns ⊕★

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

We buy assets directly, but where possible we acquire the special purpose vehicle that owns the asset, thus reducing our acquisition costs. Standard direct purchase costs total approximately 6.75%, of which SDLT is approximately 5.00%. Standard sale costs are c.1.75%. This means that "frictional costs" – the total standard costs of selling an asset and reinvesting the sales proceeds – are therefore c.8.5%. Although our actual transaction costs are typically lower than outlined above, these frictional costs are significant and influence investment returns. This is particularly relevant in times of lower capital growth. Our portfolio is weighted towards high-quality, long-term leased "foundation assets" because by their very nature they do not need to be regularly traded. This reduces our frictional costs, which we believe will be important in supporting our returns during 2017 and beyond.

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

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

OUR STRATEGY AND OBJECTIVES

Our Investment Policy

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

- are let or pre-let, as we will not invest in speculative developments and will only forward fund investments where a tenant is already contracted;
- have institutional-grade tenants, with sound businesses and good growth potential;
- are in the right locations in the UK, with good transport connections and workforce availability;
- are of the right size and age, and possibly with expansion potential, to meet the requirements of major occupiers;
- have leases to institutional standards, with regular upward-only rent reviews and unexpired lease length on purchase of at least 12 years, to provide long-term and secure income flows; and
- are strategically important to the tenant, as evidenced by extensive investment in fitting out the unit or proximity to the tenant's market and/or other key assets.

We may make exceptions to our policy, where we see an opportunity to deliver value for our Shareholders without significantly increasing the portfolio's aggregate risk.

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

Our acquisition focus

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

FOUNDATION

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

VALUE ADD

These assets are typically let to tenants with strong covenants and offer the chance to grow the assets' capital value or rental income, through lease engineering or physical improvements to the property. We do this using our asset management capabilities and understanding of tenant requirements. These assets are usually highly re-lettable.

GROWTH COVENANT

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

Our objectives

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

Dividends†

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

Total return†

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

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

Our operational strategy

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

STRATEGIC AREA	IMPLEMENTATION AND BENEFITS
Management team Recruit and retain a knowledgeable and talented management team, committed to delivering value to Shareholders.	The Manager has a team dedicated to running the Group, comprising highly experienced and qualified people with a track record of success. We also benefit from the skills and experience of the Manager's other employees, including the market knowledge they gain from working on other investment business and the cost efficiencies of utilising some of them part-time.
Tenants Develop and maintain a deep understanding of the businesses that use our space, to create long-term partnerships.	Building relationships with tenants enables us to work with them to deliver asset management initiatives that meet their business objectives and unlock value for us. Letting several properties to one tenant also creates opportunities for mutually beneficial cross-fertilisation, for example by limiting rent increases on one property in return for extending the lease term on another, while still enhancing the value of our portfolio.
Operational excellence Rigorously control costs and operational efficiencies, without compromising growth or reputation.	We have a simple and transparent cost base, which largely comprises the management fee, the Directors' fees, and accounting, audit, legal, valuation, compliance and regulatory fees. This helps us to focus on efficiency and achieve one of the lowest total expense ratios in our peer group. Our success in building the portfolio, through an average of approximately one acquisition per month since listing, also demonstrates the quality and efficiency of the Manager's operations and its team.
Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	The Group is financed through equity and debt. Using debt can increase shareholder returns and allows us to further diversify our portfolio. We invest the proceeds of any equity issuance before drawing down debt, to limit our interest expense and maximise returns on equity. We are targeting an LTV over the medium term of 40%, which we believe is conservative given the quality of our investments. Details of our equity issuances and debt facilities can be found in the Manager's Report →.
Corporate responsibility Strive to assume our corporate responsibilities towards society and the environment, in every part of our business.	As an externally managed business without any employees, the Group's opportunities to make a significant impact in this area are limited. Even so, we aim to work responsibly, including buying buildings with A, B or C Energy Performance Certificate ratings where possible and working with tenants to help them achieve their sustainability goals. More information can be found in the Responsible Business → statement.

→ Manager's Report p28-49
→ Responsible Business p52-53

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low-risk returns to Shareholders, by executing the Investment Policy → described in Our Strategy and Objectives. Set out below are the key performance indicators we use to track our progress.

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE	RESULT
1. Total return (TR) ★ TR measures the change in the EPRA net asset value over the period plus dividends paid. We are targeting a TR in excess of 9% per annum over the medium term.	TR measures the ultimate outcome of our strategy, which is to deliver value to our Shareholders through our portfolio and to deliver a secure and growing income stream.	**9.6%** for the year to 31 December 2016 (2015: 19.4%).	*Ahead of our medium-term TR target.*
2. Dividend ★ Dividends paid to Shareholders and declared in relation to the year. Our target for 2016 was a total dividend of 6.2 pence per share.	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our TR.	**6.2 pence per share** for the year to 31 December 2016 (2015: 6.0 pence per share). We achieved our target dividend in 2016 and have increased our dividend target to 6.4 pence per share for 2017.	*Met a progressive dividend target for the last two financial years and increased our target for 2017.*
3. EPRA NAV per share* The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	**129.00 pence** at 31 December 2016 (2015: 124.68 pence).	*Increase in EPRA NAV per share over the year by 4.32 pence (3.46%) or 4.71%† on a like-for-like basis.*
4. Loan to value ratio (LTV) £ The proportion of our property portfolio that is funded by borrowings. Our medium-term LTV target is 40%.	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	**30.0%** at 31 December 2016 (2015: 33.2%).	*Below our medium-term LTV target of 40%.*
5. Adjusted earnings per share Post-tax Adjusted EPS attributable to Shareholders, which includes the licence fee receivable on our forward funded development assets, plus adjusts for other earnings not supported by cash flows.	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	**6.51 pence per share** for the year to 31 December 2016 (2015: 6.12 pence). → see note 13, page 116	*Reflects our 6.2 pence dividend for 2016, as fully covered by Adjusted EPS.*
6. Total expense ratio (TER) The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period. Over the medium term, we are targeting a TER of 1% or below per annum.	The TER is a key measure of our operational excellence. Keeping costs low supports our ability to pay dividends.	**1.06%** for the year to 31 December 2016 (2015: 1.09%). Our TER is one of the lowest in our peer group.	*Our TER is expected to reduce as our Company grows.*
7. Weighted average unexpired lease term (WAULT) The average unexpired lease term of the property portfolio, weighted by annual passing rents. Our target is a WAULT of at least 12 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	**15.3 years** at 31 December 2016 (2015: 16.5 years).	*+3.3 years above our 12 year target.*

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* EPRA earnings, EPRA NAV and EPRA EPS are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We use these alternative metrics as they provide a transparent and consistent basis to enable comparison between European property companies.

† Adjusted for the timing of dividend distribution year on year.

→ Our Strategy and Objectives – Our Investment Policy p24

STRATEGIC REPORT

EPRA PERFORMANCE MEASURES

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

For a full reconciliation of all EPRA performance measures, please see Notes to the EPRA performance measures →.

KPI AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings per share Earnings from operational activities (which excludes the licence fee receivable on our forward funded development assets). → see note 13, page 116	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.	**£51.53m/5.90 pence per share** for the year to 31 December 2016 (2015: £29.23m/4.70 pence per share).
2. EPRA NAV per share Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business. → see note 28, page 130	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	**£1.43bn/129.00 pence per share** as at 31 December 2016 (31 December 2015: £845.67m/124.68 pence per share).
3. EPRA Triple Net Asset Value (NNNAV) EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	**£1.42bn/128.12 pence per share*** as at 31 December 2016 (31 December 2015: £0.84bn/124.01 pence per share).
4.1 EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.	**4.70%** at 31 December 2016 (31 December 2015: 4.93%).
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).	As for the EPRA NIY above.	**4.95%** at 31 December 2016 (31 December 2015: 4.95%).
5. EPRA vacancy rate Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	**0.00%** as at 31 December 2016 (2015: 0.00%).
6. EPRA cost ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure, to enable meaningful measurement of the changes in a company's operating costs.	**15.8%** for the year to 31 December 2016 (2015: 17.9%). Both the 2016 and 2015 ratios include and exclude vacancy costs.

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

→ Notes to the EPRA performance measures p144-145

MANAGER'S REPORT

Driving the strategy

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

Diligently building a portfolio of high-quality UK Big Boxes

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

To maximise performance our investment strategy is focused on three investment pillars. Our core, low-risk income is provided by Foundation assets which by value constituted 75.60% of the portfolio at the year end (see page 24 ⊖). Value Add and Growth Covenant assets represented a combined 24.40% and through asset management provide the key potential opportunities for value enhancement.

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

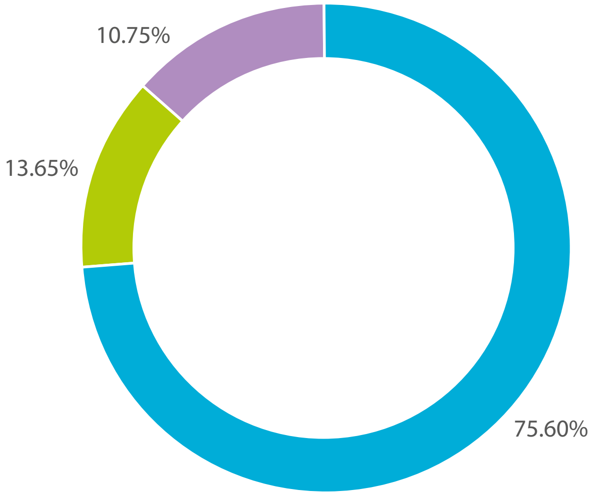
Portfolio value by investment pillar (%)[1]

● **Growth Covenant assets**

Wolseley 0.78%
The Range 3.39%
Nice-Pak 1.86%
Dunelm 2.37%
Matalan 2.35%

● **Value Add assets**

Tesco, Chesterfield 1.98%
Next 3.77%
Tesco, Middleton 1.33%
L'Oréal 1.72%
New Look 1.71%
Kellogg's 1.26%
Whirlpool 1.88%



● **Foundation assets**

Sainsbury's 3.13%
M&S 5.69%
Tesco, Didcot 1.74%
Morrisons 6.60%
DHL, Skelmersdale 1.85%
DHL, Langley Mill 1.14%
Rolls-Royce Motor Cars 2.25%
Kuehne+Nagel 1.75%
Argos, Heywood 2.01%
B&Q 5.48%
Ocado 6.39%
Brake Bros, Harlow 2.15%
Tesco, Goole 3.01%
T.K. Maxx 3.37%
Howdens 3.79%
Brake Bros, Bristol 1.39%
Argos, Burton-upon-Trent 4.12%
Dixons Carphone 4.24%
Gestamp 2.99%
Amazon 2.31%
Euro Car Parts 4.41%
Co-op 3.00%
Screwfix 2.78%

1 Source: CBRE – by valuation as at 31 December 2016.

Our portfolio WAULT: 15.3 years against our target of 12 years

Our investment pillars by weighted average unexpired lease term (WAULT)

Foundation assets
17.2 years
WAULT

Value Add assets
5.5 years
WAULT

Growth Covenant assets
16.3 years
WAULT

⊖ Our acquisition focus p24

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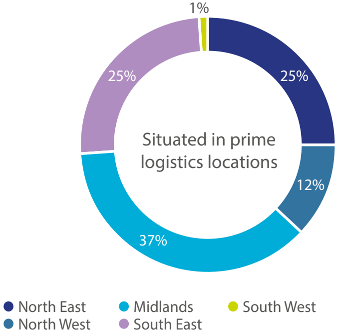
* Referred to herein after in this document by reference to the tenant, guarantor, parent or brand name.

Our Big Boxes are among the most sought-after in the UK and our tenants include some of the biggest names in retail, logistics, consumer products and automotive.

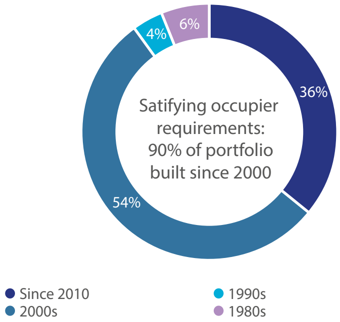
A portfolio of strategically located, high-quality assets that meet tenants' needs

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

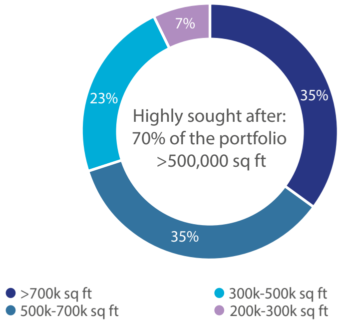
Well located Big Boxes[1]



Modern Big Boxes[1]



True "Big" Boxes[2]

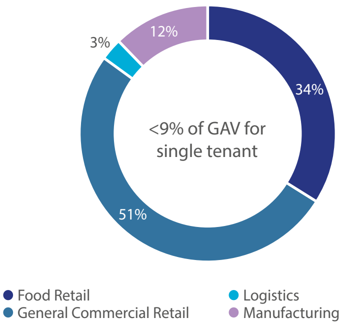


We have built a portfolio of assets that is diversified across key logistics locations in England. The properties are modern, with the large majority having been built since 2000, ensuring they remain efficient and fit for purpose as occupiers' needs evolve. The Group's assets are true Big Boxes, with 70% of the portfolio comprising buildings of 500,000 sq ft or more. As discussed in the Our Market section, these larger logistics facilities are the hardest to replicate and this has prevented an over-supply of development in the market.

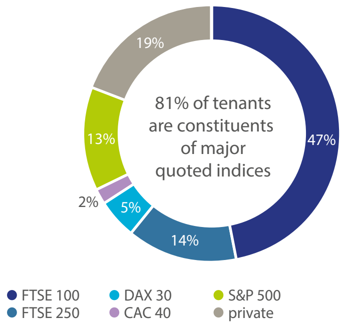
A portfolio underpinned by financially strong and committed tenants

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

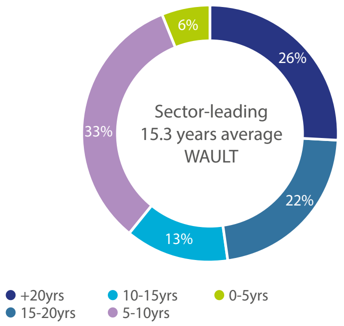
Diversified, but retailer-led[1]



High-calibre tenants[1,3]



Long-term income



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

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

[1] Source: CBRE by value as at 31 December 2016

[2] By floor area

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

A portfolio with embedded income growth

The timing of rent review events over the next few years supports the Group's ambition to deliver income growth, thereby underpinning our progressive dividend policy. Rent reviews typically take place every five years but the Group also benefits from some annual reviews. In 2016, 23% of our rental income was subject to review, while in 2017, a further 23% is subject to review. Through careful selection we have ensured a balance in the timing of our rent reviews which provides the opportunity to grow our rental income each year.

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

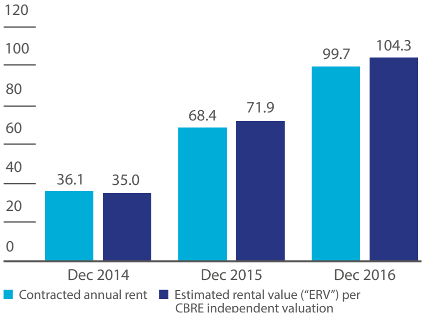
Of the year-end rent roll (including rents due under agreements for lease from forward funded developments), the breakdown of rent reviews by type was as follows:

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

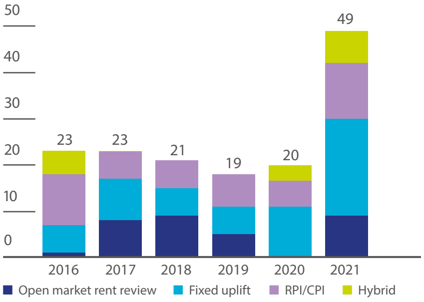
Completing value enhancing pre-let developments

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

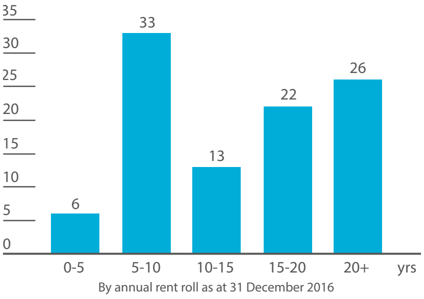
Rental income growth and the revisionary nature of the portfolio (£m)



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



Portfolio rent roll expiry (%)



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

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

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

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

Expected practical completion dates for our new developments are:

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

Both assets are currently running to budget and timescale.

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

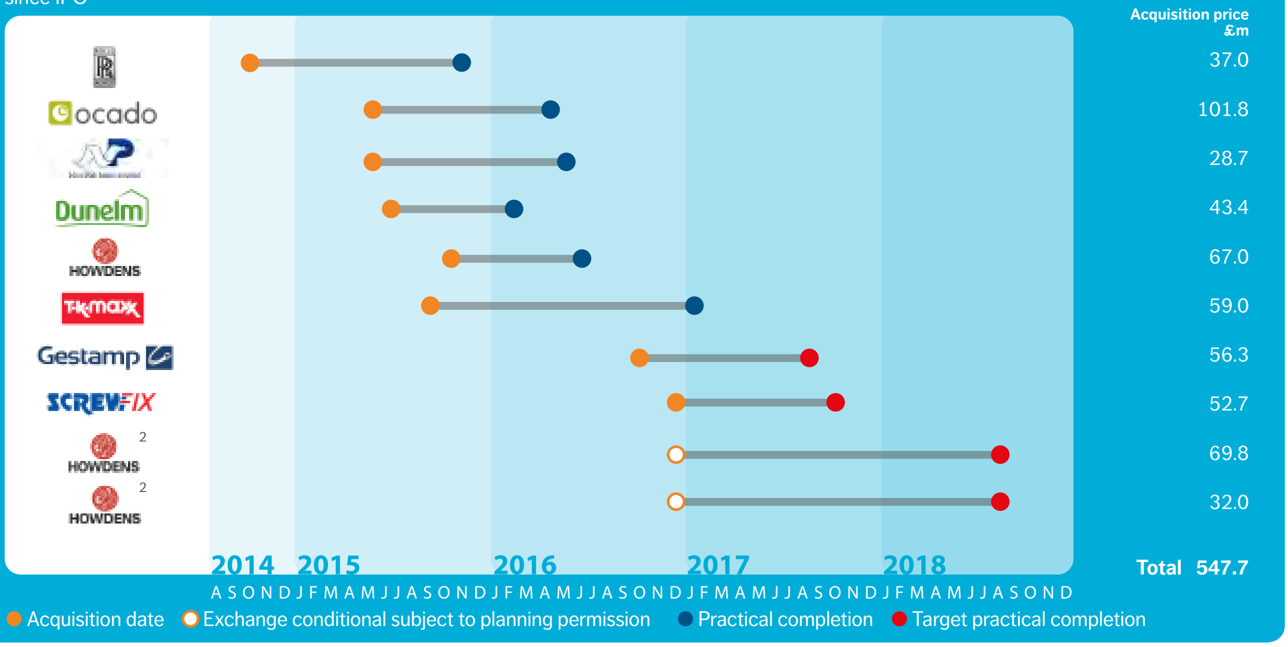
Pre-let forward funded portfolio

£548 million committed into forward funded developments since IPO

Each asset income producing during construction[1]

No speculative development

Active pipeline of further pre-let forward funded opportunities



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1 The developer typically pays a licence fee to Tritax Big Box (equivalent to the rent) during construction.
2 Exchanged conditionally, subject to planning permission.

