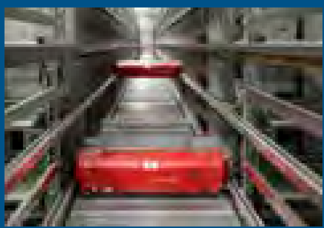
TRITAX BIG BOX

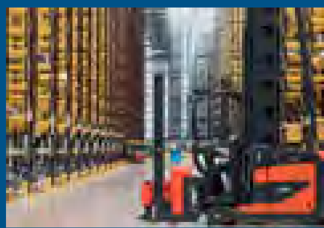
Tritax Big Box REIT plc

Delivering

Annual Report 2018

TRITAX BIG BOX



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Who we are

Tritax Big Box REIT is a Real Estate Investment Trust. Our shares have been listed on the London Stock Exchange since December 2013 and are included in the FTSE 250 Index.

What we do

Tritax Big Box REIT is the UK's leading investment company focused on larger scale logistics real estate. We own the largest and most modern portfolio of these assets in the UK. We have assembled a portfolio unmatched in quality in the UK quoted real estate sector. We invest in, and actively manage, income-producing assets, land suitable for logistics development and pre-let forward funded developments. We follow a "core-plus" strategy, in which Foundation assets provide our core, low-risk income, and Value Add assets, Growth Covenant assets and strategic land (including limited speculative development) offer the potential for enhanced returns. This strategy supports our objective of delivering secure, attractive and growing dividends whilst capturing capital growth for our Shareholders.

Why we do it

We invest in real estate that is central to modern logistics. Our properties are critically important to our Customers' long-term strategies, helping them to improve their operational efficiencies, generate cost savings and fulfil rapidly growing e-commerce sales.

Strong demand driven by structural change and limited supply, both occupationally and for investment stock, make our subsector one of the most exciting in UK real estate. We look to take advantage of these dynamics by applying our sector-leading expertise, to deliver attractive total returns for Shareholders.

Who we serve

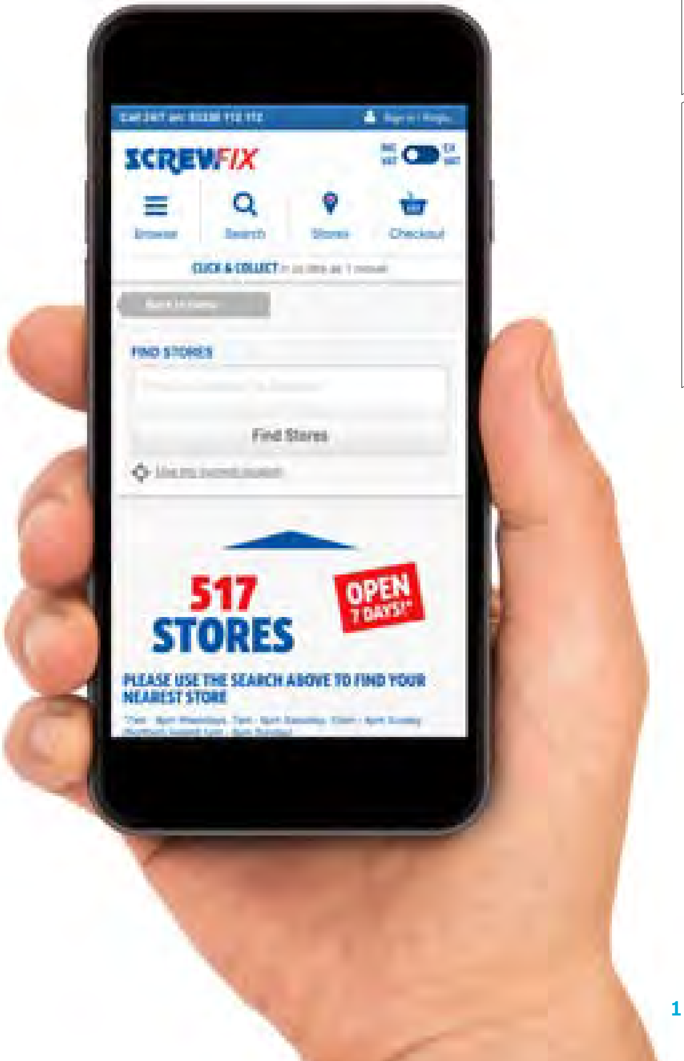
Our Customers are some of the biggest names in logistics, manufacturing, consumer products, retail and automotive. We build long-term, mutually beneficial relationships with them, to enhance their business and ours.

Our vision

We are the UK's pre-eminent owner of Big Boxes. We aim to own and deliver the best logistic assets in the best locations providing our Customers with premises within which they can adapt and grow their businesses efficiently, profitably and sustainably.

Our culture

In our market we have built a reputation of trust and reliability. We have a forward-thinking, entrepreneurial culture, which enables us to move rapidly when attractive opportunities present themselves. We combine this with a rigorous approach to due diligence, controls and governance, designed to protect the interests of our Shareholders.



Delivering a Compelling Business

We have a number of significant strengths that make our business difficult to replicate. In a dynamic market, this makes us a compelling business for the long term.

1 We operate in an attractive market, benefiting from profound structural changes

In an era of low economic growth and pressure on margins, our Customers need Big Boxes to generate cost savings and efficiencies, so they can grow their profits. Big Boxes are also essential for managing the growth in e-commerce and the complexities of today's omni-channel supply chains. Occupational demand for logistics assets exceeds supply and this imbalance favours asset owners, creating powerful features in our markets. These include long leases and the potential for attractive rental growth.

See The Logistics Property Market, pages 16-17 for more

2 We are highly selective, acquiring and managing some of the UK's best logistics assets

We were first movers in this subsector and our dedication to it differentiates us from our peers. We continue to strengthen the portfolio, which contains outstanding assets let to institutional-grade Customers.

See Our Portfolio, pages 12-13 and the Manager's Report, pages 22-49 for more

3 The Manager gives us a competitive advantage

Our Investment Manager is Tritax Management LLP. We benefit significantly from the Manager's expertise, knowledge and specialist subsector focus, which give us an extensive network of high-quality industry contacts. This enables us to source and acquire off market at attractive prices and to use asset management to deliver outperformance.

See Our Business Model, pages 18-19

31.5m sq ft*

Highest ever level of occupational take up in 2018

86%

Portfolio acquired off market since IPO

12.8%

Average total return delivered per annum since IPO

*Source: CBRE – All assets over 100,000 sq ft

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

4 We can deliver attractive returns for Shareholders

Long leases, growing rental income, increasing economies of scale and a largely fixed cost base allow us to offer secure and rising dividends for Shareholders. At the same time, tenant and investor demand for Big Boxes and our asset management programme help us to protect and grow capital values.

See the Chairman's Statement, pages 6-7 and the Manager's Report, pages 22-49 for more

5 We are well positioned for further success

We believe the UK Big Box market is still in its relative infancy and there are good prospects for continued long-term growth. We see further opportunities to add standing investments and forward funded developments to our portfolio, and to develop new assets on strategic land, particularly following our acquisition of db symmetry. This approach is designed to support dividend growth for Shareholders and our total return ambitions.

See Our Achievements in 2018, pages 8-9 and the Manager's Report, pages 22-49 for more

2018 Highlights

Financial

6.70p
Dividend per share
(2017: 6.40p) +4.7%

152.83p
EPRA NAV
(2017: 142.24p) +7.4%

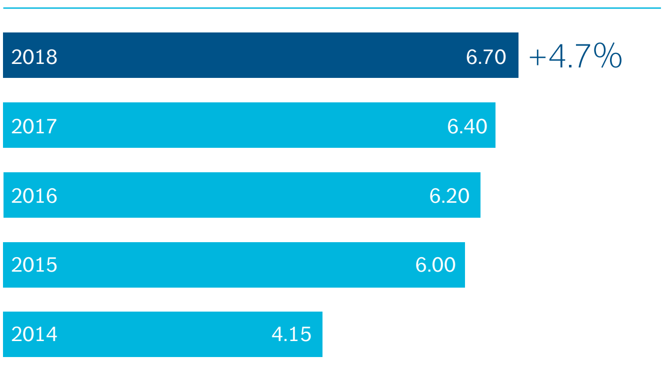
12.1%
Total return
(2017: 15.2%) -20.3%

6.88p
Adjusted earnings per share
(2017: 6.37p) +8.0%

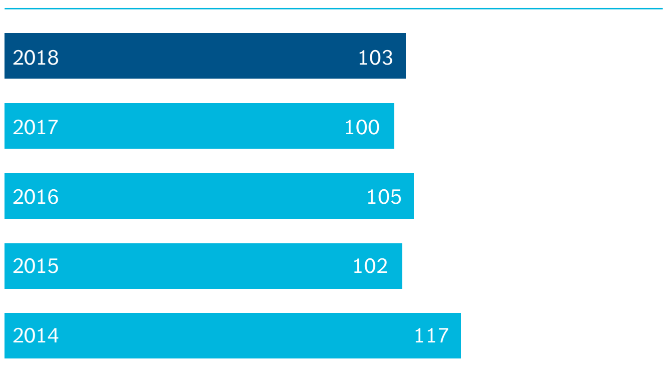
£3.42bn
Portfolio value
including forward funded development commitments
(2017: £2.61bn) +31.1%