Our acquisition strategy in action

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

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

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

Colin Godfrey
Fund Manager

Our acquisitions in 2016

STANDING INVESTMENTS

+8 Big Boxes

Acquired eight standing investments during 2016 with an aggregate purchase price of £415.5 million

AVERAGE NIY

5.6%[1]

Average net initial yield of the 10 Big Boxes acquired in 2016 was 5.60% at acquisition

PRE-LET FORWARD FUNDED DEVELOPMENTS

+2 Big Boxes

Acquired two pre-let forward funded developments during 2016 with an aggregate purchase price of £108.09 million

WAULT

14.03 years[1]

10 assets acquired during 2016, have an weighted average unexpired lease term of 14.03 years, against our target of at least 12 years

PORTFOLIO AREA

c.5.18 million sq ft[1]

The 10 assets acquired during 2016, cover 5.18 million sq ft of logistics space

ACQUIRED OFF-MARKET

85%[1]

of the 10 assets acquired during 2016 were acquired off-market

CONDITIONAL EXCHANGE

+2 Big Boxes

Acquired two forward funded developments, both pre-let to Howdens in December 2016, conditional on planning for a purchase price of £101.8 million

Our acquisitions in 2016 according to our investment pillars

Foundation[2]

89%

Value Add asset[2]

11%

Growth Covenant[2]

0%

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[1] Excludes Howdens units II and III at Warth Park, Raunds.
[2] By acquisition value.

We invest in and manage both standing and pre-let forward funded developments.

Standing investments acquired in 2016

● Brake Bros, Portbury, Bristol

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

- The property comprises a purpose-built cold store facility, with a multi-temperature control system and flexible design features including cross docking
- Significant capital investment by the tenant, to meet its growing distribution requirements in the South West
- Well positioned in the key logistics location in the region, with motorway connectivity at J19 of the M5, seven miles from the M4
- Acquired with a new unexpired lease term of approximately 30 years, subject to five yearly upward-only rent reviews indexed to RPI and capped at 5% pa compound
- The first review is due in February 2021
- Low site cover of 32%

● Argos, Burton-on-Trent, Staffordshire

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

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

Argos, Burton-on-Trent, Staffordshire.

Interior view of Argos, Burton-on-Trent, Staffordshire.

DSG Retail, Newark, Nottinghamshire

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

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

Kellogg's, Trafford Park, Manchester

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

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

DSG Retail, Newark, acquired May 2016.

Kellogg's, Trafford Park, Manchester.

● Amazon, Peterborough, Cambridgeshire

Acquired: 10 August 2016
Acquisition price: £42.9 million
Net initial yield: 5.60%
Gross internal area: 549,788 sq ft
Eaves height: 15 metres
Built: 2006
Lease expiry: March 2025
On/off market: Off-market

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

● Euro Car Parts, Birmingham, West Midlands

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

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

Amazon, Peterborough.

Euro Car Parts, Birmingham, acquired October 2016.

● Whirlpool, Raunds, Northamptonshire

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

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

Whirlpool, Raunds.

● Co-operative Group, Thurrock, Essex

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

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

Co-operative Group, Thurrock.

Pre-let forward funded developments acquired in 2016

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

● Gestamp, Wolverhampton, West Midlands

Acquired:	2 August 2016
Acquisition price:	£56.3 million
Net initial yield:	5.14%
Gross internal area:	543,692 sq ft
Eaves height:	12 metres
Built:	Practical completion targeted for summer 2017
Lease expiry:	Expected August 2042
On/off-market:	Off-market

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

● Screwfix, Fradley, Staffordshire

Acquired:	8 December 2016
Acquisition price:	£52.7 million
Net initial yield:	5.50%
Gross internal area:	c.561,767 sq ft
Eaves height:	15 metres
Built:	Practical completion targeted for October 2017
Lease expiry:	Expected October 2027
On/off-market:	Off-market

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

Above, top: CAD of Gestamp, Woverhampton.
Above: CAD of Screwfix, Fradley.

➔ Our Investment Policy p24
➔ Our Strategy and Objectives p24-25

● Howdens, Raunds, Northamptonshire

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

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

What to expect in 2017

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

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

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

CAD of Howdens 2 and 3 at Raunds, Northamptonshire.

Tritax Big Box is the only Real Estate Investment Trust giving pure exposure to Big Box logistics assets.

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 2017
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	315,118	August 2017
Argos Ltd	Heywood	April 2015	34.10	5.31	495,441	March 2018
B&Q plc	Worksop	April 2015	89.75	5.13	880,175	November 2021
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	May 2021
Ocado Holdings Limited†	Erith	May 2015	101.73	5.25	563,912	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	February 2021
TJX UK (trading as T.K. MAXX)	Knottingley	September 2015	59.00	5.32	640,759	January 2022
Howden Joinery Group plc	Raunds	October 2015	67.00	5.03	658,971	July 2021
Matalan	Knowsley	December 2015	42.38	6.27	578,127	October 2021
Brake Bros Ltd	Bristol	March 2016	25.20	5.15	250,763	March 2021
Argos Ltd**	Burton-on-Trent	March 2016	74.65	5.55	653,670	February 2017
DSG Retail Ltd (trading as Dixons Carphone)	Newark	May 2016	77.30	5.86	725,799	March 2021
Gestamp	Wolverhampton	August 2016	56.30	5.14	548,450	July 2021
Kellogg Company of Great Britain Limited	Manchester	August 2016	23.50	5.93	311,602	N/A
Amazon UK Services Ltd	Peterborough	August 2016	42.90	5.60	549,788	April 2020
Euro Car Parts	Birmingham	October 2016	80.14	5.04	780,977	January 2021
Whirlpool	Raunds	October 2016	35.35	6.60	473,263	N/A
The Co-operative Group Ltd	Thurrock	October 2016	56.50	5.53	322,684	December 2020
Screwfix Direct Ltd	Fradley	December 2016	52.70	5.50	561,767	October 2022
Total for assets completed at 31/12/16			**1,671.55**	**5.70**	**18,223,119**	
Howdens Joinery Group plc#	Raunds	December 2016	69.90	5.10	657,000	September 2023
Howdens Joinery Group plc#	Raunds	December 2016	31.92	5.10	300,000	September 2023

* Guaranteed by Hays Plc
† Guaranteed by Ocado Group plc
** Guaranteed by Experian Finance plc
‡ Estimate based on target practical completion date of forward funded asset
¥ CBRE measured floor area
Conditionally exchanged

The rise of the super asset

Modern Big Boxes are smart and becoming smarter. Sophisticated, innovative and technologically advanced warehousing can provide distribution solutions that help our tenants reduce costs and maintain their competitive edge. Occupiers want to automatically stock and retrieve products, use state of the art robotics to efficiently pack complex deliveries, and meet customer demand for quicker deliveries. Big Boxes are the perfect setting for this automation, with the scale necessary to accommodate the high-level racking and mezzanine floors that maximise use of the space.

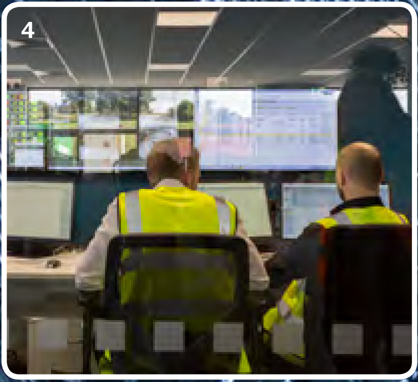
Technologically, no part of the property market is evolving faster than logistics. Whether it is ground-breaking drone deliveries or the rapid advancement of robotics applications, the technology that is being tried and tested today will shape the future – the positive influence of Big Boxes is still at an early stage of development.


1


2


3

Technology in our Big Boxes today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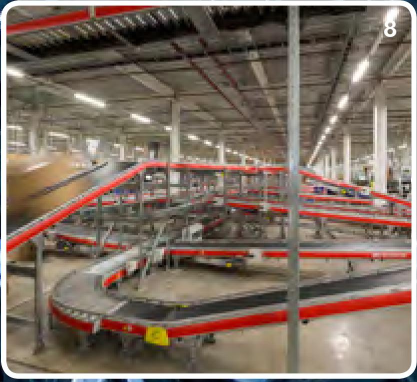
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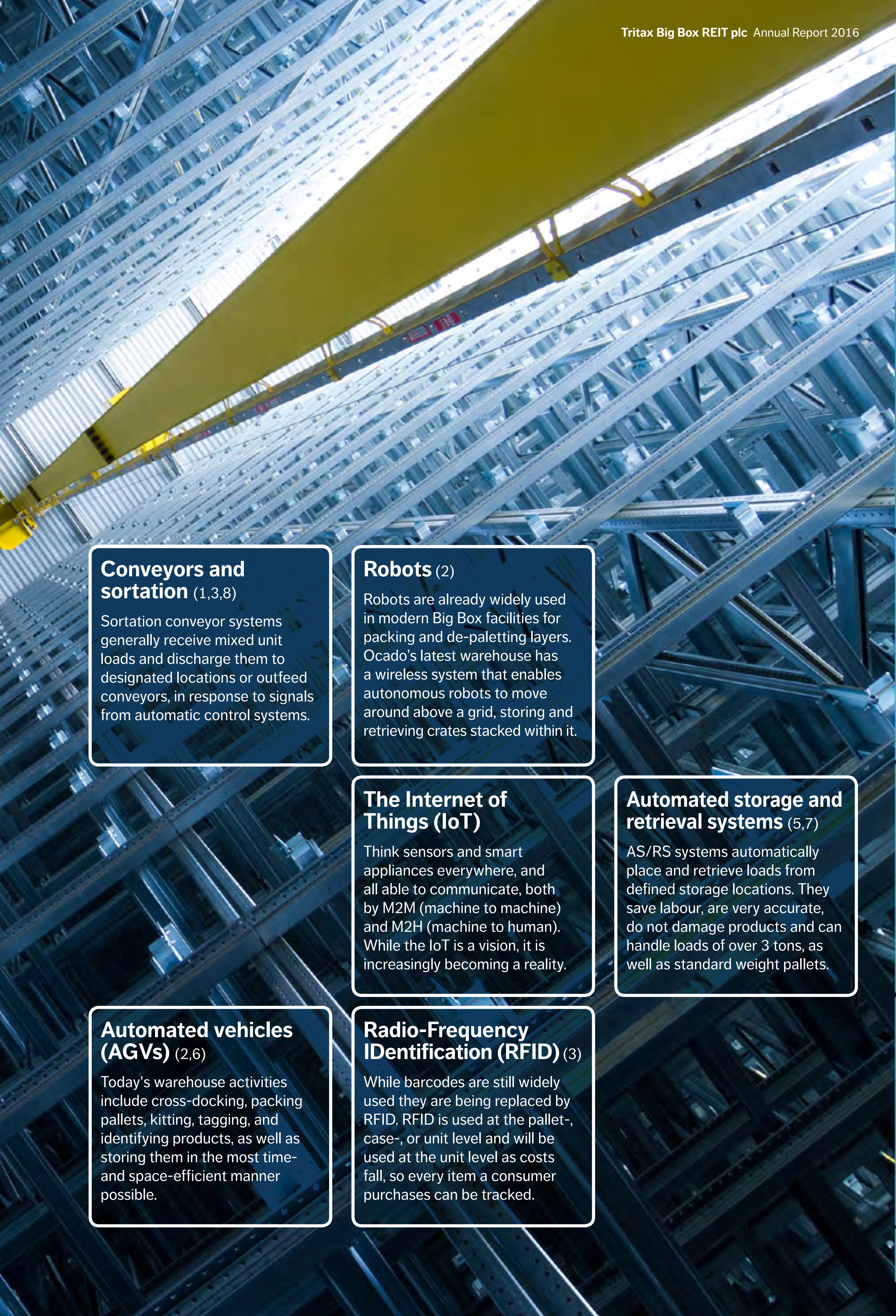

Conveyors and sortation (1,3,8)

Sortation conveyor systems generally receive mixed unit loads and discharge them to designated locations or outfeed conveyors, in response to signals from automatic control systems.

Robots (2)

Robots are already widely used in modern Big Box facilities for packing and de-paletting layers. Ocado's latest warehouse has a wireless system that enables autonomous robots to move around above a grid, storing and retrieving crates stacked within it.

The Internet of Things (IoT)

Think sensors and smart appliances everywhere, and all able to communicate, both by M2M (machine to machine) and M2H (machine to human). While the IoT is a vision, it is increasingly becoming a reality.

Automated storage and retrieval systems (5,7)

AS/RS systems automatically place and retrieve loads from defined storage locations. They save labour, are very accurate, do not damage products and can handle loads of over 3 tons, as well as standard weight pallets.

Automated vehicles (AGVs) (2,6)

Today's warehouse activities include cross-docking, packing pallets, kitting, tagging, and identifying products, as well as storing them in the most time- and space-efficient manner possible.

Radio-Frequency IDentification (RFID) (3)

While barcodes are still widely used they are being replaced by RFID. RFID is used at the pallet-, case-, or unit level and will be used at the unit level as costs fall, so every item a consumer purchases can be tracked.

Our asset management strategy in action ⊕⊛

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

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

Petrina Austin
Head of Asset Management and Sustainability

The key to unlocking value through asset management is owning well-located, modern, fit-for-purpose buildings that tenants want to occupy and which are strategically important to their business. In such circumstances they will be committed to the asset. If the occupier is also financially strong they will often make significant investment to the property and continue to invest into their occupation of the location throughout the life of the lease. Changes which benefit the tenant can often also provide points of opportunity for the owners of these investments to benefit from capital value growth.

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

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

Our tenant-led approach

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

Tenant enhancements

Requests for alterations to properties are frequent and because we manage this process "in house" it creates a regular dialogue with occupiers. When tenants apply to make alterations, we review their proposals and respond proactively. As part of this process, we ensure that alterations will not affect the property's structural integrity, invalidate any warranties or limit our ability to make future changes. The proposals may enable us to negotiate funding agreements with occupiers, whereby the fit out cost is rentalised. Alternatively, there may be an opportunity to extend lease lengths, if the works are of long-term benefit to the property. This application process enables us to learn more about the strategic plans of our occupiers and often enables us to identify further initiatives or opportunities. Through our specialist knowledge and experience in this sector, we can often suggest practical solutions to enable occupiers to realise their aims and share knowledge or improve on previous implementation. The changing patterns of retail consumerism is a factor strongly influencing a number of our key tenants. These factors can impact on property decisions such as improving their e-commerce platform and customer servicing. The aim is to ensure that our properties and portfolio are resilient and can adapt or evolve to meet the future face of logistics and distribution across the UK.

Protecting value

We regularly review the financial status of our tenants, as well as those of potential new occupiers. This includes monitoring their trading results and statements and analysing the corporate strategies disclosed in their annual reports, which could indicate property opportunities and enable negotiation with the occupier. Where appropriate, we negotiate guarantor agreements with tenants' holding companies, to strengthen the covenant.

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

Developing pre-let forward funded developments

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

Creating value in 2016

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

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

- **B&Q, Worksop**
  A five-yearly rent review increase linked to RPI, was settled in November 2016 reflecting an uplift to passing rent of 11.26%.

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

- **L'Oréal (UK) Limited, Trafford Park, Manchester**
  The 3% pa annual rent review was implemented in August 2016. In December we successfully extended the lease term by five years, increasing the valuation by c.£1 million.

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

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

Responsible Business – Sustsainability case study p53

What to expect in 2017

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

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

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

With yield induced capital returns shrinking, the capital component of total return will be underpinned by the quality of our asset management and we expect this to contribute as an increasingly important component of our performance in 2017.

Financial review: growing our income, while managing our cost base

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

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

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

Finally, we introduced two new lenders to the Group in the form of Canada Life and PGIM Real Estate Finance[1] and capitalised on the current low interest rate environment by securing two facilities on a 10 and 13-year term respectively.

Frankie Whitehead ACA
Head of Finance

Our highlights in 2016

DIVIDEND PER SHARE

6.20p

Dividends declared in relation to 2016 totalled 6.20 pence per share, in line with our target.

ADJUSTED EARNINGS PER SHARE

6.51p

Dividends fully covered by Adjusted earnings per share of 6.51 pence.

TOTAL RETURN

9.6%

Total Return for the year was 9.6%, compared to our medium-term target of 9% per annum.

EPRA NAV

129.00p (3.46% or 4.71%[2])

EPRA net asset value per share increased by 3.46% or 4.71%[1] on a like-for-like basis. (31 December 2015: 124.68 pence).

PORTFOLIO VALUE

£1.89 billion[3] (+44.4%)

Portfolio independently valued at £1.89 billion, which includes all forward funded commitments.

LOAN TO VALUE (LTV)

30.0%

The Loan to Value (LTV) as at 31 December 2016 was 30.0%. With a further £150 million of debt commitments available.

EPRA COST RATIO	**TOTAL EXPENSE RATIO**
15.8%	**1.06%**

A reducing EPRA cost and total expense ratio of 15.8%.

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[1] This transaction completed in March 2017.

[2] Having stripped out the effect of the different timings of dividend payments between December 2015 and December 2016.

[3] Excludes Howdens units II and III at Warth Park, Raunds.

* Each year makes reference to 31 December.

Strong financial results

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

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

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

The gain of £47.5 million (2015: £106.75 million) on revaluation of the Group's investment properties was recognised in the year. This was calculated after accounting for all costs associated with asset purchases during the year and takes into account the increase in SDLT, an increase from 4% to 5% (on all commercial properties acquired for more than £250,000) as announced by the Chancellor of the Exchequer in March 2016.