£113.8m
Operating profit
before changes in fair value of investment properties
(2017: £93.8m) +21.3%

Dividend declared per share (p) 6.70p (+0.30p)



Dividend cover (%) 103%



Post balance sheet activity

£250m
Equity raised in February 2019 to fund db symmetry acquisition

db symmetry acquisition
87% economic interest acquired in a strategic land portfolio, with the potential to deliver 38.2m sq ft* of logistics assets

6.85p
2019 dividend target to show continued progression over 2018

Operational

+8
Big Box assets acquired
(Aggregate purchase price: £641.5m)

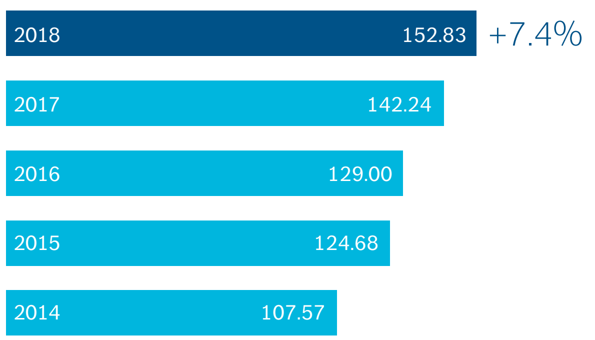
+450,000 sq ft
Detailed planning consent achieved
(Littlebrook, Dartford)

14.4yrs
Portfolio WAULT
(2017: 13.9yrs)

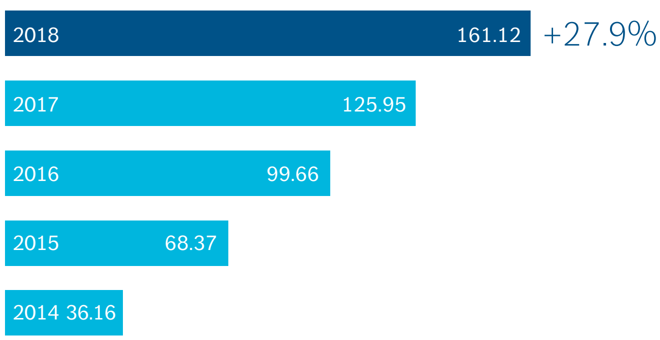
29.8m sq ft[1]
Portfolio 100% let or pre-let
(2017: 22.7m sq ft)

1 Includes all 54 assets held at 31 December 2018; excludes Littlebrook, Dartford strategic land.

EPRA NAV per share (p) 152.83p (+10.6p)



Contracted annual rental income (£m) £161.12m (+£35.17m)



* Including DMA, average and profit share.

Chairman's Statement

The value of income amidst economic uncertainty

2018 was another successful year for the Group and completed five years since our IPO. Amidst political and economic uncertainty on the world stage, Brexit loomed ever larger and the UK Stock Market ended the year on a downward trajectory. To date, our subsector has been largely insulated from the impact of these economic and political uncertainties. Our portfolio provides a high-quality income stream, supporting our aim of delivering secure and growing dividends to Shareholders. Over the last five years, the Group has carefully and deliberately constructed a portfolio of outstanding assets, let to equally impressive Customers. This allowed us to declare dividends totalling 6.70 pence per share in respect of 2018, as we once again met our annual dividend target. The total dividend for the year was fully covered by the Group's Adjusted earnings of 6.88 pence per share. The total return for 2018 was 12.1%, exceeding our target of at least 9% per annum.

Strengthening the portfolio

Robust investment demand for Big Box assets makes acquiring at attractive prices more challenging in the current environment. Nevertheless, during the year, all of our acquisitions were completed off market and the prices were attractive compared to valuation. Our first mover advantage has given us an unparalleled track record that makes us a first port of call for vendors looking to sell. The Manager's network of industry contacts, market intelligence and specialist focus on logistics assets are also key, allowing us to identify and exploit market imperfections. We also have a strong balance sheet and a well-developed debt financing platform, giving us flexibility of funding. Finally, patience and capital discipline ensure we never compromise on the quality of what we buy.

This approach allowed us to acquire eight assets in the year, of which seven were forward funded pre-let developments and one was a standing asset, for a total price of £641.5 million, excluding purchasing costs. These acquisitions added new Customers to the portfolio and further deepened our relationships with existing Customers such as Amazon and Howdens. At 31 December 2018, the Group owned 54 income-producing assets and 114 acres of strategic land at Littlebrook, Dartford. At the year end, the portfolio was independently valued at £3.42 billion including forward funding development commitments, reflecting a like-for-like annual valuation uplift of 4.7%.

The forward funded pre-let developments we acquired in 2018 mean that the Group has now forward funded 16 developments, of which 10 have completed successfully to date, all delivering substantial valuation uplifts over their acquisition prices. This level of activity makes us the leading development funder in the sector and our track record is a significant advantage when developers and their occupiers are looking for a credible partner.

We are making good progress at Littlebrook, where demolition of phases 1 and 2 has completed on time and within budget. In November, we secured a consolidated planning permission for a 450,000 sq ft logistics facility on phase 1 of the site.

Management focus

The Manager continued to add value through its asset management programme, including securing rent reviews, lease re-gears and amendments, re-letting, a new letting as well as physical enhancements to assets. Customer relationships are at the heart of the business and the team has worked closely with Customers throughout the year, including helping a number to plan for the potential impact of Brexit through additional space or automation.

Positioning the Group for future returns

With increased demand for existing logistics investments we believe that better value can be captured through the development of new assets. One of the year's key events was gaining Shareholder approval for an amendment to our Investment Policy. This allows us to increase the maximum exposure to strategic land, provides for modest speculative development and enables us to develop or acquire ancillary assets, including smaller distribution warehouses or "last mile" facilities (see page 20 for more details).

For Our Investment Policy, see page 20

A substantial part of the development profit can be captured by sourcing opportunities at an early stage. Our focus will remain primarily on the pre-let development of large-scale assets which tend to attract financially strong tenants on long leases, helping to maintain the modernity, income quality and WAULT of our portfolio.

Securing new financing

Implementing our growth plans requires us to raise an appropriate balance of equity and debt capital. In April 2018, we raised further equity funding through a heavily oversubscribed placing, which raised the maximum gross proceeds of £155.6 million. This equity was principally used to acquire forward funded pre-let developments.

Our debt financing reflects our growing maturity and scale. During the year, we built on our flexible, largely unsecured debt platform via the debut issue of unsecured loan notes in the private placement market, totalling £400 million. This further diversified our borrowings and has other attractive features, such as split maturities and a delayed draw down (see page 48 for more details).

We have maintained a conservative LTV at 27.3%, while Moody's reaffirmed its Baa1 credit rating during the year.

Strong financial results and growing dividends

Our secure income and robust cost control mean that we continued to deliver a strong and predictable financial performance in 2018.

Operating profit before changes in the fair value of investment properties increased by 21.3% to £113.76 million (2017: £93.78 million). This contributed to Adjusted earnings per share of 6.88 pence (2017: 6.37 pence), which fully covered our dividends in respect of the year. The EPRA NAV per share rose by 10.59 pence or 7.4%, to 152.83 pence.

The Company has declared four interim dividends of 1.675 pence per share each in respect of the year. Further details of these dividends can be found in the Manager's Report on pages 22-49. The dividend for the three months to 31 December 2018 will be paid on 28 March 2019, to Shareholders on the register at 15 March 2019.

We are targeting a progressive total dividend, paid quarterly, of 6.85 pence per share for 2019.

Enhancing the Board

We were pleased to welcome Richard Laing to the Board as a Non-Executive Director on 16 May 2018. Richard has joined both the Management Engagement and Nomination Committees and has taken over from Jim Prower as chairman of the Audit & Risk Committee. Jim remains a member of the Audit & Risk Committee and I thank him on behalf of the Board for his significant contribution in his time as committee chairman.

Two further changes to the Board took place after the year end. Mark Shaw, who is Chairman and Partner of the Manager, retired from the Board on 1 February 2019. We thank him for his significant and valuable contribution to the Company's creation and development over the last five years, and for his expertise and guidance.

Alastair Hughes joined the Board as a Non-Executive Director on 1 February 2019. As a result of these changes, all members of the Board are now independent, including me as Chairman.