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

Tax

The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business. The tax charge for 2016 was therefore £nil (2015: £nil).

Earnings

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

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

There was further growth in the Group's Adjusted earnings per share for the year, which was 6.51 pence (2015: 6.12 pence). The Adjusted earnings per share figure takes EPRA earnings per share, adds the developer's licence fees received on forward funded developments and excludes other earnings not supported by cash flows. We see Adjusted EPS as the most relevant measure when assessing dividend distributions. Further information is set out in note 13 ⊛ to the financial statements.

⊛ Management Engagement Committee Report p85-87
⊛ Notes to the EPRA performance measures p144-145
⊛ Notes to the Consolidated Accounts – note 13 p116-117

Stable and growing dividends ❖✪

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

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

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

Investment properties ❖

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

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

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

Net assets

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

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

Total return ✪

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

Robust financing and hedging with strong liquidity

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

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

The facility now comprises:

- a £450 million term loan; and

- a £100 million revolving credit facility, including a £10 million overdraft component.

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

→ Chairman's Statement p10-11
→ Depository Statement p79

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

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

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

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

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

1 One-year extension option available.

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

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

→ Notes to the EPRA performance measures p144-145

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

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

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

Alternative Investment Fund Manager ("AIFM")

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

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

What to expect in 2017

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

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

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

Tritax Management LLP Manager
7 March 2017

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. This team of property, legal and finance professionals have been together for over 10 years. They have a track record of creating value for their clients through astute asset purchases and by actively managing them. The core management team (whose details are set out below) is supported by a team of other accounting, marketing, public relations, administrative and support staff.

Colin Godfrey BSc (Hons) MRICS (1)
Partner, Fund Manager
Colin has overall responsibility for providing investment management and advisory services to the Company and is the Manager's lead partner. He began his career with Barclays Bank before joining Conran Roche in the late 1980s. Following this, he obtained a degree in Urban Estate Management, before training with Weatherall Green & Smith (now BNP Paribas Real Estate).

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

James Dunlop BSc MRICS (2)
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. James is regularly in contact with all the leading firms of agents and is responsible for identifying sectors and specific properties, negotiating on approved opportunities and handling the disposal of assets in due course. Along with Colin, James is one of the founding partners of Tritax Management LLP.

Henry Franklin BA CTA (3)
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 (4)
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.

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Bjorn Hobart MA BSc (Hons) MRICS (5)

Partner, Property

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

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

Edward Plumley MBA MSc MRICS (6)

Assistant Fund Manager

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

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

Frankie Whitehead ACA (7)

Head of Finance

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

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

Olivia Cox non-practising solicitor (8)

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

RESPONSIBLE BUSINESS

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

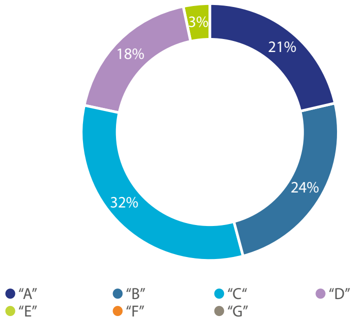
As a responsible owner, we want our properties to minimise their impact on the local and wider environment. We therefore consider the environmental performance of assets before we acquire them and encourage a sustainable approach to new developments and to maintaining and upgrading existing buildings.

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

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

The EPC rating is a key part of our review of potential asset purchases. We also look at material environmental risks, such as flood and storm risk, connectivity and circulation, and planning requirements. In addition, we commission an environmental survey that includes the sites' previous uses, so we can assess the risk of possible site contamination and any past remediation. For forward funded developments, we also consider the specification, how it will be built and the inclusion of environmental elements such as rainwater harvesting and renewable power.

EPC rating of portfolio



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

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

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

Our assets provide important benefits to their local communities. They help our tenants to create jobs, often in areas where traditional industries have declined, boosting the local economy. They also support economic activity more broadly, by underpinning our tenants' efficient operation and helping them succeed.

As an externally managed business, we do not have any employees or office space. The Board is made up of five Non-Executive Directors, comprising four men and one woman. Our business is solely in the UK and we consider there is a low risk of human rights abuses. It is important to us, and to the continued service we receive from the Manager, that it has effective employment practices. The Manager has a bespoke bonus payment policy and low staff turnover.

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

A-E

BREEAM Very Good certification on 4,543,151 sq ft of developments

Solar PVC installed during 2016

306,072kWh

Sustainability case study: "The Range", Doncaster

In 2014, we acquired the asset in Doncaster let to CDS (Superstores International) Limited, trading as The Range. Our Green Review identified opportunities to financially benefit the tenant and enhance the asset's EPC rating of B. These included adding renewable power generation.

We reviewed the potential for installing roof-mounted photovoltaic panelling. This would generate income from selling energy to the tenant and supplying any unused energy to the national grid. The review showed that we could increase annual income by £40,000 at a cost of £380,000, representing an internal rate of return of 8.17% per annum and a payback of 9.5 years.

The tenant agreed to purchase the energy, resulting in savings to them of between £250,000 and £1 million over the life of the lease, with the higher savings depending on a lease re-gear. The original roofing contractor installed the panels and we negotiated a 20-year warranty extension for the roof at the same time. At the asset's following independent valuation, £575,000 of the uplift was attributed to income from the scheme. The scheme should also increase the EPC rating to B+, further improving the property's credentials.

STRATEGIC REPORT

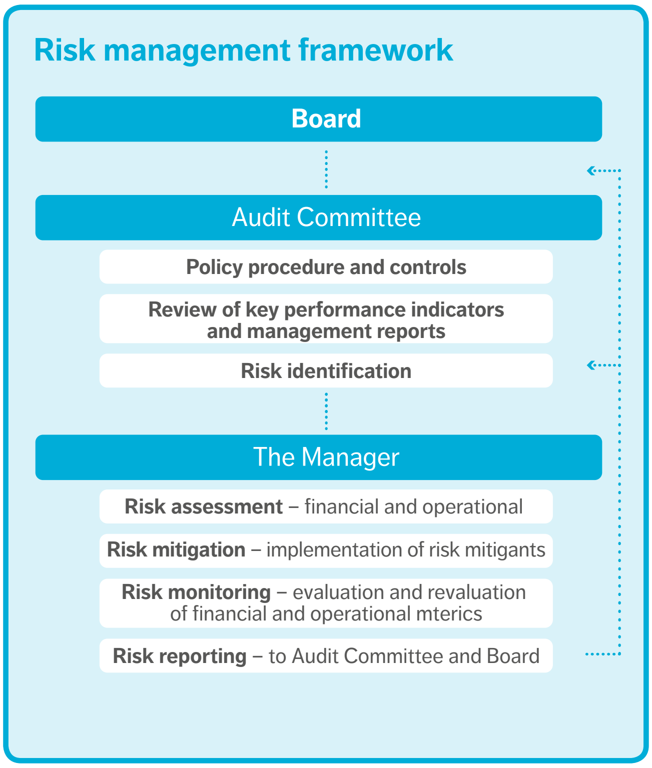
OUR PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Approach to managing risk

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



Risk management framework

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

Risk appetite

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

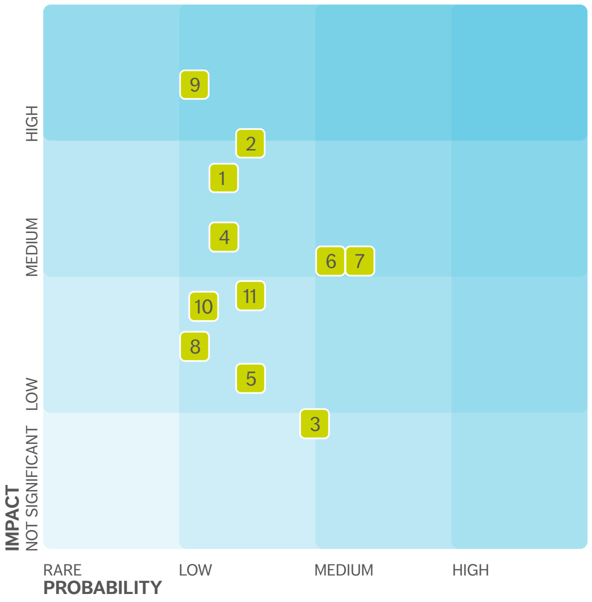
We have a specific Investment Policy →, which we adhere to and for which the Board has overall responsibility.

Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out on pages 55 to 59. They have the potential to materially affect our business, either favourably or unfavourably. Some risks may currently be unknown, while others that we currently regard as immaterial, and have therefore not been included here, may turn out to be material in the future. All principal risks are the same as detailed in the 2015 Annual Report, with the exception of the Political Risk impact of the EU Referendum on the performance of the Company.

→ Our Investment Policy p24
→ Going concern and viability p60

Principal risks



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

↑ **The Board considers these risks have increased since last year**

3	Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector
10	We are a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK Shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to Shareholders
11	The vote to leave the EU in June 2016 could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company.

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

1	Default of one or more tenants
2	The performance and valuation of the property portfolio
4	Our property performance will depend on the performance of the UK retail sector and the continued growth of online retail
5	Development activities are likely to involve a higher degree of risk than associated with standing investments
6	Our use of floating rate debt will expose the business to underlying interest rate movements
7	A lack of debt funding at appropriate rates may restrict our ability to grow

↓ **The Board considers these risks have decreased since last year**

8	We must be able to operate within our banking covenants
9	We rely on the continuance of the Manager

Property risks

1 Default of one or more tenants

PROBABILITY: LOW

Change in year:

⊖

IMPACT: LOW TO MODERATE

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

MITIGATION

Our investment policy limits our exposure to any one tenant to 20% of gross assets or, where tenants are members of the FTSE, up to 30% each for two such tenants. This prevents significant exposure to a single 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.

→ Optimising the performance of our Big Box portfolio p42-44

Property risks (continued)

2 The performance and valuation of the property portfolio

PROBABILITY: LOW

Change in year:

⊖

→ Optimising the performance of our Big Box portfolio p42-44

IMPACT: MODERATE TO HIGH

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

MITIGATION

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

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

PROBABILITY: MODERATE

Change in year:

↑

→ Our Strategy and Objectives p24-25

IMPACT: LOW

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

MITIGATION

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

Property risks (continued)

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

PROBABILITY: LOW

Change in year:

⊖

→ Our Market p14-21

IMPACT: MODERATE

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 oneof our tenants is low. In addition to our due diligence on tenants before an acquisition or, in thecase of forward funded developments, before agreeing the lease terms, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance of our tenants.

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

PROBABILITY: LOW

Change in year:

⊖

→ Our Market p14-21
→ Our Strategy and Objectives p24-25

IMPACT: LOW

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

MITIGATION

Only three of the Company's current portfolio of 35 assets as at 31 December 2016 are forward funded assets, representing 6.6% of the value of our portfolio (on a completed basis). All of these assets are pre-let to institutional-grade tenants. Any risk of investment into forward funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost over-runs. Funds for these developments remain with us and are only released to the developer on a controlled basis subject to milestones as assessed by our idependent project monitoring surveyors.

Financial risks

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

PROBABILITY: MODERATE

Change in year:

⊖

→ Robust financing and hedging with strong liquidity p46-48

IMPACT: MODERATE

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

MITIGATION

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

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

PROBABILITY: MODERATE

Change in year:

⊖

→ Robust financing and hedging with strong liquidity p46-48

IMPACT: MODERATE

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

MITIGATION

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

8 We must be able to operate within our banking covenants

PROBABILITY: LOW

Change in year:

↓

→ Depositary Statement p79

IMPACT: LOW

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

MITIGATION

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

Corporate risk

9 We rely on the continuance of the Manager

PROBABILITY: LOW

Change in year:

↓

→ Our Strategy and Objectives p24-25
→ Management Engagement Committee Report p85-87

IMPACT: HIGH

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

MITIGATION

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

Taxation risk

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

PROBABILITY: LOW

Change in year:

↑

→ Our Market p14-21
→ Our Strategy and Objectives p24-25

IMPACT: LOW TO MODERATE

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

MITIGATION

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

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

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

Political risk

11 The vote to leave the EU in June 2016 could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company

PROBABILITY: LOW

Change in year:

↑

→ Robust financing and hedging with strong liquidity p46-48

IMPACT: LOW TO MODERATE

At present, the UK Government has communicated very little detail on its strategy to negotiate the exit from the EU. The eventual outcome and the way that policies over an exit will be negotiated is impossible to predict at this time.

MITIGATION

The Group operates with a sole focus in the UK Big Box market which has a significant supply shortage against current levels of demand, this will assist in supporting property capital values. It is currently well positioned with long and secure leases and a diverse blue-chip tenant line up, with a focus on tenants with financial strength, which are well positioned to withstand any downturn in the UK economy.

STRATEGIC REPORT

GOING CONCERN AND VIABILITY

The Strategic Report describes the Company financial position, cash flows, liquidity position and borrowing facilities. The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 30% as at 31 December 2016.

The Company also benefits from a secure income stream from leases with long average unexpired terms, which are not overly reliant on any one tenant and present a well-diversified risk. The Company's cash balance as at 31 December 2016 was £170.7 million, of which £165.0 million was readily available. It also had undrawn amounts under its debt facilities of a further £150.0 million. The Company did have capital commitments totalling £82.4 million, plus a contingent liability reflecting the conditional exchange of contracts on two pre-let forward funded asset purchases, subject to satisfactory planning permission with an investment price of £101.8 million.

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

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

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

Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five year period to 7 March 2021. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts.

The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks.

The principal risks table on pages 54 to 59 summarises those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten in the Group's ability to continue in business in its current form if they were to occur.

The Directors paid particular attention to the risk of a deterioration in economic outlook which would impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance. The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five year period to 7 March 2021.

The sensitivities performed were designed to be severe but plausible; and to take full account of the availability of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks:

- Downturn in economic outlook: key assumptions including occupancy, void periods, rental growth and yields were sensitised to reflect reasonably likely levels associated with an economic downturn.
- Restricted availability of finance: based on the Group's current commitments and available facilities there is a refinancing event representing 73% of the Group's current level of borrowing commitments due in October 2020. In the normal course of business, financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in place.

Viability Statement

Having considered the forecast cash flows and covenant compliance and the impact of the sensitivities in combination, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period ending 7 March 2021.

BOARD APPROVAL OF THE STRATEGIC REPORT

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

Richard Jewson Chairman
7 March 2016

MISSION CRITICAL BIG BOXES

> "We have successfully opened our new warehouse in Stoke, which doubles our capacity and provides a purpose-built platform for reducing costs over time... Improved efficiency also enables us to offer better availability to our customers."
>
> Andy Harrison, Chairman, Dunelm Group plc
> Annual Report and Accounts – July 2016

GOVERNANCE

GOVERNANCE

CHAIRMAN'S GOVERNANCE OVERVIEW

Strong Corporate Governance is integral to our business and our Company's success. As we have grown, we have embedded a culture of good governance into our Company which has enabled us to support our Company's growth, to develop an open and robust working environment and to encourage dynamic business communications with our Shareholders.

Richard Jewson

The Board is committed to the highest standards of corporate governance. Good governance provides the structure for an open, informed and transparent environment which supports good decision making and establishes our culture and ethos. In this section of the Annual Report we report on our compliance with the principles of corporate governance and highlight the key governance events which have taken place during 2016.

2016 has been another busy year. We have appointed a new Non-Executive Director, Susanne Given, who was formerly COO of SuperGroup PLC, and we have undertaken a review of the terms of appointment and remuneration for the existing Non-Executive Directors. More details on both of these initiatives can be found in my Nomination Committee Report ⊛ and the Directors' Remuneration Report ⊛.

We have reviewed, with the Manager, the terms of the Investment Management Agreement and Shareholders approved certain amendments to the agreement on 20 December 2016, the main terms of which are set out in the Management Engagement Committee Report ⊛. As part of this process and as a result of the Company's continued rapid growth, we have agreed a Service Level Agreement with the Manager to streamline our Board meetings and Board papers in order to make the Board meetings more efficient whilst continuing to ensure that the Directors receive all necessary information to enable them to conduct an open debate and make good decisions. Overall, we see these changes as further strengthening and embedding a culture of strong corporate governance in our Company.

The Board has considered the Company's strategy at a specific strategy meeting leading to the amendment of the Investment Policy approved by Shareholders at last year's AGM in May 2016, and has scheduled two strategy meetings to be held in 2017.

The Company and the Manager have together established a Shareholder and stakeholder communications programme, which has included as some of its highlights a series of Chairman's lunches and an international roadshow where Colin Godfrey from the Manager and key members of the Company's Broker, met with many current and prospective Shareholders. More information on the Shareholder and stakeholder engagement programme can be found in Relations with Shareholders and stakeholders ⊛.

The Board has also benefited from a bespoke professional development programme and it has conducted an internal Board evaluation to ascertain whether the results from last year's external Board evaluation had been implemented effectively

⊛ Nomination Committee Report p75-76
⊛ Directors' Remuneration Report p90-91
⊛ Management Engagement Committee Report p85-87

⊛ Relations with Shareholders and stakeholders p88

and to consider the Board's thoughts for the future. More information on the professional development programme → and the Board evaluation → can be found in Effectiveness →.

The Audit Committee, led by Jim Prower, has considered the additional requirements placed upon it by the recent changes to the AIC Code and EU Regulations and has also considered the Company's Viability Statement in light of the recent guidance received from the Financial Reporting Council as well as the composition of the Audit Committee. The Audit Committee has also actively negotiated the scope of the annual Audit and the statements made by the Auditor. The Audit Committee Report → provides further details.

Statement of Compliance

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

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

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

The UK Corporate Governance Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration;
- The need for an internal audit function.

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

→ Effectiveness – Director Training Programme p73
→ Effectiveness – Board performance and evaluation p72
→ Audit Committee Report p80-84

The **AIC Code** and **AIC Guide** can be found at:
www.theaic.co.uk/sites/default/files/AICCodeofCorporateGovernanceJul16.pdf

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;

- 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 7 March 2020. 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 and also Our Principal Risks and Uncertainties →;

- 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 Governance Report;

- The Annual Report and accounts taken as a whole are **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 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 →; and

- The Company undertakes a full risk review twice a year where it considers all the principal risks and uncertainties that may affect the Company. Please refer to Our Principal Risks and Uncertainties → in the Strategic Report.