Acquisition of db symmetry

Following our year end, the Company announced that it had completed the acquisition of an 87% economic interest in db symmetry, which owns one of the UK's largest strategic land portfolios for logistics property. This is a transaction that the Manager had been working on for an extensive period of time. It is a significant milestone for the Company and a natural extension following the amendment to our Investment Policy in 2018.

This acquisition includes both consented and strategic land, offering the Company phased access to deliver a potential 38.2 million sq ft of logistics assets across key logistics locations in the UK.

Attractive outlook

The quality of the Group's portfolio and Customer base mean that we are confident of continuing to deliver secure dividends to Shareholders, resulting in attractive returns in a low interest rate environment. While the continued delays and lack of clarity over Brexit presents a substantial uncertainty for the UK economy, our market has remained robust. Since the referendum in June 2016, occupiers have continued to search for space, rents have risen and yields have hardened. Brexit is also encouraging manufacturers and retailers to hold additional stock domestically, increasing occupational requirements for UK warehouse space while supply constraints continue. This reinforces the favourable dynamics for landlords. Nonetheless, Brexit does present significant risk for the UK economy which could impinge upon the current positive attributes of our market.

We see good opportunities to continue to add assets to the portfolio at prices that create value at the point of purchase. Following the db symmetry acquisition, we now have the ability to bring through our own developments which are expected to contribute materially to earnings growth and our progressive dividend policy over the medium term.

Sir Richard Jewson KCVO, JP Chairman
6 March 2019

For The Group's Financial Strategy in Action – Debt capital, see page 48
For The Manager's Report, see page 22-49

Our Achievements in 2018

2018 was another year of significant activity for the Group, as we continued to enhance the portfolio through acquisitions and asset management.

Acquisitions

15 January Completed contracts on the £103.70 million forward funded development of two distribution facilities at Warth Park, Raunds, Northamptonshire, pre-let to Howden Joinery Group plc.

18 January Acquired the AO World plc National Distribution Centre at Weston Road, Crewe, Cheshire for £36.10 million. ①

6 February Exchanged contracts on a forward funded development of a logistics facility, pre-let to Eddie Stobart Limited, at Midlands Logistics Park, Corby, Northamptonshire, for £81.80 million.

29 June Exchanged contracts for the forward funded development of a logistics facility for Amazon UK Services Ltd at Link 66, Darlington. The total commitment was £120.26 million.

28 September Exchanged contracts for the forward funded development of a logistics facility for Amazon UK Services Ltd at Haydock, St Helens, Merseyside, for a total commitment of £68.71 million. ②

12 October Exchanged contracts for the forward funded development of a logistics facility at Corby for BSH Home Appliances Ltd, for a total commitment of £89.33 million.

24 December Completed contracts for the forward funded development of a logistics facility near Durham pre-let to Amazon UK Services Ltd, for a commitment of £141.55 million[1].

For more information on financing see Manager's Report on pages 22-49.

1 Commitment based on target build size.

Asset Management

15 March Upon expiry of the Kellogg's lease at Trafford Park, Manchester, we secured a new 10-year lease term with Kellogg's which expires in April 2028. ③

26 November Obtained planning permission for a 450,000 sq ft logistics facility on the Group's development land at Littlebrook, Dartford. ④

29 November Completed a new 15-year lease to Amazon UK Services Ltd at the Group's Chesterfield property, following successful negotiation of a lease surrender with Tesco. ⑤

For more information on Asset Management see Manager's Report on pages 22-49.

Board

7 March Declared an interim dividend of 1.60 pence per share, in respect of the three months to 31 December 2017.

16 May Appointed Richard Laing as a Non-Executive Director and Chairman of the Audit & Risk Committee.

17 May Declared an interim dividend of 1.675 pence per share, in respect of the three months to March 2018.

12 July Declared an interim dividend of 1.675 pence per share, in respect of the three months to 30 June 2018.

11 October Declared an interim dividend of 1.675 pence per share, in respect of the three months to 30 September 2018.

23 November Shareholder approval for an amendment to the Company's Investment Policy that increases our maximum potential exposure to strategic land.

1 February 2019 Appointed Alastair Hughes as a Non-Executive Director. Mark Shaw retired from the Board.

6 March 2019 Declared an interim dividend of 1.675 pence per share, in respect of the three months to 31 December 2018.

For more information on dividends see Manager's Report on pages 22-49

For more information on Directors see The Board of Directors on pages 82-83

Financing

18 April Raised gross proceeds of £156 million, through a placing of 109,364,308 new Ordinary Shares at 142.25 pence per share.

1 October Agreed a new, short-term unsecured banking facility of £250 million.

5 December Signed an agreement with new institutional investors for a private placement of £400 million of unsecured fixed-rate loan notes.

19 December Extended the term of the Group's £350 million revolving credit facility by one year to December 2023.

For more information on financing see Manager's Report on pages 22-49.

4

5

Why Big Boxes?

We believe that the Big Box logistics sector is one of the most exciting asset classes in the UK property market. Here we explain why Big Boxes are highly attractive to occupiers and investors alike.

Big Boxes are at the heart of modern logistics

Big Boxes are large logistics facilities that can be a strategic necessity for their occupiers. They are typically located near motorways or major roads enabling occupiers to deliver efficiently to several major towns and cities. They are also often near rail freight hubs, airports or ports and act as the breakdown point for bulk deliveries arriving by cargo ship. Their locations therefore allow for efficient stocking and onward distribution.

Big Boxes have increased in size both laterally and vertically. The consequent increased volume of space provides flexibility, allowing for the installation of high racking or mezzanine floors which can double or triple the operational floorspace. The buildings are also becoming smarter, with occupiers increasingly investing in advanced technology systems that allow them to stock and retrieve products rapidly and automatically. This high level of automation is usually only found in larger modern logistics buildings and the occupier's investment can exceed the cost of the building itself.

Demand for logistics space is strong

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 occupiers need Big Boxes for three primary reasons:

1. To improve their operational efficiency, by centralising dispersed distribution frameworks into fewer, larger facilities. This allows them to optimise their supply chains, staffing and stock management, and benefit from economies of scale and automation. These efficiencies are crucial to protecting profitability in an increasingly competitive environment.

2. To meet the requirements of a fast-evolving retail market and in particular to fulfil e-commerce sales, which are growing relentlessly. The UK is one of the most advanced e-commerce market in the world. Big Boxes are essential for fulfilling orders, handling returns, coping with surges in demand (for example, around events such as "Black Friday") and meeting consumer expectations for ever-faster delivery.

3. To meet their sustainability objectives, by occupying assets that are constructed using state of the art design and materials and incorporate initiatives such as low carbon technologies that not only minimise their environmental footprint, but ensure that natural resources are consumed as efficiently as possible.

For further information, see The Logistics Property Market, pages 16-17

The supply of Big Boxes is constrained

Land which can accommodate Big Boxes is scarce in key locations. The scale of Big Boxes and the traffic movements they generate can present planning challenges and it can take years to achieve the required consents. Big Boxes also require a large local labour pool, as they can employ more than 3,500 people during peak periods. They also have substantial power and infrastructure requirements, adding further complexity to site identification and delivery.

These factors mean that Big Box supply remains thin. Occupiers looking for a suitable building may therefore need to pre-let an asset either prior to or in the course of development, creating opportunities for investors to forward fund these developments and obtain brand new assets on long leases to high-quality tenants.

Market dynamics are favourable for landlords

The supply and demand imbalance described adjacent is highly favourable for asset owners. The scarcity of available units, coupled with the substantial investment occupiers make in automation and fitting out, mean that they are willing to sign long leases with upward-only rent reviews. High demand and constrained supply have resulted in attractive rental growth in recent years, with rising labour and construction costs now also feeding into rents. This provides secure and growing income for us.

Big Boxes also tend to be resilient. In the event of a vacancy, high-quality and well located real estate is likely to let quicker, to a higher-calibre occupier, at a higher rent, and with lower incentives.

18%

UK Online sales represented **18% of total annual retail sales** for the year to December 2018[1]

51%

51% of UK consumers say that they **prefer to shop online** rather than in store[2]

61%

SALE

Online spending on Black Friday has grown from 33% in 2014 to **61% of total sales in 2018**[2]

£1.49bn

Online retail sales on "Black Friday" in 2018 totalled **£1.49 billion**[2]

11%

The growth in e-commerce has **increased parcel delivery volumes by 11%** in 2017-18 compared to 2016-17, reaching a total of 2.4 billion items[3]

26%

E-commerce is expected to grow to **26%** by 2022[4]

1 Source: ONS.
2 Source: EmpathyBroker 26/07/2018.
3 Source: Ofcom Annual monitoring update on the postal market Financial year 2017-18.
4 Source: eMarketer.

Our Portfolio

The right assets in the right locations

We have built a unique, well diversified portfolio of assets which are typically modern, occupy prime locations and are fully let, typically on long leases to investment-grade Customers (see pages 14-15).