Richard Jewson Chairman
7 March 2017

→ Accountability p77-79
→ Our Principal Risks and Uncertainties p54-59
→ Management Engagement Committee Report p85-87

GOVERNANCE

LEADERSHIP

The Board is responsible to Shareholders for the continuing and long-term success of the Company. Central to this is our dynamic culture and the robust relationships we have built between the Board, the committees and the Manager, which have created an open environment where matters can be considered and challenged and good decisions taken.

The Board

The Board consists of five 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. Each Director will resign and stand for re-election by Shareholders at the Company's AGM in accordance with the requirements of the AIC Code. Susanne Given will be submitting herself for election as this will be the first AGM since her appointment.

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

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

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

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

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, which was delegated to the Nomination Committee and overseen by Jim Prower as the Senior Independent Director. Details of the Directors' remuneration for the year ended 31 December 2016 are included in the Directors' Remuneration Report ⊛.

⊛ The Board of Directors p70-71
⊛ Directors' Remuneration Report p90-91

Our governance structure

The Board is responsible collectively for the success of the Company. The table below explains the responsibility of each Board member and the role of the Manager.

NAME	ROLE	RESPONSIBILITIES
Richard Jewson	Chairman of the Company and Chair of the Nomination Committee	• Leads the Board and ensures it functions effectively • Sets the Board agenda, encourages an open Boardroom and manages the relationship with the Manager • As Chair of the Nomination Committee he assesses the composition of the Board and whether it has the correct balance of skills, experience, knowledge and independence to operate effectively.
Jim Prower	Senior Independent Director and Chair of the Audit Committee	• Available for Shareholders and stakeholders to speak to as an alternative point of contact to the Chairman or Manager • Acts as a sounding board for the Chairman • Serves as a communication channel between the Manager and the Chairman, and the Board and the Chairman when necessary • As Chair of the Audit Committee he oversees the Group's financial reporting, risk management and internal control procedures and the work of its Auditor.
Stephen Smith Susanne Given Mark Shaw	Non-Executive Director and Chair of the Management Engagement Committee Non-Executive Director Non-Executive Director	• The Management Engagement Committee oversees the Manager's and other service providers' performance and makes recommendations and proposals for amendments to the Investment Management Agreement • The Non-Executive Directors constructively challenge the Manager and, together with the Manager, determine the Company's strategy and ensure that the Company adheres to that strategy within its risk and control framework and Investment Policy • Provide independent judgement and scrutiny to all investment decisions and review the integrity of financial information and risk management systems.
Tritax Management LLP	The Manager	• Tasked with the day-to-day running of the Company • Sources the investment assets and manages the Group's property portfolio • Shares responsibility with the Board for communications with Shareholders and stakeholders and investor relations • Open and regular communication with the Board on the determination and implementation of the Company's strategy, risk controls and financial management of the Company • Advises on investment decisions and both equity and debt capital markets activity.

Committees

The Board has delegated some of its responsibilities to its three formal committees:

- the **Nomination Committee** →, which reviews the Board's composition and assesses whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively;
- the **Audit Committee** →, which oversees the Group's financial reporting, risk management and internal control procedures and the work of its external auditors; and
- the **Management Engagement Committee** →, which reviews the Manager's performance, the performance of the Company's other key service providers and which reviews and, where necessary, makes recommendations on any proposed amendment to the Investment Management Agreement.

These Committees are each chaired by a different Director and have their own terms of reference which can be found on the Company's website 💻 or copies are available from the Company Secretary. The terms of reference are reviewed as necessary by the Board at least every three years. The terms of reference for the Nomination Committee and the Management Engagement Committee were last reviewed at the end of 2015 and the Audit Committee terms of reference were reviewed in November 2016. The Company Secretary acts as company secretary to these Committees and the Chairman of each committee reports the outcome of the meetings to the Board.

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

The Manager

The Board has delegated the day-to-day running of the Company to the Manager pursuant to the terms of the Investment Management Agreement. The Investment Management Agreement is reviewed and amended when necessary to ensure it reflects the relationship between the Board and the Manager. As a result of these reviews, changes were proposed by the Board to the Investment Management Agreement in December 2016 and approved by Shareholders at a general meeting convened especially for that purpose. The Management Engagement Committee Report → discusses fully the changes made to the Investment Management Agreement and how the Board's relationship with the Manager is regulated.

→ Nomination Committee Report p75-76
→ Audit Committee Report p80-84
→ Management Engagement Committee Report p85-87
→ The Board of Directors p70-71
💻 http://tritaxbigbox.co.uk/about/#corporate-governance

GOVERNANCE

HOW WE GOVERN THE COMPANY

The Board has developed a dynamic culture, which enables the talented people who work with it to grow and succeed with our Company.

Board meetings

During 2016 the Board held 10 scheduled meetings and 10 ad hoc meetings to deal with transactional and other specific events such as equity raises and debt financings. The table below shows each individual Director's attendance at the scheduled Board meetings for which they were eligible to attend during the year. Attendance at Committee meetings is incorporated in each Committee report.

The Board meetings follow a formal agenda, which is approved by the Chairman and circulated by the Company Secretary in advance of the meeting to all the Non-Executive Directors and other attendees. A typical agenda includes a review of investment performance, the progress of investment opportunities, reviewing asset management initiatives, the Company's financial performance to ensure the Company's ability to pay its targeted dividend on a fully cash covered basis, the Company's anticipated future performance, updates on investor relations and specific regulatory or compliance issues, plus any corporate governance. All decisions to invest in property are made by the Board at the recommendation of the Manager. The Manager also attends the Board meetings together with representatives from the Company Secretarial team. Representatives of the Company's other advisers are also invited to attend Board meetings from time to time, particularly representatives from the Company's Broker, the Company's Financial Advisers and the Company's Lawyers.

One of the Board meetings was designated as a specific meeting to review the Company's strategy. The meeting focused on setting the Company's overarching strategy and whether the management structure enables the Company to carry out its strategy effectively. As a result of this meeting the Company's Investment Policy was amended at the Company's AGM in May 2016. At each Board meeting every agenda item is considered against the Company's strategy and its Investment Objective and Policy.

The process of Board meetings has been reviewed by the Board and the Manager as part of the Service Level Agreement discussions. In 2017 the Manager will report to the Board in accordance with a pre-agreed calendar to ensure that the Board continues to have a thorough understanding of the Company's business notwithstanding its rapid growth since IPO. A regular, rolling reporting calendar which allows the Board and the Manager to review the Company's portfolio and asset management initiatives continually against the Company's Investment Objectives and Investment Policy and the evolving market conditions is being implemented. This initiative will streamline Board procedures and will assist the Directors to maintain a detailed overview of the Company's growing portfolio. The reporting calendar also includes input from key service providers such as the Company's Broker and Financial Advisers to ensure that the Board is kept informed on a regular basis of how the Company is viewed in the wider market and more particularly in its direct REIT peer group. The Service Level Agreement will be reviewed on an annual basis by the Management Engagement Committee.

The majority of all Board papers are disseminated to the Non-Executive Directors via a secure online platform for reasons of efficiency and cyber security.

Attendance at scheduled Board meetings

	BOARD MEETINGS ELIGIBLE TO ATTEND[1]	SCHEDULED BOARD MEETINGS ATTENDED
Meetings held	**10**	**10**
Richard Jewson	10	10
Jim Prower	10	10
Stephen Smith	10	10
Mark Shaw[2]	10	8
Susanne Given[3] (appointed 13 September 2016)	2	2

1 Includes strategy meeting
2 Mark Shaw was unable to attend one meeting for personal reasons and one meeting because he was travelling for business
3 Figures since 13 September 2016

Attendance at Board meetings and Committee meetings during the year ended 31 December 2016

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

Due to the significant number of additional meetings during the year it was not 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.

Anti-bribery and corruption

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

Key activities of the Board during 2016

Q1

- Approval of the Company's full year property valuation for 2015
- Approval of 2015 financial results and final dividend
- Review of the existing debt strategy
- Commencement of the process to recruit a new Non-Executive Director (see the Nomination Committee Report →)
- Approval and acquisition of two Big Boxes
- Appointment of Jim Prower as the Senior Independent Director
- Presentations from the Company's Broker on Shareholders' perception of the Company. Consideration of the state of the equities market and the Big Box market
- Issuance of a trading statement
- Successful equity raise of £200 million
- Quarterly review of corporate governance compliance, Group company activity and depositary report

Q2

- Annual Strategy Review including an analysis of the performance of the Company's investment portfolio and a review of the market and opportunities available to the Company generally (see Board Meetings, How we govern the Company →)
- First half-yearly principal risk review and consideration of risk appetite
- Amendment to the Company's Investment Policy at the Company's AGM
- Appointment of Korn Ferry to recruit a new Non-Executive Director
- Acquisition of one Big Box
- Quarterly review of corporate governance compliance, Group company activity and depositary report

Q3

- Approval of the half-yearly property valuation
- Approval of the half-yearly results
- Declaration of two dividend payments – see website 🖥
- Change to quarterly dividends from January 2017 announced – see website 🖥
- Extension to an existing debt facility
- Agreement of a new fixed rate term loan facility
- Appointment of Susanne Given as a Non-Executive Director and as a member of the Audit Committee
- Acquisition of two Big Boxes
- Presentations from the Company's Broker and the Company's Financial Advisors on Shareholders' perception of the Company
- Launch of the Company's second equity raise in 2016
- Quarterly review of corporate governance compliance, Group company activity and depositary report

Q4

- Acquisition of five Big Boxes of which two were pre-let forward funded developments
- Successful equity raise of £350 million
- £50 million addition to syndicated loan
- The Approval of the amendments to the Investment Management Agreement at a Shareholders' general meeting (see the Management Engagement Committee Report →) (see How we Govern the Company →)
- Approval of the Service Level Agreement with the Manager (see How we Govern the Company →)
- Second half-yearly principal risk review and consideration of risk appetite
- Consideration of the Company's future debt financing strategy
- Approval of the updated Financial Prospects, Positions and Procedures document
- Quarterly review of corporate governance compliance, Group company activity and depositary report

→ Nomination Committee Report p75-76
→ Audit Committee Report p80-84
→ Management Engagement Committee Report p85-87

GOVERNANCE

THE BOARD OF DIRECTORS

Richard Jewson

Chairman

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

Committee memberships:

- Chair of the Nomination Committee
- Management Engagement Committee

Relevant skills and experience:

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

Significant previous external experience:

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

Principal external appointments:

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

Jim Prower

Senior Independent Non-Executive Director

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

Committee memberships:

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

Relevant skills and experience:

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

Significant previous external experience:

Jim has acted as finance director and company secretary at several public companies including:

- Minty plc for two years
- Creston Land & Estates plc for six years
- NOBO Group plc for two years

Principal external appointments:

- Senior independent director and chairman of audit committee, Empiric Student Property plc since May 2014

Stephen Smith

Non-Executive Director

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

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

Principal external appointments:

- Chairman, Starwood European Real Estate Finance Limited. Board member since November 2012
- Non-executive director, Gatehouse Bank plc, a London based wholesale investment bank specialising in global real estate. Board member since June 2013
- Pollen Estate. Board member since March 2016

Susanne Given
Non-Executive Director

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

Committee memberships:
- Audit Committee

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

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

Principal external appointments:
- Chairman of made.com since April 2016
- Mentor and Advisor to Wayra, Telefónica's start-up accelerator since March 2016
- Director of Eurostar International Limited since December 2016
- Director of Al Tayer since January 2016
- Advisor to the Danish Foreign Ministry, Economic Forum and the Danish Embassy in the UK

Mark Shaw
Non-Executive Director

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

Committee memberships:
- Nomination Committee

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

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

Audit Committee p80-84
Management Engagement Committee Report p85-87
Nomination Committee p75-76
http://tritaxbigbox.co.uk/about/#corporate-governance

GOVERNANCE

EFFECTIVENESS

Good governance is fundamental to our Company. It allows the Board to deliver its strategic objectives for the Company and safeguard the Company's continued growth and long-term success for the benefit of Shareholders and other stakeholders.

Board performance and evaluation

The Board has adopted a policy of undertaking externally facilitated evaluations every three years and internal evaluations in each of the intervening two years. The Board commissioned an external evaluation last year, which was conducted by the independent corporate advisory firm, Board Evaluation Limited. The results of this evaluation identified four areas for improvement and the Board was particularly interested to evaluate the success of the initiatives implemented since last year.

In 2016, at the request of the Chairman, the Company Secretary conducted an internal review of the Board. The Company Secretary prepared an online questionnaire for completion, on an anonymous basis, by each Non-Executive Director, which covered a number of areas:

- Board composition
- Board meetings
- Role of the Chair
- Strategic aims and objectives
- Performance, management and the role of the Manager
- Risk management and controls
- Audit Committee function
- Management Engagement Committee function
- Nomination Committee function

The questionnaire was devised to encourage the Board to provide written comments as well as a rating for each question.

The Directors were unanimous in the view that the Board and its committees were operating effectively and were well supported by the Manager and the Company Secretary, and that the initiatives implemented in 2015 and 2016 to address the four areas identified as requiring improvement in the external Board Evaluation conducted in 2015 had been and continued to be effective. Those areas were:

- Administration of and procedures for Board meetings; (please refer to How we govern the Company ➔);

- Board succession planning (please refer to the Nomination Committee Report ➔);

- Director training; (please refer to Director Training Programme ➔); and

- Composition of the Audit Committee (please refer to the Audit Committee Report ➔).

It was clear from the responses to the evaluation that the Board operates in an open and effective manner, which encourages robust debate of matters tabled at Board meetings enabling the Board to make fully informed and good decisions. It was also clear that the Board information is clearly presented by the Manager and the Company Secretary and is delivered in a timely manner, and that the Board feels that it enjoys a strong working relationship with them. In light of the Company's growth, the Board decided to revise the way Board meetings are managed to ensure the continued efficacy of the Board. Please refer to How we govern the Company ➔, which provides more detail on this.

Each of the three Committees is also performing effectively and is well supported by the Manager and the Company Secretary.

➔ Leadership, Our governance structure p65
➔ Nomination Committee Report p75-76
➔ Director Training Programme p73-74
➔ Audit Committee Report p80-84

The Board agreed, following the evaluation process, to continue with the initiatives started after the external Board Evaluation in 2015 and to expand upon the same. In 2017 the Board will hold half-yearly strategy meetings; the Board and the Manager will fully implement the Service Level Agreement and it intends to expand the Director Training Programme. The Board also recognised that the size of the Company and the number of its assets now requires a more regimented reporting calendar and this, amongst other items, formed the basis of the new Service Level Agreement with the Manager (see "Board Meetings", How we govern the Company ➔).

INITIATIVES IMPLEMENTED AND DEVELOPED SINCE 2015

1. Annual Strategy Review
2. Implementation of the Service Level Agreement
3. Expansion of the Director Training Programme
4. Succession policy review – appointment of Susanne Given to the Board and to the Audit Committee
5. Directors' Remuneration Review

The Board also determined to continue to improve the administration and Board meeting procedures, particularly in relation to larger projects and to consider the inclusion of the Manager as a respondent to the internally generated 2017 evaluation. The 2017 evaluation will focus more on the written comments of the respondents rather than the ratings and will include, as part of the process, an appraisal of the Chairman whereby the Senior Independent Director will formally meet with the Non-Executive Directors and the Manager to discuss the performance of the Chairman.

Director Induction Programme

Susanne Given was appointed as a Non-Executive Director of the Company and as a member of the Audit Committee in 2016. Susanne received a bespoke induction training programme which was spread over two months from her appointment and was designed to give her a comprehensive overview of the Company, including its business and strategic aims and its governance structure. The Manager also provided a series of meetings with the property sourcing, asset management, finance and Company Secretarial teams within the Manager. The Company's Brokers, Joint Financial Advisers and Lawyers also met with Susanne Given and she will visit some of the Company's assets in early 2017.

Director Training Programme

The Board recognised as part of the Board evaluation in 2015 that a training programme to ensure that it is kept abreast of both governance and statutory updates as well as commercial matters should be implemented. Accordingly, a bespoke training programme was implemented in January 2016 following consultation between the Manager and the Board. In 2016 the Board received the following formal training sessions from some of the Company's external service providers:

MONTH	PRESENTER	SESSION
January	Taylor Wessing	Directors duties and corporate governance
June	Taylor Wessing	Directors duties Part II, anti-bribery and corruption, and the Modern Slavery Act
November	Jefferies	M&A considerations

In addition to the bespoke training programme, each Director is expected to maintain their individual professional skills and is responsible for identifying any individual training needs to help them ensure that they maintain the requisite knowledge to be able to consider and understand the Company's responsibilities, business and strategy. All Directors have access to advice and services from the Company Secretary, who manages the Company's governance procedures, or the Manager.

➔ Management Engagement Committee Report p85-87

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

The Company will continue with the Director Training Programme and the Manager is arranging training with logistics and retail specialists to take place in 2017.

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

Asset tour

In order to increase its understanding of how its tenants utilise the Big Boxes owned by the Company, the Directors went on an asset tour on 18 May 2016 accompanied by the Manager. The Board visited properties at Marks & Spencer, Castle Donington; Kuehne+Nagel, Derby; Dunelm, Stoke-on-Trent; and New Look in Newcastle-under-Lyme. The Directors also visited Ocado, Erith in February 2017. It was an informative tour and the Board found it very interesting and useful to see these mechanised Big Boxes first hand and to be able to discuss the requirements of our tenants on site, often directly with the site managers.

GOVERNANCE

NOMINATION COMMITTEE REPORT

"Dear Shareholders,
2016 has been busy for the Nomination Committee, the highlight of which was the appointment of Susanne Given to the Board in September 2016. Susanne brings with her a wealth of general and online retail experience and provides an insight for the existing Directors into the needs of and the challenges faced by many of our tenants. We are very pleased with her appointment and look forward to a fruitful exchange of ideas at Board meetings."

Membership

Richard Jewson (Chairman)
Jim Prower, Stephen Smith, Mark Shaw

Priorities for 2016

- The appointment of a Non-Executive Director to the Board and to the Audit Committee
- A formal review of the remuneration of the full Board
- A formal review of the terms of appointment for the Non-Executive Directors
- The proposal for re-appointment of the Non-Executive Directors and the appointment of Susanne Given as a Non-Executive Director at the AGM in 2017

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTENDED	MEETINGS ATTENDED
Richard Jewson	4	4
Jim Prower	4	4
Stephen Smith	4	4
Mark Shaw	4	4

The Committee's role is to review the size, structure and composition of the Board; to ensure that the Board has the right mix of skills, experience and knowledge to enable the Company to fulfil its strategic objectives. The Committee is also responsible for making recommendations for new appointments to the Board and for reviewing the performance and terms of engagement for the existing Directors. The Committee operates within defined terms of reference which are available on the Company's website 💻 or from the Company Secretary.

Appointment of a new Non-Executive Director

In late 2015, two years after the Company's IPO and following the Company's admission to the FTSE 250, the Nomination Committee identified the need to appoint a further independent Non-Executive Director to the Board, and to appoint a new director to the Audit Committee to replace me following my retirement from the Audit Committee in order to comply with best governance practice. The recruitment process began in early 2016.

The Nomination Committee's first task was to appoint a suitable recruitment consultant for the role and the Committee asked Colin Godfrey and the Company Secretary to undertake this. Quotes were obtained from four recruitment consultancy firms and three recruitment consultancy firms were interviewed. Following the feedback to the Committee from Colin Godfrey and the Company Secretary, Korn Ferry was appointed. Korn Ferry is independent from the Company and the Manager and, as far as the Company and the Manager are aware, there is no other connection between the Company or the Manager and Korn Ferry.

The Nomination Committee then evaluated the skills and experience considered necessary to complement the existing Board composition. We particularly wanted the new candidate to have strong experience in the logistical requirements of online retailers as well as strong general retail sales experience. We were also amenable to considering a candidate for whom this would be their first experience as a member of a FTSE 250 Board, provided that the candidate could devote sufficient time to the role and we were mindful of the recommendations of the Davies Report and our commitment as a Company to diversity. We met with Korn Ferry to discuss the appointment, the Company and its strategy in May 2016.

💻 http://tritaxbigbox.co.uk/about/#corporate-governance
➔ Audit Committee Report p80-84

Korn Ferry presented to the Committee a list of candidates who had expressed an interest in the role. We reviewed the list, identifying those candidates who appeared to hold the correct blend of skills, and requested interviews.

The first round of interviews was conducted by a sub-committee of myself, representing the Board, and Colin Godfrey and Henry Franklin, representing the Manager. We selected one candidate, Susanne Given, to proceed to the next stage. As the Company has a relatively small Board of Directors and is externally managed, the other Board members as well as the partners of the Manager were keen to meet with Susanne Given before a final decision was taken. Over the course of the summer of 2016, Susanne Given met with the Board as well as the key members of the Manager. The Committee considered her skills and experience, as well as her ability to devote enough time to the position, before we recommended her appointment to the Board. The Board appointed Susanne Given as a new Non-Executive Director of the Company on 13 September 2016. She will hold office until the Company's AGM on 17 May 2017 when she will be submitted for election by the Shareholders as a Director of the Company.

Director remuneration review

As the Company does not have any executive directors it does not have a remuneration committee. Further to feedback received from last year's Board evaluation and to coincide with the Company's third anniversary, the Committee decided to review the terms of appointment of each Director. As we reviewed the terms of appointment of the Directors it was considered sensible for us to also review the level of fees to be awarded to the Board, particularly given the Company's considerable growth since IPO in December 2013. Jim Prower as the Senior Independent Director led the Remuneration Review ⊖.

Policy on tenure and succession planning

We considered the ongoing independence of each of the Directors as well as their respective skills and experience and whether each Director is able to commit sufficient time to the Company, as well as any other external appointments held by the Directors. The Board, following the advice of the Committee, will recommend the election and re-election of each Director at the forthcoming AGM.

The Company's Lawyers also reviewed and updated the Directors' letters and terms of appointment. Specifically we sought to revise the notice periods to be given should a Director wish to resign in order to prevent more than one Director resigning at any one time (except in extenuating circumstances). Richard Jewson, Stephen Smith and Jim Prower were all initially appointed on 18 November 2013 for a term of two years. Mark Shaw was appointed on 8 November 2013 for a term of one year. Susanne Given was appointed for an initial term of two years commencing on 13 September 2016 subject to election by the Shareholders at the forthcoming AGM and re-election at each AGM thereafter. Please refer to the Directors' Remuneration Report ⊖ for more information.

Pursuant to the Articles of Association of the Company, 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. However, notwithstanding the provisions of the Articles, all the Directors will offer themselves for re-election at each AGM 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 Annual General Meeting.

Board diversity

We regularly review the Company's policy on diversity and consider that the Directors have a balance of skills, qualifications and experience which are 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
7 March 2017

⊖ Directors' Remuneration Report p90-91

⊖ www.theaic.co.uk/sites/default/files/AICCodeofCorporateGovernanceJul16.pdf

GOVERNANCE

ACCOUNTABILITY

For our Company to achieve its strategic objectives, the risks to its future growth and success need to be identified and effectively managed. The Board recognises that this principle is central to the continued performance of the Company. The main risks identified as the most relevant to the Company are set out on pages 54-59 of the Strategic Report ➔.

Internal controls review

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

The Board and the Manager have together reviewed all financial performance and results notifications. Non-financial internal controls include the systems of operational and compliance controls maintained by the Company's administrator, 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 the Manager. These entities have their own internal control systems relating to these matters, which the Board has reviewed as part of its Financial Position and Prospects Procedures memorandum, which was reviewed and updated in November 2016 to better reflect the operations of the Company. The Financial Position, Prospects and Procedures memorandum is reviewed and updated annually and the next review will be 2017.

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), quarterly reports from the Company Secretary (outlining corporate activity within the Group and outlining the Company's compliance with the AIC Code and Guide) and proposed future initiatives relating to the Company's governance and compliance framework. The Board also receives quarterly compliance reports prepared by Langham Hall UK Depositary LLP (see page 79 ➔ for further information). The Board reviews the formal bi-annual risk assessment conducted by the Audit Committee. Further, the Board actively considers investment opportunities, asset management initiatives, debt and equity fundraisings and other financial matters against the requirements of the Company's Investment Policy and risk spectrum.

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

AIFM Directive

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

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

➔ Our Principal Risks and Uncertainties p54-59
➔ Depositary Statement p79

AIFM remuneration policy applied by the Manager

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

The Manager's partnership board therefore meets at least twice a year to discuss the remuneration of its entire staff. Staff are remunerated in accordance with their seniority, expertise, professional qualifications, responsibilities and performance. They are paid salaries in line with market rates and, in profitable years, awarded a discretionary bonus from a bonus pool of at least 5% of the Manager's profits. The discretionary bonus may consist of cash or shares in the Company which form part of the management fee payable to the Manager's Partners but which the Manager's Partners elect to allocate to certain members of staff as part of the annual bonus. Please refer to page 87 ⊙ for further information. This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's profitability, rather than the performance of a particular AIF.

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

The annual fee paid by the Company is based on a percentage of NAV, as set out in the Management Engagement Committee Report ⊙. 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 87 ⊙) in the Company's shares ("Management Shares"). Management Shares are subject to a 12 month lock-in period. This aligns the interests of the Manager's Partners with the strategy and interests of the Company.

Going concern and viability

The Board is required to consider whether the Group has adequate reserves to continue in operation for the "foreseeable future", typically considered 12 months from the date of this report for the purposes of going concern.

The Committee also reviewed the work of the Investment Manager, along with its financial adviser to support the Viability Statement ⊙ which is included in the Strategic Report.

⊙ Management Engagement Committee Report p85-87
⊙ Viability Statement p60

DEPOSITARY STATEMENT

Established in 2013, Langham Hall UK Depositary LLP is an FCA regulated firm that works in conjunction with the Manager and the Company to act as depositary. Consisting exclusively of qualified and trainee accountants and alternative specialists, the group represents net assets of US $80 billion and we deploy our services to 90 alternative investment funds across various jurisdictions worldwide. Our role as depositary primarily involves oversight of the control environment of the Company, in line with 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 a review of the Company's and its subsidiaries' decision papers and minutes.

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

In the year ended 31 December 2016 our work included the review of two equity and two management share issues, ten acquisitions, three third-party financing arrangements and three property income distributions. Based on the work performed during this period, we confirm that no issues came to our attention to indicate that controls are not operating appropriately.

Joe Hime Head of Depositary
For and on behalf of
Langham Hall UK Depositary LLP, London, United Kingdom
7 March 2017

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

GOVERNANCE

AUDIT COMMITTEE REPORT

"Dear Shareholders
This year we have changed the membership of the Audit Committee with Richard Jewson stepping down and Susanne Given having been appointed in his place. As well as overseeing the yearly audit and half-yearly review, the bi-annual valuations and the Company's risk management, financial reporting and financial management functions, we have also thoroughly reviewed the Committee's terms of reference and other areas of compliance and legislation within the Committee's responsibility."

Membership

Jim Prower (Chairman)*
Richard Jewson†, Stephen Smith, Susanne Given**

* 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 70.

† Richard Jewson, the Chairman of the Board, sat on the Audit Committee to enable his greater understanding of the issues facing the Company; he resigned as a member of the Audit Committee on 13 September 2016 however he is still invited to Audit Committee meetings.

** Susanne Given was appointed to the Audit Committee on 13 September 2016.

Key focus for 2016

- Recommended to the Board that the Annual Report and Accounts for 2015, taken as whole, were fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- Reviewed the Interim Report 2016 and recommended the same to the Board;
- Monitored the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewed any significant financial reporting judgements contained in them;
- Reviewed the Company's internal financial controls and reviewed the Company's internal control and risk management systems as well as those of the Manager which relate to the Company;
- Reviewed and monitored the independence and objectivity of the Auditor and the effectiveness of the audit process;
- Reviewed and considered the basis of the Viability Statement → made by the Directors;
- Developed a policy on the engagement of the Auditor to supply non-audit services including the safeguarding of the Auditor's objectivity and independence; and
- Responded to the letter of 1 July 2016 from the Financial Reporting Council ("FRC") following review of the Company's 2015 Annual Report and Accounts. The FRC deemed all enquiries closed following the response.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
Jim Prower	4	4
Stephen Smith	4	4
Richard Jewson[1]	3	3
Susanne Given[2]	1	1

1 Member until 13 September 2016
2 Member from 13 September 2016

→ Viability Statement p60

The Audit Committee's role is to oversee the Company's financial reporting process including the risk management and internal financial controls in place within the Manager, the valuation of the property portfolio, the Group's compliance with accepted accounting standards and other regulatory requirements as well as the activities of the Auditors.

Committee membership and terms of reference

We operate within defined terms of reference, which are available on the Company's website 🖥 and on request from the Company Secretary. The terms of reference were reviewed and amended during the year to reflect the changes made to the AIC Code and Guide, legislation and best practice.

The membership of the Committee changed over the course of the year. From 1 January to 13 September 2016, Richard Jewson, the Company's Chairman, was a member together with me and Stephen Smith. Richard Jewson is an independent Director so the Company was compliant with Principle 9 of the AIC Code. However the Committee did not consider that it was following best practice and Richard elected to stand down upon the appointment of Susanne Given to the Committee. Susanne Given has experience of sitting on audit committees in her previous roles. None of the members of the Committee are connected to the Manager or to the Auditor. The biographies of the members can be found on pages 70-71 → of this Annual Report.

Meetings

We met four times during 2016, following the Company's corporate calendar, which ensures that the meetings are aligned to the Company's financial reporting timetable. The Company Secretary ensures that the meetings are of sufficient length to allow the Committee to consider all the matters of importance and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations. These meetings are attended by the Committee members, as well as representatives of the Manager, the Company Secretary and the Auditor. The Committee also met with the Company's independent Valuer, CBRE, at the beginning of January 2017 as part of the annual auditing process. I, as the Committee Chairman, have regular meetings with the Company Secretary and the Head of Finance for the Company and additional Audit Committee meetings are convened by the Company Secretary at my request when necessary.

🖥 http://tritaxbigbox.co.uk/about/#corporate-governance
→ The Board of Directors p70-71
→ Group Statement of Financial Position p105

External Auditor

During the year we considered at length 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 in 2013. Richard Levy has been the lead audit partner since BDO's appointment. 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 and actively challenge and negotiate the fees payable to the Auditor as well as fees payable to BDO for non-audit services. We meet with the Auditor before the interim and annual results are prepared, to plan and discuss the scope of the audit or review as appropriate, to ensure its rigour. We then meet with the Auditor to discuss the details of the external audit or review and consider and evaluate any findings in depth.

In assessing the performance of the Auditor we consider both the qualifications and expertise of the team proposed by BDO as well as the quality of the work produced and whether it was carried out on time and in accordance with the agreed audit plan. We consider that the Audit team assigned to the Company by BDO has a good understanding of the Company's business which enables it to produce a detailed, high quality in depth audit and permits the team to scrutinise and challenge the Company's financial procedures and significant judgements.

We continue to believe that, in some circumstances, the external Auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. For this reason we continue to engage BDO for the provision of non-audit services, such as routine tax compliance, financial due diligence and reporting accountants services in relation to asset acquisitions and equity raises in the normal course of the Company's business.

We initiated a review of the Company's policy in respect of the engagement of the Auditor for the provision of non-audit services in light of recent changes to legislation made by the EU and the guidance issued by the FRC in respect of the same. We were satisfied that the Auditor should continue to provide these services for financial year ended 2016. The Auditor prepared a matrix at the request of the Audit Committee to allow us to assess the split between audit and non-audit services, as provided by BDO over the past three years. We used this to review the procurement of non-audit services regularly

→ For further information on Langham Hall UK Depositary LLP, see Depositary Statement p79
→ Note 15, Notes to the Consolidated Accounts p118

in light of the EU Regulation. In developing this policy, we have considered the Financial Reporting Council's Ethical Standard. We have reviewed the terms under which BDO is able to provide non-audit services and are satisfied with the measures put in place by BDO to preserve the Audit team's independence and to protect the confidentiality of the Company's business. Most notably, tax advice and corporate due diligence are provided by separate teams within BDO and all documents and other information relating to the Company is securely stored and protected. The Board has accepted our proposals relating to the provision of non-audit services by the Auditor. We are therefore satisfied that the Audit is independent, objective and effective.

Since the year end, the Auditor has written to the Company confirming that the provision of any tax compliance services by the Auditor is likely to infringe the EU Directive. The Company will therefore seek to engage separate service providers for audit and tax compliance work in respect of the year commencing 1 January 2017. However the Audit Committee has recommended that a resolution to appoint BDO is proposed to Shareholders at the next AGM.

Of the £424,000 non-audit fees paid to BDO, the expenditure that was authorised in the year is outlined in the table below.

Risk management and internal controls

As part of each Board meeting and each Audit Committee meeting, 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 financial reports, which include the latest management accounts, a review and report on the Company's financial model, substantiation of any dividend payments and a general update on the financial health of the Company.

A review of the principal business risks of the Company is typically performed bi-annually. A full review of the Company's principal business risks was performed on 30 June 2016 and 6 November 2016. The Company's principal risks can be found on pages 54-59 → of the Annual Report.

As the Company's AIFM, the Manager is subject to reporting and ongoing compliance under the AIFMD. As part of this regulatory process, Langham Hall UK Depositary LLP has been retained by the Company and is responsible for cash monitoring, asset verification and oversight of the Company and the Manager. Langham Hall UK Depositary LLP report quarterly to the Board and the Manager. The Manager has, during 2016, appointed a new compliance officer to assist the existing regulatory team with the discharge of the Manager's obligations in accordance with the AIFMD. Please refer to page 79 → for a description of Langham Hall UK Depository LLPs role.

The Board considered carefully whether the Company should employ an internal audit function during 2016 and concluded that due to the Company's structure, 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 Depositary LLP, an internal audit function is not necessary. As part of the internal risk review we identified that whilst the Administrator has its own internal audit performed on an annual basis, from which the Company

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.	£140,000
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.	£86,000
Tax advisory and compliance	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.	£198,000

→ Our Principal Risks and Uncertainties p54-59
→ Depositary Statement p79

reviews any findings and takes particular comfort, the Company should also independently assess whether these controls are sufficient and if they operate effectively. To this end, we have recommended to the Board that an independent internal audit is performed to review the processes and procedures in place at the Administrator and this will be undertaken during 2017.

Financial reporting and significant judgements

We monitor the integrity of the financial information published in the interim and annual financial statements and consider whether the Manager has made suitable and appropriate estimates and judgements in respect of areas which could have a material impact on the financial statements. We seek support from the external Auditor to assess these significant judgements. We also consider the processes undertaken by the Manager to ensure that the financial statements are fair, balanced and understandable.

A variety of financial information and reports were prepared by the Manager and provided to the Board and to the Audit Committee, over the course of the year. These included, budgets, periodic re-forecasting and specific papers on the change in dividend policy from bi-annual to quarterly; a review as to the Company's ability to continue to pay a progressive dividend and a review of the Company's debt arrangements. This financial information was fully reviewed and debated both at Committee and Board level.

The Manager and the Auditor update us on changes to accounting policies, legislation and best practice and areas of significant judgement by the Manager. They pay particular attention to transactions which they deem important due to size or complexity. The main areas where a significant judgement is required include the assessment over fair values of investment property and interest rate derivatives, business combinations, and operating lease contracts.

Business combinations

At the time of acquiring a subsidiary that owns investment properties, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Where the acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations.

Operating lease contracts

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

Valuation of property portfolio

Following production of the draft valuation by CBRE, the Manager meets with CBRE to discuss and challenge various elements of the property valuation. The Auditor, in fulfilling its function as independent auditor to the Company, also meets with CBRE to discuss and where necessary challenge the property valuations. The Board receives a copy of the valuation once it has been tested by the Manager and after the Auditor has met with the Valuer. The Board also met with the Valuer in January 2017 to discuss and challenge the valuation and to ensure it was conducted properly and could be fully supported. The property portfolio is valued by CBRE bi-annually. The performance of CBRE is assessed on an annual basis by the Management Engagement Committee in their report on page 85 ⊛.

The Group had property assets of £1.80 billion at 31 December 2016, 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 £1.89 billion. We have reviewed the assumptions underlying the property valuations and discussed these with the Manager, and have concluded that the valuation is appropriate.

⊛ Management Engagement Committee Report p85-87
⊛ Group Statement of Financial Position p105

Valuation of interest rate derivatives

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

Financial Reporting Council letter of 1 July 2016

I received a letter from the FRC on 1 July 2016 raising enquiries into the way in which the Company reported certain financial information in its Annual Report and Accounts for the year ended 31 December 2015. We answered these queries in a letter on 27 July 2016 to the satisfaction of the FRC and all enquiries into the Company's Annual Report and Accounts for the year ended 31 December 2015 are closed although we have subsequently improved certain disclosures.