Large, well located Big Box warehouses not only hold stock, but are central to regional, national and international distribution networks. They often have a port-centric focus for imported goods and are located in close proximity to major roads and motorways, maximising geographic coverage optimising the speed and reliability of deliveries.

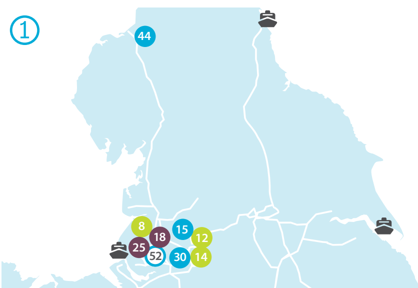
Occupiers of logistics properties have generally witnessed increased competition. Logistics has become an increasingly important in protecting profitability and consequently the market is witnessing a significant restructuring of supply chains with companies seeking larger space that enables more efficient interface with their suppliers and their customers. Increasingly, occupiers are targeting locations for Big Boxes that benefit from lower rents (as a consequence of lower land values and the use of space volume) and the availability of attractive cost price labour pools.

Howdens I, Raunds.

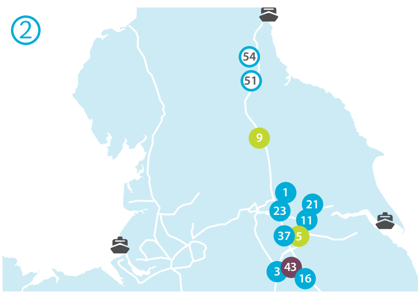
B&Q, Workshop.


Euro Car Parts, Tamworth.

Regional breakdown



North West
52 Amazon; 8 DHL; 12 Tesco; 14 L'Oréal; 15 Argos; 18 Nice-Pak; 25 Matalan; 44 Stobart Group; 30 Kellogg's



North East
1 Sainsbury's; 3,51,54 Amazon; 5 Next; 9 Wolseley; 11 The Range; 21 Tesco; 16 B&Q; 23 TK Maxx; 37 Unilever; 43 Marks & Spencer

For further information, see the Manager's Report, pages 22-49

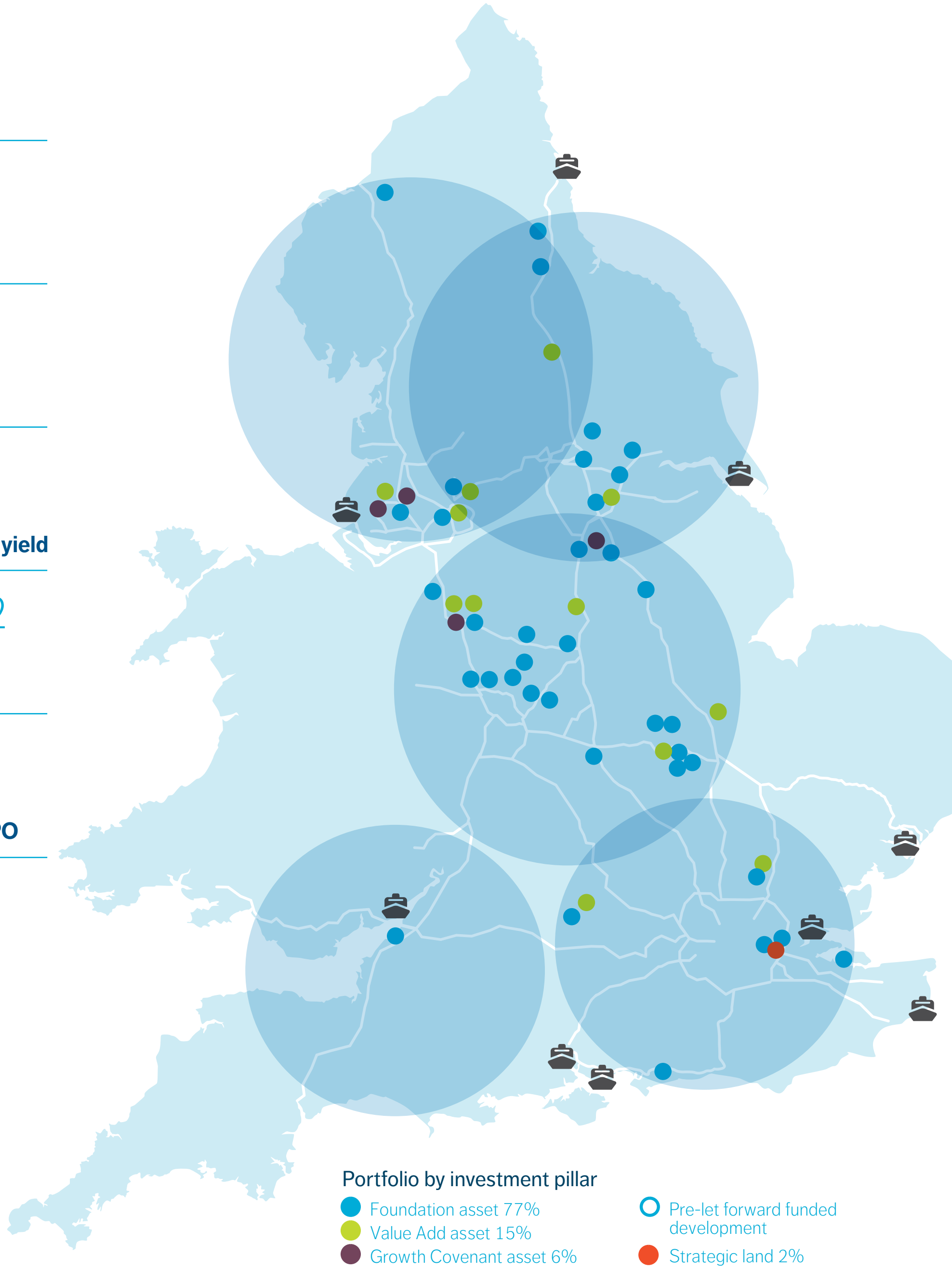
£3.42bn
Portfolio value

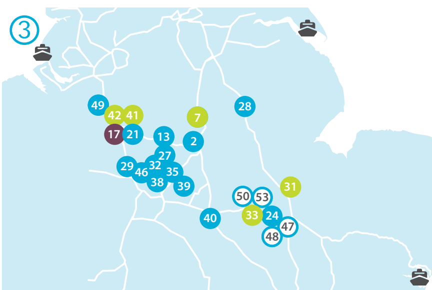
4.4% NIY[1]
Portfolio valuation yield

5.5% NIY
Portfolio average net initial purchase yield

29.8m sq ft[2]
Portfolio 100% let or pre-let

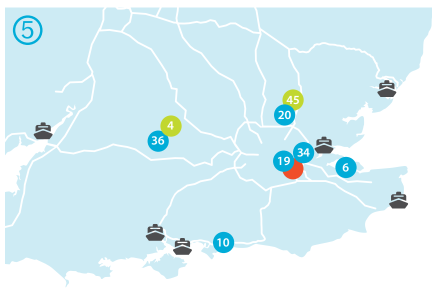
86%
Portfolio acquired off market since IPO





Midlands
2,42 Marks & Spencer; 21 Tesco; 7 DHL; 13 Kuehne+Nagel; 17 New Look; 24,47,48 Howdens; 26 Brake Bros; 27 Argos; 28 Dixons Carphone; 29 Gestamp; 32 Euro Car Parts; 31 Amazon; 33 Whirlpool; 35 Screwfix; 38 Morrisons; 39,40 Royal Mail; 41 Dunelm; 46 Unilever; 50 Eddie Stobart; 53 Bosch

South West
26 Brake Bros



South East
4 Tesco; 36 Hachette; 45 Industrial Tool Suppliers & Wincanton; 20 Brake Bros; 34 The Co-operative Group; 19 Ocado; 6 Morrisons; 10 Rolls-Royce Motor Cars

1 Includes Littlebrook, Dartford; 4.5% excluding Littlebrook, Dartford.
2 Includes 54 assets held as at 31 December 2018, excludes strategic land at Littlebrook, Dartford.

A Quality Portfolio

Our portfolio is well positioned to benefit from the structural drivers at play in our market. The location, scale and modernity of our assets ensures that they are a necessity for high-calibre occupiers.

Many of our Customers make substantial investment into our Big Boxes by way of high levels of technology and automation, which is essential to fulfilling their commercial objectives and driving performance for the longer term.

The quality of our occupied, long leased assets underpin the Company's ability to deliver attractive total returns for our Shareholders.