Scope and limitations of the FRC review

The FRC's review was based upon the 2015 Annual Report and Accounts and does not benefit from a detailed knowledge of our business or understanding of the underlying transactions entered into. The correspondence does not indicate that the Annual Report and Accounts are correct in all material respects.

Fair, balanced and understandable financial statements

The production and audit of the Company's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Company's financial statements are fair, balanced and understandable, as required under the AIC 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;
- controls enforced by the Manager, Administrator and other third-party service providers, to ensure complete and accurate financial records and security of the Company's assets;
- the satisfactory ISAE 3402 control report produced by the Administrator for the year ended 31 December 2016, which has been reviewed and reported upon by the Administrator's external auditor, to verify the effectiveness of the Administrator's internal controls; and
- a letter provided by the Administrator that there have been no changes to its control environment since 31 December 2016 and that all internal controls in place a at the time of the last review remain active.

As a result of the work performed, we have concluded and reported to the Board that the Annual Report for the year ended 31 December 2016, 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
7 March 2017

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

"Dear Shareholders,

The Committee's main focus this year has been the review of the Investment Management Agreement and the subsequent changes which were approved at the general meeting on 20 December 2016. As part of this process, we entered into a Service Level Agreement with the Manager to formalise the Board reporting provided by the Manager in light of the Company's established position in the FTSE 250 and its substantial growth since IPO. The enhanced Board reporting procedures are designed to maintain the quality and frequency of Board reports throughout the year thereby ensuring that the Board is kept well informed. We have also considered the service provided to the Company by each principal service provider and, as the Company has now celebrated its third anniversary, we have established a re-tender schedule in line with best practice."

Membership

Stephen Smith (Chairman)
Richard Jewson, Jim Prower, Mark Shaw*

Priorities for 2016

- Establish a schedule for re-tender of each principal service provider to the Company.
- Full review of the Investment Management Agreement and the Implementation of the Service Level Agreement to reflect the Company's considerable growth since IPO in December 2013.
- Consider whether every service provider is performing well for the Company and whether the Company receives best value.

Meeting attendance register

PERSON	MEETINGS ELIGIBLE TO ATTENDED	MEETINGS ATTENDED
Stephen Smith	2	2
Richard Jewson	2	2
Jim Prower	2	2
Mark Shaw[1]	0	0

The Management Engagement Committee's role is to review the performance of the Manager and the Company's other main service providers over the year and to recommend to the Board a schedule of re-tender for each appointment. The Committee is also responsible for overseeing any amendments to the Investment Management Agreement.

We met twice in the year to 31 December 2016, to review the Company's relationships with its main service providers, their performance and the terms of their appointment, and to review the Company's relationship with the Manager, the Manager's performance and the terms of the Manager's appointment.

We conducted a comprehensive review of the performance of the Manager and, together with the Manager, 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 2016 thereby allowing the Committee to refer to figures reviewed by the Auditor in its assessment of performance.

Under the terms of the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager, including sourcing of investment opportunities in line with the Company's Investment Policy, 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 the market generally and the financial performance and strategy of the Company. Details of the Company's performance in 2016 have been set out in the Strategic Report ⊛. The Manager has adopted a focused approach to investing, acquiring 10 Big Boxes during the year, which offer opportunities for capital appreciation through

⊛ See Strategic Report p10-60

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* Until 11 May 2016

[1] Resigned on 11 May 2016, in accordance with AIC Code provisions 15. No meetings were held during 2016 whilst Mark Shaw was still a member of this Committee.

income growth and asset management initiatives. As a result of acquisitions sourced and executed by the Manager, the Company has diversified its portfolio by tenant and geography whilst providing a high level of income security. 48% of our rent roll is underpinned by leases of more than 15 years unexpired term.

The Manager increased the number of people it employs to ensure that the Company is well serviced and in 2016 it expanded the asset management team and the compliance team. A new property researcher will join the market research team in May 2017. The Company also agreed a new Service Level Agreement with the Manager to formalise and streamline the procedures which were already in place and to ensure that the service levels provided by the Manager remain at the highest level in response to the Company's continued and significant growth since IPO.

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 continued to be satisfactory, and in several cases exceptional, and, with the Manager's recommendation, that each be retained until the next review. We were also pleased to note that improvements identified as needing to be made were carried out over the course of 2016. The Committee also determined to include the review of the non-audit services and the implementation of the Service Level Agreement within its remit in 2017. 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.

However, in order to ensure that the Company continues to receive the very best service and value from its service providers, the Management Engagement Committee has recommended a schedule of re-tendering to the Board which sets out a timetable for each professional appointment to be re-tendered. The re-tendering programme will start next year. The re-tender process will then continue on a three year rolling basis thereafter such that the Company is regularly reviewing its long-term contractual arrangements with its service providers to ensure it continues to receive high quality service at an affordable and competitive price.

The Investment Management Agreement was reviewed by the Manager and the Board and the proposed amendments were passed at a general meeting of the Shareholders held on 20 December 2016. The main amendments are:

- the introduction of two new upper-tier fee bands will result in lower investment management fees being charged on NAV above £1.25 billion (details overleaf). This recognises the significant growth of the Company and the increasing value of the portfolio. The adjustments to the fee bands above the NAV threshold should have a beneficial effect on the total expense ratio of the Company and an improvement in the dividend cover level;
- an extension to the term which will provide additional security not only to the Manger and its employees but also to the Company and its Shareholders and stakeholders. The extension will also allow the Manager to continue to build long-term relationships with occupiers, developers and financing partners, thereby improving transaction opportunities for the Company and further aligning the interests of the Manager with the Company;
- changes to the conflict management undertakings requiring even greater focus from the Manager which should provide additional benefits to both company and investors.

A copy of the Circular detailing these amendments is available on the Company's website 💻.

Management fee

Under the Investment Management Agreement, as amended on 20 December 2016, the Manager is entitled to a management fee in consideration for its services. This is payable in cash by the Company each quarter and is calculated as a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents, announced before the end of the relevant quarter. 25% (net of associated costs) of the management fee is reinvested in shares of the Company within 60 days following the release of the Company's financial results to the market. If the Group buys or sells any assets after the date at which the relevant NAV is calculated, the NAV is adjusted pro rata for the net purchase or sale price, less any third-party debt drawn or repaid.

💻 http://.tritaxbigbox.co.uk/investors/#company-documents

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 up to and including £1.25 billion	0.7%
Above £1.25 billion up to and including £1.5 billion	0.6%
Above £1.5 billion	0.5%

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

On 27 May 2016, the Company issued 410,729 Ordinary Shares in respect of the net cash amount, relating to the six months to 31 December 2015. The issue price was 121.09 pence per Ordinary Share, equivalent to the prevailing NAV of 124.09 pence per Ordinary Share less the interim dividend of 3.0 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders on or around 9 March 2016. On 26 September 2016, the Company issued 466,874 Ordinary Shares in respect of the net cash amount, relating to the six months to 30 June 2016. The issue price was 124.48 pence per Ordinary Share, equivalent to the prevailing unaudited NAV of 127.58 pence per Ordinary Share less the interim dividend of 3.10 pence per Ordinary Share, paid to Shareholders on or around 25 August 2016 in respect of the period from 1 January 2016 to 30 June 2016. Following these issues of Ordinary Shares, the Manager as at the year end had the following beneficial interests:

TRITAX PARTNER OR PERSON CLOSELY ASSOCIATED	NUMBER OF MANAGEMENT SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2016
Mark Shaw	523,924	0.05%
Colin Godfrey	431,862	0.04%
James Dunlop	431,862	0.04%
Henry Franklin	333,572	0.03%
Tritax Management LLP	83,161	0.007%
Staff of Tritax Management LLP*	86,822	0.007%

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

Extension to term

The term of the Investment Management Agreement ("IMA") was extended on 20 December 2016 so that the earliest termination date of the IMA is 31 December 2021. In order to terminate on that date, 24 months' notice of termination would need to be given by either party by 31 December 2019. Thereafter either party can terminate the IMA by giving at least 24 months' notice. The provisions allowing the parties to terminate without notice in certain circumstances, including material breach and/or loss of key personnel, remain in place.

Conflict management

The restrictive conflict provisions contained in the IMA were tightened on 20 December 2016 so that the Manager is not permitted in any circumstance to manage another fund with an exclusive investment strategy focusing on distribution or logistics assets in excess of 300,000 sq ft located within the UK. The Manager is permitted to acquire and manage distribution of logistics assets which provide less than 300,000 sq ft of accommodation on behalf of other funds subject to certain caveats designed to ensure that any assets which may be of interest to the Company are offered to the Company in priority to other funds managed by the Manager.

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

Stephen Smith Chairman of the Management Engagement Committee
7 March 2017

http://tritaxbigbox.co.uk/investors/#company-documents

GOVERNANCE

RELATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

The Board is committed to fostering and maintaining strong relationships with the Company's Shareholders and stakeholders and recognises the importance of good communications. In 2016 the Board has continued to expand the Company's communications policy with current and future Shareholders.

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

Investor relations

During the year, the Manager devoted time to meeting with existing Shareholders and prospective new Investors in the UK, the US, Canada and certain Nordic countries. In 2016, the Company's broker, Jefferies International Limited ("Jefferies"), together with Colin Godfrey, undertook a specific programme of consultation with some of the Company's largest Shareholders, 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. Formal reports were prepared and delivered to the Board on the feedback received from these Shareholders. The feedback, which was very supportive overall, has been taken into account by the Board in determining the Company's strategy. The Broker has held frequent ad hoc meetings with investors over the course of the year on behalf of the Company and reported the same to the Board.

The Manager also has a dedicated Investor Relations team and provides regular Investor Relations reports to the Board, which includes major press coverage, analyst reports and Shareholder feedback. The Company's Broker has also started to provide a bespoke quarterly report, which has a section dedicated to investor relations.

The Chairman and Colin Godfrey, together with Stephen Smith and Jim Prower, held a series of lunches in October and November 2016 with several Shareholders to discuss informally the Company and its business strategy in the present economic climate. The lunches proved informative for the Board and the Manager and were well received by those Shareholders who were able to attend. The feedback received was again generally highly supportive of the Company and has been presented to the Board. Following the success of these informal lunches, the Board has resolved to schedule similar lunches with Shareholders in 2017.

As well as the Chairman's lunches, the Company hosted a private event for major investors during the summer. As well as the Board, representatives from the Manager and the Company Secretarial team, the Company's Joint Financial Advisers and the Company's Lawyers were also present. This full attendance of the Board and its advisers enabled the investors to gain an understanding as to the people who work with the Company on a day-to-day basis as well as being able to discuss different points of view on the Company's strategy in an open and informal manner. This event was well received by investors who found the relaxed environment to be conducive to full and open discussions with a range of people who were knowledgeable about the Company.

Site visits

The Manager has undertaken several "Big Box" site visits for existing Shareholders and prospective investors during the year. We will continue the initiative in 2017 as we believe that it provides Shareholders and other stakeholders with a better insight into the nature of the assets we invest in.

AGM

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

The Chairman and the Senior Independent Director can be contacted by emailing the Company Secretary, on cosec@tritaxbigbox.co.uk, who will pass the communication directly to the relevant person, or by post.

Public communications

The Company ensures that any price sensitive information is released to all Shareholders at the same time and in accordance with regulatory requirements. All Company announcements which are released through the London Stock Exchange are also made available on the Company's website 💻. The website also holds the quarterly fact sheets, share price information, investor presentations and the Annual and Interim Reports which are available for download. The Company's Annual Report and Interim Report are also dispatched to Shareholders by mail.

💻 http://tritaxbigbox.co.uk/investors/#regulatory-news

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 Nomination Committee considered the pay awards for the Directors. Jim Prower, the Senior Independent Director, led this process (see the Nomination Committee Report ➲). The Directors' remuneration is disclosed later in this Remuneration Report ➲. The Remuneration Report (excluding the Remuneration Policy) will be presented at the AGM for Shareholder consideration for approval.

Jim Prower Senior Independent Director
7 March 2017

Directors' Remuneration Policy

The Company's policy is to determine the level of Directors' fees with regard to those payable to Non-Executive Directors of comparable REITs generally and the time each Director dedicates to the Company's affairs.

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

Under the Company's Articles of Association, all Directors are entitled to the remuneration determined from time to time by the Board.

The Nomination Committee obtained two quotes from independent remuneration consultants to undertake the review of the Non-Executive Director remuneration and decided to appoint Deloitte LLP ("Deloitte"). The Nomination Committee appointed Deloitte to provide a report on Non-Executive Director remuneration during 2016. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code of conduct in its dealings with the Company. The Company is satisfied that advice provided by Deloitte is objective and independent and does not create any conflicts of interest. The Company is also satisfied that the Deloitte team who provided the report do not have connections with the Group that may impair Deloitte's independence. Total fees paid to Deloitte in relation to the report amounted to £4,000 plus VAT.

Deloitte's report compared the remuneration of the Directors with two comparator groups, the first being the FTSE All-Share peer group with companies of a similar market capitalisation to the Company and the second being a peer group of FTSE All-Share REITs of broadly similar size and in the same sector as the Company. Deloitte's report showed that the remuneration received by the Non-Executive Directors in the two comparator groups was higher than that of the Company. Deloitte suggested an increase in the Chairman's fee and an increase in the Directors' fees together with supplementary fees for chairing committees. The Nomination Committee considered Deloitte's advice and, taking into account the governance structure of the Company, determined that the Directors' fees should be increased to £50,000 pa for each Director including new Directors and to £100,000 pa for the Chairman (irrespective of any other Board Committee chairmanships or roles). This proposal was then presented to the Board who resolved to adopt it. The remuneration increases bring the Directors' fees in line with its peers and will be presented at the AGM for the Shareholders' consideration and approval.

External advisers

The Board and its Committees have access to sufficient resources to discharge its duties, which include access to independent remuneration experts, the Company Secretarial team and the Manager and other advisers as required.

Deloitte have not been appointed as remuneration advisers to the Company as it does not have any employees.

Annual report on remuneration

Richard Jewson and Stephen Smith were appointed to the Board by a letter of appointment dated 18 November 2013 which was updated and re-issued on 13 September 2016. Jim Prower was appointed by a letter of appointment dated 18 November 2013; an updated letter of appointment has been issued to him and is yet to be signed. Mark Shaw was appointed by a letter of appointment dated 8 November 2013. A new letter of appointment has been issued to him and is yet to be signed. Susanne Given was appointed by a letter dated 13 September 2016. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

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

➲ Nomination Committee Report p75-76
➲ Directors' Remuneration Report p90-91

The fees paid to the current Directors in the year to 31 December 2016, 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 or her duties as a Director. Directors' expenses for the year to 31 December 2016 totalled £2,725 (2015: £1,877). No other remuneration was paid or payable during the year to any Director.

DIRECTOR*	ANNUAL FEE £	TOTAL TO 2016 £	2015 TOTAL £
Richard Jewson Chairman	£100,000	£79,000	£70,000
Jim Prower	£50,000	£46,500	£45,000
Stephen Smith	£50,000	£43,000	£40,000
Susanne Given	£50,000	£15,000	N/A
Total		**£183,500**	**£155,000**

* 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 Report (excluding the Directors' Remuneration Policy) was approved by Shareholders at the Company's AGM held on 11 May 2016. The Directors' Remuneration Policy (as set out in the financial statements of the Company for the financial year ended 31 December 2014) was approved at the Company's AGM on 15 April 2015. The next time that the Shareholders will be asked to approve the Directors' Remuneration Policy will be at the Company's AGM in 2018. The voting on the respective resolutions was as follows:

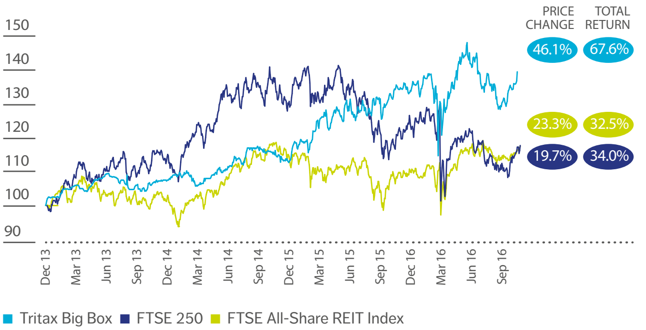
RESOLUTION	VOTES CAST	FOR %	AGAINST %	VOTES WITHHELD
Directors' Remuneration Policy	337,092,585	100	0	2,260,800
Directors' Remuneration Report	446,233,464	98.79	1.21	33,864,917

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.

Total Shareholder Return (p)



Source: Bloomberg

Directors' shareholdings (audited)

There is no requirement for the Directors of the Company to own shares in the Company. As at the year end, the Directors and their persons closely associated had the shareholdings listed below. Mark Shaw's shareholding is listed on page 87:

DIRECTOR*	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2016
Richard Jewson Chairman	70,752	0.006%
Jim Prower	23,760	0.002%
Stephen Smith	7,000	0.0006%
Susanne Given	0	0

* Includes Directors and persons closely associated (as defined by the EU Market Abuse Regulation) Shareholdings.

The shareholdings of these Directors are not significant and, therefore, do not compromise their independence.

Other items

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

Richard Jewson Chairman
7 March 2017

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 2016.

The Directors' Report, together with the Strategic Report comprise the "Management Report", for the purposes of Disclosure and Transparency Rule 4.1.5R.

Statutory information contained elsewhere in the Annual Report

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

Incorporation by reference

The Governance section (pages 61-95 of this Annual Report and Accounts for the year ended 31 December 2016) excluding the Directors' Remuneration Report (pages 90-91) which is incorporated by reference into this Directors' Report.

Financial results and dividends

The financial results for the year can be found in the Group Statement of Comprehensive Income.

During the year, the following interim dividends amounting to, in aggregate, 4.65 pence per share were declared:

- on 11 August 2016 an interim dividend was declared in respect of the period from 1 January 2016 to 30 June 2016 of 3.10 pence per Ordinary Share and paid on or around 25 August 2016 to Shareholders on the register on 19 August 2016;
- on 28 September 2016 an interim dividend was declared in respect of the period from 1 July 2016 to 30 September 2016 of 1.55 pence per Ordinary Share and paid on or around 27 October 2016 to Shareholders on the register on 14 October 2016.

An additional interim dividend in respect of the three months ended 31 December 2016 of 1.55 pence per share was declared on 7 March 2017. This takes the total dividend in respect of the 2016 financial year to 6.20 pence.