Big

69%

of our assets are truly Big Box and over 500,000 sq ft. Automation is typically prevalent in larger buildings

Hi-tech

51%[1]

of our properties are highly automated. Automation is essential when handling large volumes of complex omni-channel "real-time" orders and returns

1 By value.

Well located

100%

of our assets are in the UK and occupy strategically sought after logistics locations with good geographic diversification

Modern

92%

of our portfolio has been built since 2000, ensuring state-of-the-art buildings most likely to meet the requirements of a market-leading occupier

Secure

81%

of our high-calibre Customers are constituents of major quoted indices, with some of the world's leading brands represented

The Logistics Property Market

Our market continues to be characterised by several very positive attributes: Demand is being driven principally by occupiers seeking improved supply chain efficiency and consumer structural change is providing strong tailwinds in the logistics market. In larger scale Big Box logistics properties, supply remains constrained.

Thriving demand continues

During 2018, economic and political uncertainty did not dampen occupational demand for UK Big Box logistics assets, unlike other commercial property sectors. Occupier demand remains strong across all the main regional areas in the UK and take-up was at the highest ever recorded level in 2018.

Demand remains buoyed by companies striving to deliver cost savings, economies of scale benefits and efficiencies which the consolidation from disparate older logistics networks to fewer larger volume, modern facilities can provide. Demand is also supported by the continued rise of e-commerce which typically requires larger, modern logistics facilities and commonly employs automation.

Notably "other retail", which includes high street retail, comprised only 10% of take-up in 2018.

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Supply remains constrained

One indicator of subdued supply is the high level of purpose-built take-up, indicating a lack of readily available buildings of appropriate quality in the right locations for occupiers to lease.

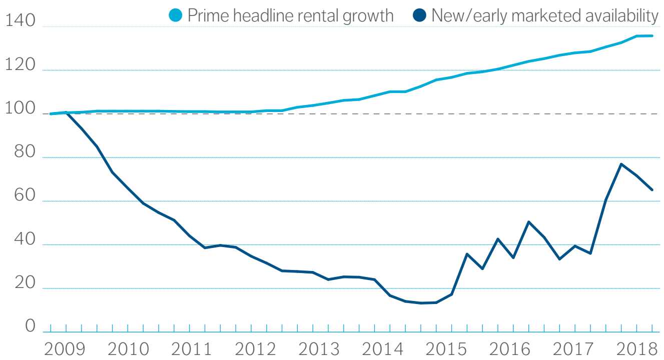
The low level of supply encouraged an increase in speculative development in 2018 but this accounts for only a small percentage of identified demand. The supply of larger scale buildings is expected to remain constrained because only a few developers are willing to take the level of risk in a single location.

The planning system is long-term and naturally controls supply, particularly in the larger building size categories. There are a modest number of sites capable of delivering larger scale logistics buildings now or in the next few years and whilst further sites will gain planning consent, we expect these to be limited in number.

UK logistics take-up by sector, 2018 (%)

Source: CBRE (relates to units of more than 100,000 sq ft)

UK new/early marketed logistics availability and prime rental growth



Source: CBRE (relates to units of more than 100,000 sq ft)

Demand highlights in 2018

Highest occupational take-up on record
Occupational take-up of 100,000 sq ft+ units totalled 31.5 million sq ft, according to CBRE.

63% of take-up was purpose built
Occupiers continued to take Big Boxes predominantly on a purpose built basis over 100,000 sq ft, driven by the lack of readily available modern, larger scale buildings.

Diverse sector take-up
A diverse range of occupiers took space in 2018; the largest appetite was from internet retailers who accounted for 32% of floorspace over 100,000 sq ft.

Big Boxes are getting bigger
Occupier appetite for Big Boxes of more than 500,000 sq ft continues. In 2018, this comprised 44% of total take-up over 100,000 sq ft.

Supply highlights in 2018

Demand continues to outstrip standing supply
Available supply of new and early marketed space over 100,000 sq ft currently represents 11.5 months supply (based on five-year annual average take-up), according to CBRE.

Limited availability of units over 500,000 sq ft
Availability of buildings over 500,000 sq ft remains limited and represented just two months supply based on total 2018 take-up.

Speculative development increased:
Speculative development is modest in comparison to the last speculative development cycle of 2005-2008 and remains largely focused on smaller 100,000-300,000 sq ft buildings.

Rents continue to rise

Continued strong occupier demand and limited supply of quality buildings have contributed to attractive levels of rental growth across all regions in recent years. All regions across the UK have witnessed different levels of rental growth at different points of the cycle depending on the supply and demand dynamic at any point in time, but the trend across all regions has been a positive trajectory since 2015.

This theme has continued during 2018 but has been most acute in London, the South East and the South West, which has in part been due to scarcity of appropriate land supply and increasing land values and lack of supply. Across the country, rents are expected to continue to grow in 2019.

Investment interest remains keen

Sustained rental growth is a feature of the logistics market that continues to attract investors, both domestic and overseas (particularly following the devaluation of the pound in 2016).

With market dynamics favouring asset owners, investors have continued to allocate capital to logistics property, with total investment in logistics property during 2018 totalling over £4 billion which, although lower than 2017, was still one of the highest recorded volumes on record.

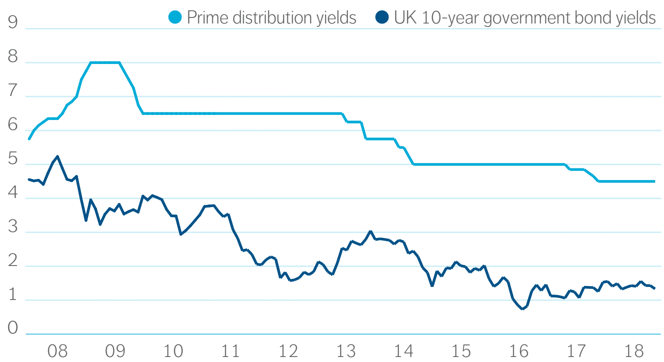
The level of investor demand has continued to put pressure on logistics property yields. At the end of 2018, CBRE's Prime Yield Series reported the prime logistics property yield to be 4.5%, maintaining the previous lowest reported level, but remaining at an attractive premium to 10-year government gilt yields.

UK prime logistics headline rental growth

Source: CBRE (relates to units of more than 100,000 sq ft)

Region	Annual growth rate
London/M25	+6.7%
Rest of South East	+11.1%
South West	+7.4%
East Midlands	+3.8%
West Midlands	+3.8%
North West	+3.8%
North East & Yorkshire	+2.4%
Total	**+5.6%**

Prime distribution yields vs government bonds yields (%)



Source: CBRE (relates to units of more than 100,000 sq ft)

What these market dynamics mean to the Group

A range of businesses are demanding increasingly efficient supply chains. Set against this, built supply remains low, particularly for larger scale buildings, and this forces occupiers to consider purpose-built facilities on a pre-let basis. Purpose-built facilities are not unduly specialist in nature – the dynamics of value and rent serve to encourage a prospective tenant to accept a generically acceptable building specification that would be appealing to a wide audience if offered for re-letting.

These dynamics have benefited the Group since we have captured opportunities to deliver new, long-leased investments into our portfolio (seven pre-let forward funded developments acquired in 2018). Larger scale modern buildings are not only more efficient, but also more flexible and we believe will benefit from longer-term resilience due to higher levels of tenant demand. Our ability to capture the current attractive levels of rental growth at rent review will increase as we leave behind the pre-2015 data, prior to which rental growth was unproven. These positive characteristics of our market continue to attract a healthy level of investor appetite that is compressing investment yields.

Our Business Model

Our resources

We use the following resources to create value for Shareholders and other stakeholders:

Financial capital
We are funded by Shareholders' equity, third-party debt and recycled funds

Physical assets
We have an outstanding portfolio of Big Box logistics assets, as well as strategic land for development

Relationships
We build mutually beneficial relationships with our Customers and draw on the Manager's extensive contacts with key influencers across the subsector

People
We have an experienced Board and a Manager with a high-calibre and consistent team

Reputation
Our excellent reputation and track record make us a partner of choice for vendors, developers and Customers

Expertise and knowledge
Our purity of focus makes us experts in the logistics subsector

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

How we work

Sourcing investments

We primarily source investments off market, enabling us to buy at attractive prices. We undertake thorough due diligence on purchases but move fast and offer certainty of execution for vendors, making us the obvious choice for asset owners looking to sell. This also helps us to achieve discounts to market pricing.

Buying and selling for value

We have a clear Investment Policy (see page 20) but we are also pragmatic and may acquire smaller properties to diversify by geography, building size and lot size, or assets with shorter leases if there is opportunity to create value by re-gearing or re-letting. We seek quality and discount numerous opportunities that do not offer value for money or meet our stringent criteria.

We intend to hold assets for the long term but we may sell if we have delivered the asset's business plan and have the potential to reinvest the proceeds in a more attractive opportunity.

Developing

The Manager's relationships with developers enables us to invest in forward funded developments, through which we fund the construction of a Big Box which has been pre-let to a specific tenant, thereby substantially reducing risk. This results in lower transaction costs and enables us to source brand new buildings for institutional Customers on long leases.