Directors

The names of the Directors who served during the year are set out in Board of Directors ⊛, 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

In February 2016, the Company issued 161,290,323 Ordinary Shares pursuant to a Placing, Open Offer and Offer for Subscription and further Tap issue. In May and September 2016 the Company issued 410,729 Ordinary Shares and 466,874 Ordinary Shares respectively pursuant to the Investment Management Agreement. In October 2016 the Company issued 265,151,515 Ordinary Shares pursuant to a Placing, Open Offer and Offer for Subscription and Tap issue.

⊛ Board of Directors p70-71

As at 31 December 2016, there were 1,105,159,529 Ordinary Shares in issue.

ORDINARY SHARES	NUMBER	GROSS PROCEEDS (£)
Balance at start of the year	677,840,088	N/A
Shares issued in February 2016	161,290,323	£200,000,000
Shares issued in May 2016	410,729	N/A
Shares issued in September 2016	466,874	N/A
Shares issued in October 2016	265,151,515	£350,000,000
Balance at end of the year	**1,105,159,529**	**£550,000,000**

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 ⊛ 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 2016:

- 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 2016. The Board considered that it had no reportable emissions for the year ended 31 December 2015.

Substantial shareholdings

As at 28 February 2017, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital:

INVESTOR	NUMBER OF ORDINARY SHARES	PERCENTAGE HOLDING OF ISSUED SHARE CAPITAL
Aviva plc	87,646,540	7.93%
BlackRock, Inc	74,001,852	6.70%
Quilter Cheviot Limited	42,851,816	3.88%

Amendment of Articles of Association

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

⊛ Accountability p77-79

Powers of the Directors

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

Powers in relation to the Company issuing its shares

At the Extraordinary General Meeting held on 17 October 2016, the Directors were granted a renewed general authority to allot Ordinary Shares in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £6,862,680. Of those Ordinary Shares, the Directors were granted authority to issue up to an aggregate nominal amount of £1,029,402 (which is equivalent to 10% of the Company's issued share capital as at that date) non pre-emptively and wholly for cash. These authorities replaced the equivalent authorities given to the Directors at the Annual General Meeting held on 11 May 2016. These authorities expire at the earlier of the next AGM on 17 May 2017 or 17 January 2018.

Change of control

Under the Group's financing facilities, any change of control at the borrower or immediate parent company level may trigger a repayment of the outstanding amounts to the lending banks. 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 it willingness to continue as Auditor for the financial year ending 31 December 2017.

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.

Additional information

In accordance with Listing Rule (LR) 9.8.4C R, the only disclosure requirement required under LR 9.8.4 R is the dislcosure of capitalised interest, which is disclosed in note 11, page 115.

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 10:00 am on 17 May 2017.

This report was approved by the Board on 7 March 2017.

Tritax Management LLP Company Secretary
7 March 2017

Company Registration Number: 08215888

→ Nomination Committee Report, Appointment process p75-76
→ Note 32, Subsequent events p132
→ Management Engagement Committee Report p85-87

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 they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that year.

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report →, a Strategic Report →, a Directors' Remuneration Report → and a Corporate Governance Statement → that comply with that law and those regulations. These can be found at the pages detailed in the footnotes below (or using the embedded link → in the PDF).

Website publication

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

Signed on behalf of the Board by:

Richard Jewson Chairman
7 March 2017

→ Directors' Report p92-94
→ Strategic Report p10-60
→ Directors' Remuneration Report p90-91
→ Governance p62-63
🖥 http://tritaxbigbox.co.uk/investors/#company-documents

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 2016 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 (IFRS's) adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview

Materiality	Overall Group materiality is £20 million which represents 1% of total assets.
Audit scope	The whole Group was subject to a full audit. We have obtained an understanding of the controls of 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 risk	Valuation of the investment property portfolio and in particular property in the course of construction (forward funded assets).

What we have audited

We have audited the financial statements of Tritax Big Box REIT plc (the Company) for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position and parent company Balance Sheet, the Group and parent company Statements 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 (United Kingdom Generally Accepted Accounting Practice).

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.

Our application of materiality

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

Materiality	£20 million
Performance materiality	£15 million
Specific materiality	£3.0 million
Reporting threshold	£0.4 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 £20 million (2015: £10 million), which was set at 1% of Group total assets (2015: 0.8%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We determined that for other account balances, classes of transactions and disclosures not related to investment properties a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We determined that materiality for these areas should be £3.0 million (2015: £1.5 million), which was set at 5.8% (2015: 5.1%) 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 judgement was that overall performance materiality for the Group should be 75% (2015: 75%) of materiality, namely £15 million (2015: £7.5 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 £400,000 (2015: £100,000) 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 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 we acquired 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 areas of focus

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

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

Our assessment of risk of material misstatement and response to that risk

The table overleaf shows the risks we identified that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the 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.

RISK AREA	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE RISK
Valuation of investment property portfolio, including properties under construction (forwarded funded assets) *Refer to Audit Committee Report →, (significant estimates and judgements →; investment property →)* The valuation of investment property requires significant judgement and estimates by management and the independent valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. The Group's investment property portfolio includes: • Standing investments: these are existing properties that are currently let. They are valued using the income capitalisation method. • Properties under construction: these are properties being built under forward funded agreements with developers and which have agreed agreements for lease with tenants. Such assets have a different risk and investment profile to the standing investments. They are valued using the residual method (ie by estimating the fair value of the completed project using the income capitalisation method less estimated costs to completion and an appropriate developer's margin). Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve performance targets to meet market expectations. Additionally, properties under construction may include 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 investments.	We obtained an understanding of the approach to the valuation of both investment properties and properties in the course of construction. We met with the Group's independent valuer, who valued all of the Group's investment properties, to understand the assumptions and methodologies used in valuing these properties, the market evidence supporting the valuation assumptions and the valuation movements in the year. We used our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used. We agreed the accuracy of the key observable valuation inputs supplied to and used by the independent valuer and directors as appropriate. We assessed the competency, independence and objectivity of the independent valuer. 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. 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 tenant which has signed an agreement for lease.

→ Audit Committee Report p80-84
→ Audit Committee Report – significant estimates and judgements p83
→ Audit Committee Report – investment property p83

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.

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

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

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report 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 Group 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 on page 63, in accordance with provision C1.1 of the UK Corporate Governance Code (the "Code"), that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy; and
- whether the section of the Annual Report on pages 80-84, as required by provision C.3.8 of the Code, describing the work of the Audit Committee appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We have no exceptions to report.

Matters on which we are required to report by exception (continued)

Companies Act 2006 reporting

We are required to report to you whether we have identified any material misstatements in the Strategic Report and Directors' Report.

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

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

We have no exceptions to report.

Listing rules review requirements

We are required to review:

- the Directors' statements, set out on page 60, 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 Code specified for our review by the Listing Rules of the Financial Conduct Authority.

We have nothing to report from our review.

→ Our Principal Risks and Uncertainties p52-57
→ Viability Statement p60

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

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 54 of the Annual Report, in accordance with provision C.2.1 of the Code, 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 on pages 54-59 of the Annual Report that describe those risks and explain how they are being managed or mitigated;

- the Directors' statement on page 60 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 on page 60 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Richard Levy (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
7 March 2017

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

→ Our Principal Risks and Uncertainties p52-57
→ Directors' Responsibilities Statement p95

MISSION CRITICAL BIG BOXES

Big Boxes are essential to fulfilling e-commerce sales and have a crucial role to play in supporting retailers through peak periods. On Black Friday 2016 there were 500,000 visits to the Argos's website in the first hour of online trading -between midnight and 1pm – up 50% on last year.

Source: The Guardian – Friday 25 November 2016

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Gross rental income	6	**74,656**	43,784
Service charge income	6	**2,248**	1,415
Service charge expense	7	**(2,323)**	(1,431)
Net rental income		**74,581**	43,768
Administrative and other expenses	8	**(11,708)**	(7,830)
Operating profit before changes in fair value of investment properties		**62,873**	35,938
Changes in fair value of investment properties	15	**47,514**	106,751
Operating profit		**110,387**	142,689
Finance income	10	**216**	272
Finance expense	11	**(11,555)**	(6,983)
Changes in fair value of interest rate derivatives	21	**(7,153)**	(1,994)
Profit before taxation		**91,895**	133,984
Tax charge on profit for the year	12	**–**	–
Total comprehensive income (attributable to the Shareholders)		**91,895**	133,984
Earnings per share – basic	13	**10.52p**	21.56p
Earnings per share – diluted	13	**10.51p**	21.54p

FINANCIAL STATEMENTS

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

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

Richard Jewson Chairman

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Cash flows from operating activities			
Profit for the year (attributable to equity Shareholders)		**91,895**	133,984
Less: changes in fair value of investment properties	15	**(47,514)**	(106,751)
Add: changes in fair value of interest rate derivatives	21	**7,153**	1,994
Less: finance income	10	**(216)**	(272)
Add: finance expense	11	**11,555**	6,983
Accretion of tenant lease incentive		**(10,230)**	(2,206)
Increase in trade and other receivables		**9,740**	(12,135)
Increase in deferred income		**5,470**	3,597
Increase in trade and other payables		**393**	162
Cash received as part of corporate acquisitions		**2,045**	1,283
Cash generated from operations		**70,291**	26,639
Tax paid		**(21)**	(112)
Net cash flow generated from operating activities		**70,270**	26,527
Investing activities			
Purchase of investment properties		**(600,761)**	(437,607)
Licence fees received		**6,694**	16,590
Interest received		**257**	289
Amounts transferred into restricted cash deposits	18	**(538)**	(5,851)
Amounts transferred out of restricted cash deposits	18	**4,268**	783
Net cash flow used in investing activities		**(590,080)**	(425,796)
Financing activities			
Proceeds from issue of Ordinary Share capital		**551,078**	229,520
Cost of share issues		**(10,159)**	(4,726)
Bank borrowings drawn	20	**311,485**	186,897
Bank borrowings repaid	20	**(155,000)**	(5,500)
Loan arrangement fees paid		**(2,276)**	(6,080)
Bank interest paid		**(9,994)**	(5,663)
Interest rate cap premium paid		**(1,691)**	(8,324)
Proceeds from disposal of interest rate cap		**–**	74
Dividends paid to equity holders		**(57,796)**	(22,027)
Net cash flow generated from financing activities		**625,647**	364,171
Net increase/(decrease) in cash and cash equivalents for the year		**105,837**	(35,098)
Cash and cash equivalents at start of the year	18	**59,208**	94,306
Cash and cash equivalents at end of the year	18	**165,045**	59,208

FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED ACCOUNTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2016 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries and were approved by the Board for issue on 7 March 2016. The Company is a public listed company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information →.

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

ACCOUNTING POLICIES

2. BASIS OF PREPARATION

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

The comparative information disclosed in the Group Statement of Comprehensive Income relates to the year ended 31 December 2015.

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

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

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

2.1. Going concern

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1. Judgements

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

Business combinations

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

→ Company Information p148
→ Strategic Report p10-60
→ Accountability p77-79

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

Operating lease contracts – the Group as lessor

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

3.2. Estimates

Fair valuation of investment property

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

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

Fair valuation of interest rate derivatives

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Basis of consolidation

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

4.2. Subsidiaries

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

4.3. Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in Big Box assets.

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. IAS 40.20 states that investment property should be recognised initially at cost, being the consideration paid to acquire the asset, therefore such licence fees are deducted from the cost of the investment and are shown as a receivable. Any economic benefit of the licence fee is reflected within the Group Statement of Comprehensive Income as a movement in the fair value of investment property and not within gross rental income. In addition, IAS 16.21 indicates that income and expenses from operations that are not to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended, should be recognised in profit or loss.

4.9. Cash held at bank

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash held at bank also includes amounts held in restricted or ringfenced accounts to cover future rent- free periods; this is not available for everyday use.

4.10. Trade payables

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

4.11 Bank borrowings

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

4. 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. Rental income is invoiced in advance and for all rental income that relates to a future period; this is deferred and appears within current liabilities on the Group Statement of Financial Position.

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

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

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

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

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

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

4.15. Finance income

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

4.16. Finance costs

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

4.17. Taxation

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

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9:	Financial Instruments (effective 1 January 2018);
IFRS 15:	Revenue from Contracts with Customers (effective 1 January 2018); and
IFRS 16:	Leases (effective 1 January 2019 subject to EU endorsement).

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

6. TOTAL PROPERTY INCOME

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Rental income – freehold property	**49,559**	32,893
Rental income – long leasehold property	**14,853**	8,685
Spreading of tenant incentives and guaranteed rental uplifts	**10,230**	2,206
Lease premiums	**14**	–
Gross rental income	**74,656**	43,784
Property insurance recoverable	**1,830**	1,234
Service charges recoverable	**418**	181
Total insurance/service charge income	**2,248**	1,415
Total property income	**76,904**	45,199

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

7. SERVICE CHARGE EXPENSES

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

8. ADMINISTRATIVE AND OTHER EXPENSES

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

The Auditor has also received £140,000 (2015: £67,000) in respect of providing reporting accountant services in connection with the two equity issuances occurring during the year. A total of £86,000 (2015: £132,000) has been incurred in respect of due diligence services provided in connection with the acquisition of Group assets. The fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees in relation to the acquisition of assets have been capitalised in to the cost of the respective assets.

9. DIRECTORS' REMUNERATION

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' fees	**184**	155
Employer's National Insurance	**21**	18
	205	173

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

10. FINANCE INCOME

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

→ Directors' Remuneration Report p90-91

11. FINANCE EXPENSE

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

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings of £10.48 million (2015: £6.48 million) of which £0.58 million was capitalised in the year (2015: £0.52 million) and amortisation of loan arrangement fees of £1.68 million (2015: £1.08 million) of which £0.11 million (2015: £0.13 million) was capitalised in the year. The total interest payable on bank borrowings specifically drawn to finance the construction of investment properties was capitalised in the current and preceding period.

12. TAXATION

a) Tax charge in the Group Statement of Comprehensive Income

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

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

b) Factors affecting the tax credit for the year

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit on ordinary activities before taxation	**91,895**	133,984
Theoretical tax at UK corporation tax rate of 20.00% (31 December 2015: 20.25%)	**18,379**	27,131
REIT exempt income	**(10,487)**	(5,927)
Non-taxable items	**(8,072)**	(21,114)
Transfer pricing adjustment	**534**	343
Residual losses	**(354)**	(433)
Total tax credit	**–**	–

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

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

13. EARNINGS PER SHARE

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

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

For the year ended 31 December 2016	Net profit attributable to Ordinary Shareholders £'000	Weighted average number of Ordinary Shares[1] Number	Earnings per share Pence
Basic earnings per share	**91,895**	**873,562,775**	**10.52p**
Adjustment for dilutive shares to be issued		533,132	
Diluted earnings per share	**91,895**	**874,095,907**	**10.51p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(47,514)		
Changes in fair value of interest rate derivatives (note 21)	7,153		
EPRA[2] basic earnings per share	**51,534**	**873,562,775**	**5.90p**
EPRA[2] diluted earnings per share	**51,534**	**874,095,907**	**5.90p**
Adjustments to include:			
Licence fee receivable on forward funded developments	7,956		
Rental income recognised in respect of fixed uplifts	(3,571)		
Loan amortisation	1,564		
Interest capitalised on forward funded developments	(581)		
Adjusted basic earnings per share	**56,902**	**873,562,775**	**6.51p**
Adjusted diluted earnings per share	**56,902**	**874,095,907**	**6.51p**

For the year ended 31 December 2015			
Basic earnings per share	**133,984**	**621,514,696**	**21.56p**
Adjustment for dilutive shares to be issued		415,179	
Diluted earnings per share	**133,984**	**621,929,875**	**21.54p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(106,751)		
Changes in fair value of interest rate derivatives (note 21)	1,994		
EPRA[2] basic earnings per share	**29,227**	**621,514,696**	**4.70p**
EPRA[2] diluted earnings per share	**29,227**	**621,929,875**	**4.70p**
Adjustments to include:			
Licence fee receivable on forward funded developments	9,519		
Interest capitalised on forward funded developments	(708)		
Adjusted basic earnings per share	**38,038**	**621,514,696**	**6.12p**
Adjusted diluted earnings per share	**38,038**	**621,929,875**	**6.12p**

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

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

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

Fixed rental uplift adjustments relate to adjustments to net rental income on leases with fixed or minimum uplifts embedded within their review profiles. The total minimum income recognised over the lease term is recognised on a straight line basis.

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

14. DIVIDENDS PAID

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

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

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

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

15. INVESTMENT PROPERTY

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

The Valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the Valuer's professional judgement. The Valuer has sufficient current local and national knowledge of the particular property markets involved and 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 2016	720,891	260,695	176,268	1,157,854
Property additions[2]	268,265	158,881	160,367	587,513
Fixed rental uplift and tenant lease incentives[1]	7,752	2,478	–	10,230
Transfer of completed property to investment property	259,281	–	(259,281)	–
Change in fair value during the year	21,939	14,790	10,785	47,514
As at 31 December 2016	**1,278,128**	**436,844**	**88,139**	**1,803,111**
As at 1 January 2015	467,320	110,150	8,709	586,179
Property additions	152,983	133,363	176,372	462,718
Fixed rental uplift and tenant lease incentives[1]	2,132	74	–	2,206
Transfer of completed property to investment property	41,191	–	(41,191)	–
Change in fair value during the year	57,265	17,108	32,378	106,751
As at 31 December 2015	**720,891**	**260,695**	**176,268**	**1,157,854**

[1] Included within the carrying value of investment property is £13.37 million (2015: £3.14 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

[2] Licence fees deducted from the cost of investment property under construction totalled £4.83 million in the year (2015: £21.42 million).

	31 December 2016 £'000	**31 December 2015 £'000**
Investment property at fair value per Group Statement of Financial Position	**1,803,111**	**1,157,854**
Licence fee receivable	**2,520**	**4,602**
Capital commitments	**82,401**	**139,221**
Restricted cash (note 18)	**5,648**	**9,378**
Total portfolio valuation*	**1,893,680**	**1,311,055**

* Including costs to complete on forward funded development assets.

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These costs are not provided for in the Statement of Financial Position; refer to note 31 ⊕.

⊕ note 31 p131

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

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

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

The valuation summary is set out in the Strategic Report ➔.

Fair value hierarchy

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

	Date of valuation	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value:					
Investment properties	31 December 2016	1,803,111	–	–	1,803,111
Investment properties	31 December 2015	1,157,854	–	–	1,157,854

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

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

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

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

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

Valuation techniques: market comparable method

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

Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £838,500-£5,563,733 per annum).