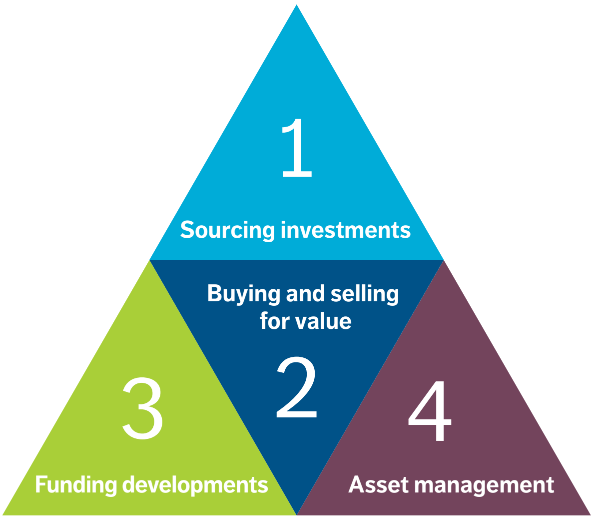
We can also acquire land which is suitable for development, allowing us to capture a greater share of the development profit. This is likely to be an increasingly important source of new assets for our portfolio in the coming years. We will continue to balance our investment in land carefully with the need to deliver secure and growing dividends to Shareholders.

Asset management

Our assets are strategically important to our Customers. We work with them to maximise their operational effectiveness, for example by extending buildings or adding mezzanine floors. This encourages the signing of longer leases, to secure their investment in the building which in turn increases our revenue security and capital values. The process also deepens our relationships with our Customers.

A small number of our assets fall within our Value Add investment pillar (see page 20). Where we buy properties with the potential to add value, we look to turn them into Foundation assets through asset management.

For Our Objectives and Strategy, see pages 20-21



Our sources of competitive advantage

The Manager
The Manager is our primary source of competitive advantage. We draw on its expertise and its extensive agency, developer, vendor and occupier contacts, built up over many years. In a market where personnel changes are common, the consistency and high calibre of the Manager's team helps us to maintain our relationships and work on longer-term deals.

Speed and certainty of execution
The Manager's expertise enables us to move fast by rapidly assessing opportunities, making decisions, performing thorough due diligence and completing transactions. We have never withdrawn from a proposed contract after agreeing terms and believe that our reputation is unrivalled in our market.

Quality
Our portfolio is weighted towards Foundation assets, which provide our core income and do not need to be regularly traded. This supports our returns by reducing our frictional costs, which can be as high as 8.5% when selling an asset and reinvesting the proceeds.

Scale
As our portfolio grows, we benefit from economies of scale, increased diversification by geography, tenant and building size, a larger list of contacts and a deeper pool of available capital, helping us to source further investments off market. A larger portfolio also gives us greater insight into market developments, more control over the evidence for rent reviews and lease renewals, and greater potential to create multi-asset initiatives with the same Customers.

The benefits of our business model for stakeholders

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

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

For lenders
Our lenders benefit from having their interest serviced by regular and stable cash flows which are underpinned by some of the strongest covenants in logistics, manufacturing and retail. Our long leases and future growth in income, through a combination of fixed, indexed and open market reviews provide protection to capital values.

For 2019 we are targeting:

6.85p

Progression over the 6.7p dividend per share achieved in 2018

9%+ pa

Total return

For Customers
Our Customers benefit from occupying Big Box logistics assets which are owned by a landlord knowledgeable in and committed to the sector and strategically important to their businesses, helping them to achieve cost savings and economies of scale, and to fulfil their rapidly growing e-commerce sales. We aim to be our Customers' preferred provider of modern Big Boxes.

Our Objectives and Strategy

Objectives

Our objectives reflect our aim of creating value for Shareholders.

Dividends

The Company intends to maintain its progressive dividend policy during 2019 and thereafter.

Total returns

Our investment objective is to deliver a total return of at least 9% per annum over the medium term. Total return is based on dividends paid plus growth in net asset value.

Investment policy and operational strategy

In order to achieve our objectives, we implement the Investment Policy and operational strategy set out below.

Our Investment Policy

Our Investment Policy is to invest primarily in Big Box assets, which typically:

> are let or pre-let to institutional-grade tenants, ideally businesses with 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 an unexpired lease length on purchase typically 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 features.

We target assets which offer value to our Shareholders and usually have a geared yield range of approximately 5-7%. 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.

The Investment Policy also allows us to invest in land, either on our own or in a joint venture with a developer or a prospective Customer, to assemble suitable sites for developments.

In November 2018, Shareholders approved the following amendments to the Policy:

> the limit on exposure to land and options over land was increased from 10% of NAV to 15% of gross asset value (GAV), of which up to 5% may be invested in speculative development activity; and

> while Big Box assets remain our primary investment focus, we may from time to time develop or acquire other ancillary assets including, but not limited to, smaller distribution warehouses or urban distribution or "last mile" hubs.

The benefits to Shareholders of these amendments are discussed in the Strategic Report on pages 1-69.

Our Acquisition Focus

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

Foundation

Foundation assets provide the core, low-risk income that underpins our business. They are usually let on long leases to Customers 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 Customers with good covenants and offer capital value or rental growth through lease engineering or improvements to the property. We do this using our asset management capabilities and understanding of Customer requirements. These assets are usually highly re-lettable.

Growth Covenant

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

Strategic land

We will invest in land, primarily with a view to securing pre-let forward funded developments, although we may also undertake a modest amount of speculative development. The land we acquire can benefit from extant outline B8 planning consent over the whole or part of the site in order to minimise risk, but we may also acquire land without planning consent or options over land and undertake development management on behalf of third parties. This approach allows us to own completed assets in locations which might otherwise attract yields lower than we want to pay and can also deliver enhanced returns.

See Our Portfolio on pages 12-13

Our Operational Strategy

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

Strategic area	Progress in 2018	Priorities for 2019	Link to risk
Manager and its relationships Contract with a Manager who has a knowledgeable and talented team, excellent market relationships with owners, developers and agents, which all contribute to delivering value to Shareholders.	The Manager continued to strengthen its team during the year, including expanding its company secretarial function and recruiting expertise in modelling and legal. New owner and developer relationships secured in the year.	To ensure a low degree of staff turnover, with continual staff training and development. Also to expand on our market relationships for the benefit of the stakeholders.	We rely on the continuance of the Manager
Operational excellence Rigorously control costs and deliver operational efficiencies, without compromising growth or reputation.	We maintained our robust cost control and benefited from economies of scale; our total expense ratio as at 31 December 2018 was 13.7%.	Continue to place an emphasis on our robust operational cost controls, including keeping our exposure to floating rate debt to a minimum, all of which support our policy to grow our earnings.	Use of floating rate debt will expose the business to underlying interest rate movements
Customers Develop and maintain a deep understanding of the businesses that operate in our market in order to create long-term partnerships.	We successfully implemented a range of asset management initiatives, as described on pages 40-45. Our asset acquisitions deepened our relationships with a number of existing Customers.	To maintain a strong relationship with our existing customers, and to progress any occupier requirements ensuring value accretion to shareholders.	Default of one or more Customers
Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	We raised £155.6 million of new equity, obtained a short-term £250 million debt facility and issued £400 million of loan notes through a private placement (see page 48). This gave us a conservative LTV of 27.3% at the year end.	To operate within our leverage policy of up to 40% and to continue to support any future growth in the business with new and attractive capital.	Our use of floating rate debt will expose the business to underlying interest rate movements A lack of debt funding at appropriate rates may restrict our ability to grow We must be able to operate within our debt covenants
Corporate responsibility Strive to meet our corporate responsibilities towards society and the environment, in every part of our business.	We continued to work with our Customers and developer partners to improve property EPC ratings and achieve BREEAM "Very Good". We have achieved zero waste to landfill where we have management responsibility for waste. We have moved all electricity supplies where we have responsibility to "green electricity tariffs".	To formally contribute to sustainability evaluation indices, such as GRESB, so as to demonstrate the Company's inclusion of best practice principles through the active initiatives of its Manager.	None

Delivering Growth

Colin Godfrey speaking with stakeholders at a site visit to Littlebrook, Dartford.

This was another strong year for the Group as we successfully delivered the dividend and total return targets set by the Company. We raised further equity and built upon our established debt platform, to support the Group's growth and improve the capital structure. This was deployed to acquire attractive assets, primarily forward funded pre-let developments, further diversifying the portfolio while enhancing the outstanding quality of the Group's properties, Customers and rental income stream, allowing us to increase our dividend target to 6.85p for 2019.

Colin Godfrey Fund Manager

Delivering secure and growing income

The Group's portfolio produces a diversified, robust, long-term income stream with opportunity for growth, secured by an exceptional Customer base. The portfolio comprised 54 income-producing assets at the year end, let to 39 different Customers. We added three new Customers during the year and strengthened our relationships with a number of existing Customers, in particular Amazon and Howdens, by acquiring further assets that they will occupy. The calibre of the income stream is demonstrated by 81% of our Customers or their parent companies being members of major stock market indices in the UK, Europe or USA, many of which are well known domestic and worldwide brands.

At 31 December 2018, the WAULT across the portfolio had increased to 14.4 years (31 December 2017: 13.9 years), ahead of the Group's target of at least 12 years. At the year end, just 9.3% of rents were from leases which are due to expire within five years, with 49.1% of rents coming from leases with 15 or more years to run. The Group's core Foundation assets, which comprise 76.5% of the portfolio (by value) had a WAULT of 16.5 years at 31 December 2018.

The Group is well positioned for further income growth. At the year end, its contracted annual rent roll was £161.12 million, up 27.9% on the £125.95 million at 31 December 2017. This compares with an Estimated Rental Value (ERV) for the portfolio of £169.8 million[2], as independently assessed by CBRE. This implies that the Group's rental income would increase by 5.4% if all the properties in the portfolio were re-let as at 31 December 2018 and were settled at CBRE's ERVs. The portfolio ERV increased by 0.6% on a like-for-like basis during 2018.

Through careful selection, we have ensured that the timings of rent reviews across the portfolio are balanced, supporting both the potential for annual income growth and our progressive dividend policy over the next few years. Rent reviews typically take place every five years but the Group also benefits from some annual fixed and inflation-linked reviews. In 2018, 19.5%[1] of the Group's rental income that was subject to review, was settled. A further 17.7% is due for review in 2019. Further information on rent reviews can be found in the Asset Management section on pages 40-45.

1 This includes two outstanding rent reviews from 2017 and 2015: Kuehne+Nagel, Dove Valley Park outstanding from 2017 and settled in July 2018 and Tesco Chesterfield outstanding from 2015 and settled in February 2018.

2 Includes 54 assets held at 31 December 2018, excludes strategic land at Littlebrook, Dartford.

39
Customers contracted

£161.12m
Annual rent roll

100%[2]
Let or pre-let

14.4yrs
Portfolio WAULT

12.1%
Total return in 2018

Delivering capital growth

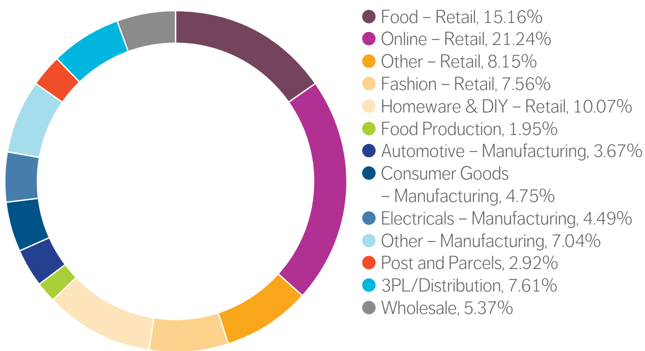
The portfolio was independently valued by CBRE as at 31 December 2018 at £3.42 billion including forward funded development commitments (31 December 2017: £2.61 billion) ("market value" or "fair value" under IFRS 13) in accordance with the RICS valuation – Global Standards 2017. This represents the aggregate of individual property values, with no premium or discount being applied for a collective portfolio.

During 2018 property values increased by £169.51 million or 5.0%, inclusive of assets acquired in the year. The like-for-like valuation increase on assets held throughout the year, comprising 46 income producing assets and strategic land at Littlebrook, was £121.68 million or 4.7%. The eight assets acquired during the year, which had an aggregate purchase price of £641.46 million, were valued at £689.29 million at 31 December 2018. This represented an increase of £47.83 million or 7.5%, excluding purchasing costs and other capitalised items. Total capital growth across the portfolio of £810.97 million or 31.1% during the year, excluding purchasing costs, was funded by a combination of new equity and debt.

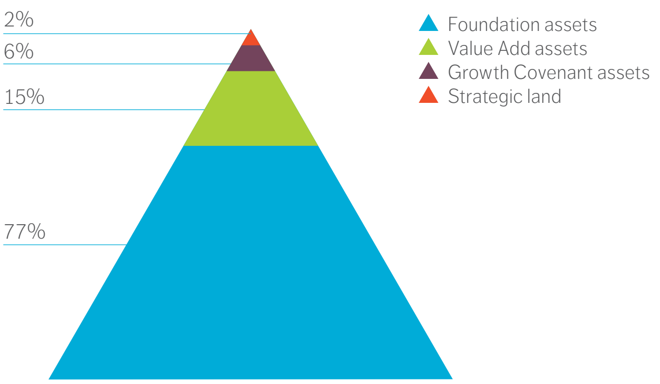
A diverse portfolio

Our Customers can be identified on the following page. They operate in a diverse range of sectors, as shown in teh pie chart below. Notebly our exposure to non-food traditional retail has decreased whereas online retail representation has increased significantly over 12 months.

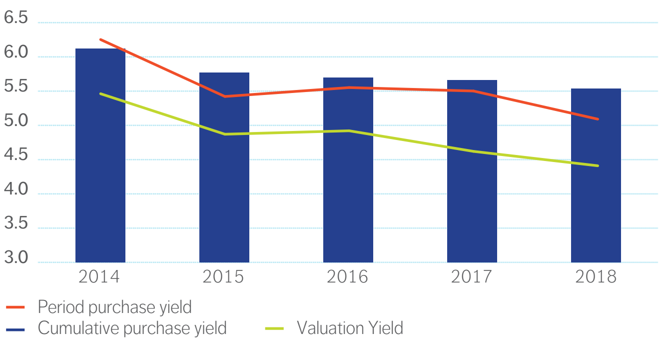
A diverse customer base (%)



Our portfolio by investment pillar (by valuation) (%)



Purchase yield vs valuation yield (%)*



* Excludes Littlebrook, Dartford

Source: Tritax

Building a balanced portfolio

The Group's portfolio contains a good balance of Foundation assets, which provide its core low-risk income, Value Add assets which offer opportunities to add value through asset management and Growth Covenant assets which provide the opportunity for capital growth through improving Customer accounts. Strategic land provides the scope for enhanced capital returns.

At the year end, Foundation assets made up 77% of the portfolio by valuation, with Value Add and Growth Covenant assets making up 15% and 6% respectively. Strategic land comprised around 2% of the year-end valuation.

For more information, please see our Assets Acquired in 2018 section on page 32.

Investment discipline

Our acquisitions have been carefully selected to provide a diversified, complementary and balanced portfolio. We buy for value; the story behind our purchases is as much about the assets that we do not buy as those that we do. Every asset acquired by the Group is valued higher than the price paid upon acquisition and since our IPO we have delivered asset capital growth of £607.85 million excluding costs. Our focus is on quality. This provides resilience and in our view helps support outperformance. It also helps maintain some of the key metrics that make up our DNA – enhancing a naturally depreciating WAULT, maintaining high calibre Customers to underpin the quality of our rental income and maintaining the modernity of our real estate. All of these features are inherent within forward funded pre-let developments and that is why we have increasingly focused on this area for stock delivery.

A record year for pre-let developments

Our sector relationships, knowledge and ability to appraise opportunities and make decisions quickly, combined with the

Our Customers

* The logos above represent either the tenant, guarantor, parent or brand name. Trade marks appearing in this page are the property of their respective owners.

Group's strong financial position, have enabled us to build an unrivalled track record of performance when forward funding developments. This makes the Group a partner of choice for developers and occupiers, enabling us to acquire forward funded pre-let developments for the Group at an attractive discount to market levels for existing income producing investment properties.

Our expertise in this field and track record of performance are appealing to both developers and major companies seeking occupational certainty. We work collaboratively, delivering real-estate solutions that support the business objectives of our Customers. In particular we have focused on the highly influential e-commerce component of the retail sector in 2018 committing to the delivery of four facilities for Amazon (one existing asset and three forward funded pre-let developments).

The seven pre-let forward funding projects added to the portfolio in 2018 mean that the Group has now undertaken 16 forward funded pre-let developments, making it the leading funder in the UK Big Box market over the last five years. Nine of these developments had successfully reached practical completion at the year end, with an average purchase yield of 5.5% and a WAULT at the point of practical completion of 21 years. This compares to an average valuation yield for a strong covenant on a 15-year term of 4.5% as at 31 December 2018 (source: CBRE). On each of these properties the Company additionally receives income during the construction period. Since the year end, one further pre-let forward funding completed on time and budget, let to Eddie Stobart at Midlands Logistic Park, Corby.

The developments acquired in 2018 are all proceeding well. We work with experienced developers, who have an established track record with substantial experience in the market and have delivered millions of square feet of logistics space.