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

Unobservable input: rental growth

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

➔ Strategic Report p10-60

15. INVESTMENT PROPERTY (CONTINUED)

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 4.15%-6.93%).

Sensitivities of measurement of significant unobservable inputs

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

As a result the following sensitivity analysis has been prepared:

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

16. INVESTMENTS

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

	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%

	Principal activity	Country of incorporation	Ownership %
Tritax REIT Acquisition 14 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Acquisition 15 Limited	Investment Holding Company	Jersey	100%
Tritax Worksop Limited	Property Investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 16 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 17 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 18 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Acquisition 19 Limited	Investment Holding Company	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Acquisition 20 Limited	Investment Holding Company	Jersey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 21 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 22 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 23 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 23 Limited	Property Investment	Jersey	100%
Tritax Acquisition 24 Limited	Property Investment	Jersey	100%
Tritax Knowsley Limited	Property Investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property Investment	BVI	100%
Tritax Acquisition 28 Limited	Property Investment	Jersey	100%
Tritax Peterborough Limited	Property Investment	Jersey	100%
Click Peterborough SARL	Investment Holding Company	Luxembourg	100%
Tritax Holdings CL Debt Limited	Investment Holding Company	Jersey	100%
Tritax Portbury Limited	Property Investment	Jersey	100%
Tritax Newark Limited	Property Investment	Jersey	100%
Wellzone Limited	Investment Holding Company	UK	100%
Sportdale Limited	Investment Holding Company	UK	100%
Tritax Merlin 310 Trafford Park Limited	Property Investment	Jersey	100%
Tritax West Thurrock Limited	Property Investment	Jersey	100%
Tritax Tamworth Limited	Property Investment	Jersey	100%
Tritax Acquisition 34 Limited	Property Investment	Jersey	100%
Tritax Acquisition 35 Limited	Property Investment	Jersey	100%
Tritax Acquisition 36 Limited	Property Investment	Jersey	100%

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

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

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

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

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

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

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

17. TRADE AND OTHER RECEIVABLES

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	**5,418**	2,110
Licence fee receivable	**2,520**	4,602
Prepayments and other receivables	**1,219**	98
VAT	**–**	12,923
	9,157	19,733

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

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

18. CASH HELD AT BANK

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

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

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

19. TRADE AND OTHER PAYABLES

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

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

20. BANK BORROWINGS

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

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

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

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

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

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

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

20. BANK BORROWINGS (CONTINUED)

Maturity of bank borrowings

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

On 1 August 2016, following completion of the Ocado distribution warehouse at Erith, the Group announced that it had agreed terms to extend the maturity of its £50.87 million loan facility secured on the asset with Landesbank Hessen-Thüringen Girozentrale ("Helaba") from July 2020 to July 2023.

The weighted average term to maturity of the Group's debt as at the year end is 4.8 years. The syndicated facility has a one-year extension option remaining, exercisable on the second anniversary of the facility. This option requires lender consent, although when taking these into account the weighted average term to maturity, for the Group, assuming all options were exercised, would increase to 5.6 years.

21. INTEREST RATE DERIVATIVES

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has entered into a number of interest rate derivatives. Interest rate caps and an interest rate swap have been taken out in respect of each loan drawn to fix or cap the rate to which 3 month Libor can rise, with each running coterminous to the initial term of the respective loans.

The weighted average capped rate for the Group as at the year end was 1.39% (2015: 1.52%), which effectively caps the level to which Libor can rise to, therefore limiting any effect on the Group of an interest rate rise. The interest rate derivatives mean that the Group's borrowing facilities at the year end have an all-inclusive interest rate payable of 2.82% (2015: 2.94%). The total premium payable in the year towards securing the interest rate caps was £1.69 million (2015: £8.33 million).

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

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the mark to market values of the derivatives are taken to the Group Statement of Comprehensive Income. Due to a flattening of the yield curve stimulated by a reduction in medium-term interest rates during the course of 2016, the interest rate derivative valuations have reduced in comparison to the previous year.

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

As part of the Group refinancing in 2015, on repayment of the borrowings to Santander, the Group disposed of one interest rate cap held against the loan. The Group received proceeds of £0.08 million on disposal.

21. INTEREST RATE DERIVATIVES (CONTINUED)

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed term loan arrangements. As at the year-end date the total proportion of debt either hedged via interest rate derivatives or subject to fixed term loan agreements equated to 99.68%, as shown below.

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

Fair value hierarchy

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

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

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

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

22. FINANCIAL RISK MANAGEMENT

Financial instruments

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

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

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

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

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

	Date of valuation	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Liabilities measured at fair value:					
Bank borrowings	31 December 2016	69,906	–	69,906	–
Bank borrowings	31 December 2015	–	–	–	–

In August 2016, the Group arranged a fixed rate loan totalling £72 million for 13 years. The fair value is determined by comparing the discounted future cash flows using the contracted yields with those reference gilts plus the margin implied. The reference was the Treasury 6% 2028 Gilt, with an implied margin which is unchanged since the date of fixing. The loan is considered to be a level 2 fair value measurement. For all other bank loans there is considered no other difference between fair value and carrying value.

Risk management

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

Market risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £2.71 million (2015: £1.53 million) or a decrease of £2.71 million (2015: £1.53 million).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the balance sheet net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition. Any rentals past due as at the period end were received shortly after the year end.

Credit risk related to financial instruments and cash deposits

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

Liquidity risk

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

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

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

Included within the contracted payments is £54.90 million (2015: £36.35 million) of bank interest payable up to the point of maturity across the facilities.

23. CAPITAL MANAGEMENT

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

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

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

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

24. SHARE CAPITAL

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

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

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

On 27 May 2016 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 410,710 Ordinary Shares at an issue price per Ordinary Share of 121.09 pence.

On 26 September 2016 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 466,874 Ordinary Shares at an issue price per Ordinary Share of 124.48 pence.

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

25. SHARE PREMIUM

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

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

26. CAPITAL REDUCTION RESERVE

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

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

27. RETAINED EARNINGS

	31 December 2016 £'000	31 December 2015 £'000
Balance at beginning of year	**175,828**	41,844
Retained profit for the year	**91,895**	133,984
Balance at end of year	**267,723**	175,828

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

28. NET ASSET VALUE (NAV) PER SHARE

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

Net asset values have been calculated as follows:

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

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

⊛ Additional Information – Notes to the EPRA Performance Measures p144-145

29. OPERATING LEASES

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

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

The Group's investment properties are leased to single tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward only rent reviews which are linked to either RPI/CPI, open market or with fixed uplifts. Please refer to table on page 39 which presents each level of passing rent currently payable under the operating leases.

30. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2016 all Directors and the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report ⊙. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8. The total amount outstanding at the year end relating to the Investment Management Agreement was £2.74 million (2015: £2.34 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £1.25 million (2015: £0.84 million), of which £0.67 million (2015: £0.50 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report ⊙. Throughout the year SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £1.55 million (2015: £0.72 million) in respect of agency services for the year; this represents a total of 36% (2015: 31%) of agency fees paid by the Group during the year. There were £0.04 million (2015: £0.07 million) of fees outstanding as at the year end. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. While there are currently no existing contractual arrangements between the Company and SG Commercial, the Company may choose to appoint SG Commercial in the future from time to time on either a sole or joint agency basis. Any such appointments have been and will continue to be made on normal market-based contractual terms. In the event that any such appointment is proposed by the Manager, the Board has and shall continue to be consulted and asked for its approval.

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

31. CAPITAL COMMITMENTS

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

⊙ Management Engagement Committee Report p85-87
⊙ Directors' Remuneration Report p90-91

32. SUBSEQUENT EVENTS

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

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

33. CONTINGENT LIABILITIES

On 23 December 2016 the Group exchanged contracts, conditional on receiving planning consent, to provide forward funding for the development of two new distribution warehouse facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc. The investment price was £101.8 million.

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

Company Registration Number: 08215888

	Note	At 31 December 2016 £'000	At 31 December 2015 £'000
Non-current assets			
Investment in subsidiaries	4	**812,666**	547,810
Total non-current assets		**812,666**	547,810
Current assets			
Trade and other receivables	5	**363,488**	186,507
Cash held at bank	6	**109,813**	22,381
Total current assets		**473,301**	208,888
Total assets		**1,285,967**	756,698
Current liabilities			
Trade and other payables	7	**(5,007)**	(2,903)
Loans from Group companies		**(51,233)**	(53,224)
Total current liabilities		**(56,240)**	(56,127)
Total liabilities		**(56,240)**	(56,127)
Total net assets		**1,229,727**	700,571
Equity			
Share capital	8	**11,051**	6,778
Share premium reserve	9	**589,384**	52,738
Capital reduction reserve	10	**546,377**	605,758
Retained earnings		**82,915**	35,297
Total equity		**1,229,727**	700,571
Net asset value per share – basic	11	**111.27p**	103.35p
Net asset value per share – diluted	11	**111.22p**	103.29p
EPRA net asset value per share	11	**111.22p**	103.29p

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 31 December 2016 amounted to £47.62 million (31 December 2015: £27.01 million).

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

Richard Jewson **Chairman**

FINANCIAL STATEMENTS

COMPANY 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 2016	**6,778**	**52,738**	**605,758**	**35,297**	**700,571**
Total comprehensive income	**–**	**–**	**–**	**47,618**	**47,618**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (February 2016)	1,613	198,387	–	–	200,000
Shares issue expenses in relation to Equity issue (February 2016)	–	(3,896)	–	–	(3,896)
Shares issued in relation to further Equity issue (October 2016)	2,652	347,348	–	–	350,000
Share issue expenses in relation to Equity issue (October 2016)	–	(6,263)	–	–	(6,263)
Shares issued in relation to management contract	8	1,070	–	–	1,078
Share based payments	–	–	–	1,250	1,250
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1,250)	(1,250)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2015 at 3.00 pence per Ordinary Share	–	–	(20,335)	–	(20,335)
First interim dividend in respect of year ended 31 December 2016 at 3.10 pence per Ordinary Share	–	–	(26,026)	–	(26,026)
Second interim dividend in respect of year ended 31 December 2015 at 1.50 pence per Ordinary Share	–	–	(13,020)	–	(13,020)
31 December 2016	**11,051**	**589,384**	**546,377**	**82,915**	**1,229,727**
1 January 2015	**4,705**	**272,536**	**184,444**	**8,285**	**469,970**
Total comprehensive income	**–**	**–**	**–**	**27,012**	**27,012**
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (March 2015)	1,591	173,409	–	–	175,000
Share issue expenses in relation to 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**

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").

Disclosure exemptions adopted

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

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

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

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

Principal accounting policies

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

Basis of accounting

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

Currency

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

1. ACCOUNTING POLICIES (CONTINUED)

Other income

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

Dividends payable for shareholders

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

Financial instruments

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

Trade and other receivables

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

Financial liabilities

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

Investments in subsidiaries

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

Share based payments

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

Significant accounting judgements, estimates and assumptions

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

2. TAXATION

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

3. DIVIDENDS PAID

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

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

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

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

4. INVESTMENTS

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

4. INVESTMENTS (CONTINUED)

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

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

	Principal activity	Country of incorporation	Ownership %
Tritax Burton Upon Trent Limited	Property Investment	BVI	100%
Tritax Acquisition 28 Limited	Property Investment	Jersey	100%
Tritax Peterborough Limited	Property Investment	Jersey	100%
Click Peterborough SARL	Investment Holding Company	Luxembourg	100%
Tritax Holdings CL Debt Limited	Investment Holding Company	Jersey	100%
Tritax Portbury Limited	Property Investment	Jersey	100%
Tritax Newark Limited	Property Investment	Jersey	100%
Wellzone Limited	Investment Holding Company	UK	100%
Sportdale Limited	Investment Holding Company	UK	100%
Tritax Merlin 310 Trafford Park Limited	Property Investment	Jersey	100%
Tritax West Thurrock Limited	Property Investment	Jersey	100%
Tritax Tamworth Limited	Property Investment	Jersey	100%
Tritax Acquisition 34 Limited	Property Investment	Jersey	100%
Tritax Acquisition 35 Limited	Property Investment	Jersey	100%
Tritax Acquisition 36 Limited	Property Investment	Jersey	100%

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

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

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

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

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

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

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

5. TRADE AND OTHER RECEIVABLES

	31 December 2016 £'000	31 December 2015 £'000
Amounts receivable from Group companies	**362,796**	186,346
Prepayments	**40**	18
Other receivables	**652**	143
	363,488	186,507

All amounts fall due for repayment within one year.

6. CASH HELD AT BANK

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

7. TRADE AND OTHER PAYABLES

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

8. SHARE CAPITAL

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

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

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

On 27 May 2016 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 410,710 Ordinary Shares at an issue price per Ordinary Share of 121.09 pence.

On 26 September 2016 the Company announced that, in accordance with the terms of the management fee arrangements with the Manager pursuant to which 25% of the management fee is payable in new Ordinary Shares, it issued 466,874 Ordinary Shares at an issue price per Ordinary Share of 124.48 pence.

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

9. SHARE PREMIUM

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

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

10. CAPITAL REDUCTION RESERVE

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

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

11. NET ASSET VALUE (NAV) PER SHARE

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

Net asset values have been calculated as follows:

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

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

12. RELATED PARTY TRANSACTIONS

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

For all other related party transactions please make reference to note 31 of the Group accounts ⊝.

13. GUARANTEES

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

14. SUBSEQUENT EVENTS

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

⊝ note 31 p131

ADDITIONAL INFORMATION

MISSION CRITICAL BIG BOXES

Big Boxes are essential to fulfilling e-commerce sales and have a crucial role to play in supporting retailers through peak periods. On Black Friday 2016 Currys PC World reported more than 500,000 shoppers had visited its website before 6am with orders up 40% on 2015.

Source: The Guardian – Friday 25 November 2016

ADDITIONAL INFORMATION

NOTES TO THE EPRA PERFORMANCE MEASURES

1. EPRA EARNINGS PER SHARE

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

2. EPRA NAV PER SHARE

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

3. EPRA NNNAV

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

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[1] Difference between interest-bearing loans and borrowings included in balance sheet at amortised cost, and the fair value of interest bearing loans and borrowings.

4. EPRA NET INITIAL YIELD (NIY) and EPRA 'TOPPED UP' NIY

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

5. EPRA VACANCY RATE

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

[1] Excludes development properties

6. EPRA COST RATIO

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

ADDITIONAL INFORMATION

APPLICATION OF THE PRINCIPLES OF THE AIC CODE

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

THE BOARD

1. The Chairman should be independent

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

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

The Board currently comprises five Non-Executive Directors of which the Chairman, Richard Jewson, Jim Prower, Stephen Smith and Susanne Given 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 2017.

4. The Board should have a policy on tenure

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

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

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

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

The Nomination Committee has undertaken a review of the Board's composition and appointed Susanne Given as a Non-Executive Director and member of the Audit Committee. In making appointments to the Board, the Committee considers the wide range of skills, knowledge and experience required to maintain an effective Board. The Nomination Committee Report → is on pages 75-76.

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 conducted an internal Board Evaluation →. Details of the evaluation are set out on page 72.

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 to their annual fee in September 2016. This review was undertaken by the Nomination Committee and was overseen by Jim Prower the Senior Independent Director. Please see page 90 →.

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 75-76.

10. Directors should be offered relevant training and induction

All Directors receive an induction on joining the Board. Please see page 73 → for further details of Susanne Given's induction training. Details of the Director Training Programme → can be found on page 73.

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

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

BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER

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

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

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

The Chairman sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. The Board has a schedule of matters specifically reserved for its decision which include the approval of budgets, setting investment and performance objectives and policies, the approval of the Company's financial statements and published reports, the approval of equity and debt fundraising 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 2016 are set out in the Management Engagement Committee Report see pages 85-86.

The Board together with the Audit Committee sets the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised in the Audit Committee Report on pages 80-84.

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

The Board has an agreed set of policies with the Manager covering key operational areas and the implementation of such policies is subject to a regular, independent review. Further details of this review of internal controls are set out in Leadership on page 82. Langham Hall UK Depositary LLP acts as depositary for the Company and conducts an independent review of the internal controls of the Company. Further details of the role of Langham Hall UK Depositary LLP are set out on page 79.

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 74.

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 2016, providing the Board with feedback on Shareholder views and concerns. Please see Relations with Shareholders and stakeholders for further information on pages 88-89.

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

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

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

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

The Board places great importance on communication with Shareholders. It aims to provide Shareholders with a full understanding of the Company's activities and performance and reports formally to Shareholders twice a year by way of the Half Yearly Report and the Annual Report, including in particular, the Strategic Report. The Strategic Report is set out on pages 10-60 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.

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
Stephen Smith Non-Executive Director
Susanne Given Non-Executive Director
Mark Shaw Non-Executive Director

Registered office

Standbrook House
4th Floor
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Manager

Tritax Management LLP
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Joint Financial Adviser and Corporate Broker

Jefferies International Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Joint Financial Adviser

Akur Limited
66 St James's Street
London
SW1A 1NE

Legal Advisers to the Company

as to English law
Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Company Secretary

Tritax Management LLP
Standbrook House
4th Floor
2-5 Old Bond Street
Mayfair
London
W1S 4PD

Registrar

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

Depositary

Langham Hall UK Depositary LLP
5 Old Bailey
London
EC4M 7BA

Bankers

Barclays Bank PLC
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Helaba Landesbank Hessen-Thüringen Girozentrale
3rd Floor
95 Queen Victoria Street
London
EC4V 4HN

Wells Fargo Bank, N.A.
90 Long Acre
London
WC2E 9RA

ING Real Estate Finance (UK) B.V.
60 London Wall
London
EC2M 3JQ

PGIM Real Estate Finance
8th Floor
One London Bridge
London
SE1 9BG

Valuer

CBRE Limited
Henrietta House
Henrietta Place
London
W1G 0NB

ADDITIONAL INFORMATION

FINANCIAL CALENDAR

7 March 2017	**Announcement of Full Year Results**
17 May 2017	**Annual General Meeting**
30 June 2017	**Half Year End**
10 August 2017	**Announcement of Half Year Results**
31 December 2017	**Full Year End**

MISSION CRITICAL BIG BOXES

Our Marks & Spencer, Big Box receives 1.4 million electronically tagged items from suppliers every week. The heavily automated facility includes an 82 ft high automated storage shed, a cross sorting conveyor belt, boxed picking and hanging picking. Some 1,200 people work at the site during peak times.

Source: http://www.logisticsmanager.com/how-ms-is-improving-the-multi-channel-process/

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