Strategic land – Littlebrook, Dartford

Littlebrook has the potential to become one of London's largest Big Box logistics parks and is in a core "last mile" location on the edge of London and inside the M25. It has strong road and port connectivity and can support the potential development of approximately 1.6 million sq ft of logistics buildings, including several Big Boxes and some smaller urban logistics facilities. By developing buildings on a pre-let basis we aim to add new high-quality investments and Customers to the portfolio over the coming years, while minimising risk. We are targeting a yield on cost for phase 1 of more than 6.5%.

Following receipt of planning consent on phase 1, which comprises 450,000 sq ft, we commenced a marketing campaign for the proposed development; which is attracting a healthy level of enquiries.

Littlebrook demonstrates our ability to acquire strategic land for the Group at prices that represent value for Shareholders.

16 pre-let forward funded developments

9[1]
completed developments totalling >4.5m sq ft built to order

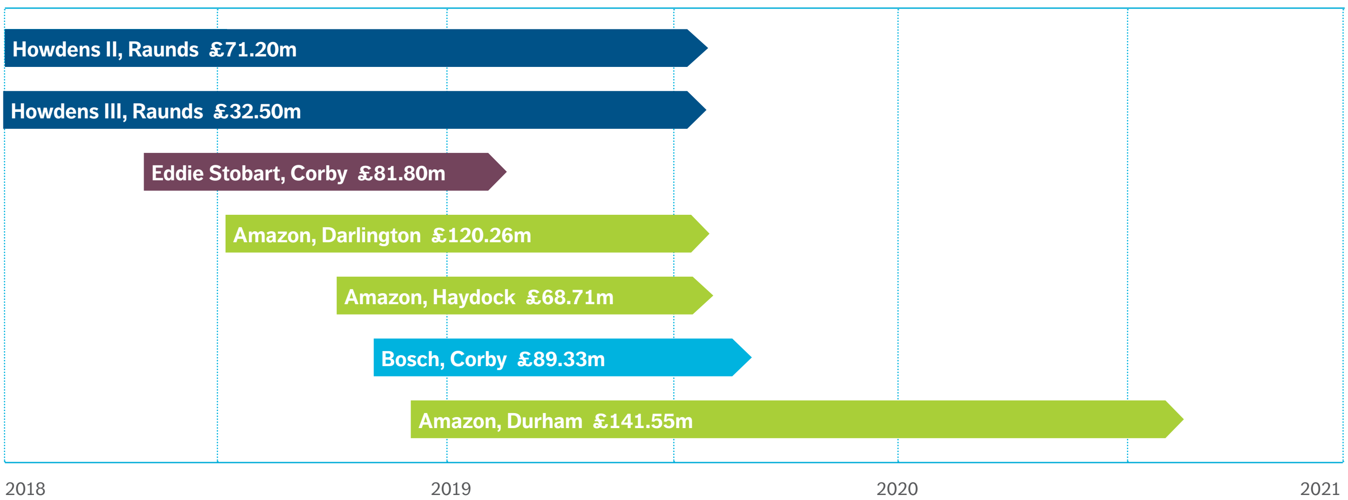
5.5%
average purchase yield for the nine completed assets

+23.5%[2]
gross uplift on acquisition price

21yrs
weighted average term at practical completion

Development time line: seven assets under construction

Acquisition price (£m)



1 Excluding Eddie Stobart Limited, Corby which completed in February 2019.

2 23.5% gross uplift prior to deducting purchase costs but inclusive of project enhancement costs.

Including demolition costs, we estimate that the total cost for the developable area at Littlebrook will be approximately £0.90 million to £0.95 million per acre. This compares favourably with prices of approximately £3.00 million per acre in two comparable land transactions during 2018.

Change in Investment Policy

The change to the Investment Policy, as discussed in the Chairman's Statement on pages 6-7 and the Objectives and Strategy section on pages 20-21, will enable us to acquire further sites for the Group. We and the Board believe that in order to maintain the quality of the portfolio and future returns, investment opportunities are increasingly likely to come from the development of new assets. At the same time, we will focus on ensuring that the Company has the potential to continue to reward Shareholders through growth in the dividend.

Acquisition of db symmetry

In February 2019, we acquired 87% of db symmetry, a specialist industrial logistics developer which controls one of the UK's largest strategic land portfolios. The remaining 13% was retained by existing management who are incentivised to deliver the Company's long-term strategy. This followed a change to our Investment Policy which was approved by Shareholders in the year.

This acquisition includes both consented and strategic (optioned) land, offering the Group phased access to deliver a potential 38.2 million sq ft of logistics assets across key locations in the UK over the course of the next 10 years.

The Strategic Rationale for db symmetry

In our first full year of trading in 2014 we purchased 12 investments: one was a forward funded pre-let development and 11 were existing investments where a tenant was already in occupation (standing assets). In 2018 we purchased eight investments: one was a standing asset and seven were forward funded pre-let developments. Early on we used research, contacts and knowledge to acquire attractively priced assets and gain an early-mover advantage. As the market matured, we saw less value in existing investments and greater value in pre-let forward funded developments. We therefore concentrated our focus on developer relationships. These transactions provided some of the strongest Customer financial covenants, brand new buildings which have helped maintain the modernity of our portfolio and the longest market leases, thereby supporting our WAULT. They have also been the most rewarding financially, delivering 8.64%[1] gross annualised capital growth, compared to our standing assets which have grown by 7.63%[1].

Our team has significant development experience and is well connected in the development community. In the market, the development landscape had been changing. Investors, frustrated at losing out in competition for logistics investments, turned to development joint ventures (CBREGI with Prologis), or the acquisition of a developer platform (GLP acquiring Gazeley and Segro buying out Roxhill). Consequently, very little, if any of the pre-let stock from those developers will be offered to the market since the investments will be retained by the investment partner. This is likely to have the effect of reducing the number of high quality

DBS, Biscester, phase 1, comprising 163,130 sq ft.

1 Includes project enhancement costs (excluding purchase costs).

pre-let development opportunities available to purchase in the future and increasing competition for them.

Our thought process had been similar. Many of the best quality investments had already been bought and yields continued to tighten for standing assets, a trend which we know cannot continue for the longer term. Following extensive research and debate we decided that the acquisition of land suitable for logistics development would allow the Group to capture value at the two major inflection points; i) upon achieving planning and; ii) on securing a pre-let. Our first land purchase was Littlebrook and to date that has performed well, is on time and within budget.

Having researched the market we identified db symmetry as the remaining major logistics developer of scale with a geographically diverse portfolio in the UK and respected management team. The rationale was simple: capture a high-quality land bank and development expertise to internally deliver long-term high-quality product for the Group, tightly controlling speculative exposure and limiting this to smaller scale buildings, with a focus on pre-let forward funded development. This strategy is designed to maximise return whilst minimising risk.

The construct of the transaction also doesn't fundamentally change the DNA of our business: protecting our shareholder dividend yet providing long-term potential for growth in our earnings. We believe that this is possible following the db symmetry transaction.

Five sites are owned, two are subject to development management agreements (providing fees and/or profit share), whilst 19 are controlled under option agreements and a further three which are not expected to be for logistics. The attraction of this arrangement is that the initial purchase price is significantly lower, thereby reducing cash drag and minimising the impact on our earnings, but we benefit from control over a much larger land bank than would be possible given the level of initial investment that we have made.

Of course, in order to acquire sites following receipt of planning and to fund the construction of pre-let developments, we will need capital, and, in addition to debt, this is likely to require some equity raises over the course of the 10-year business plan. We do, however, expect to fund a significant element of this requirement from sales of assets and the recycling of proceeds to fund the acquisition of suitable pre-let investments created by db symmetry. The objective is to typically sell investments at yields of 4%-5% and reinvest the proceeds into db symmetry with a target yield on cost of 7%-8%. db symmetry presents an exceptional and potentially transformational opportunity when combined with our current business. The sites are in strong locations and can provide best-in-class investments, allowing us to maintain the high quality that our portfolio is known for. It can deliver both significant capital growth and longer-term income growth to support our aspirations for attractive dividend growth.

Opportunities for the year ahead

2018 was not kind to retail. The pound devalued following the EU referendum in 2016, making imports more expensive. This pressure encouraged introspective examination of supply chain efficiency and the stronger retailers have been reacting by consolidating into and investing in larger, more efficient logistics facilities. Others, without such financial muscle or vision, and unable to increase pricing, had been struggling for some time, and in some instances have become insolvent. It is likely that others will follow in 2019 – a good reason for landlords to focus on robust occupier covenants and quality real estate, characteristics of our portfolio.

Our market is not without risk, however. Brexit is an obvious concern but we are also keeping a close eye on the muted threat of taxation of e-commerce and business rates as well as interest rates and gearing levels. Fearing a Brexit without frictionless trade borders, there have been recent examples of occupiers planning to hold more inventory domestically. In my view, our sector proved almost immune to the negative effects of Brexit during 2018 with CBRE reporting the highest ever level of logistics lettings in the UK. 2019 may not be as strong, but we do expect occupational demand to remain robust, supporting a continued level of healthy rental growth.

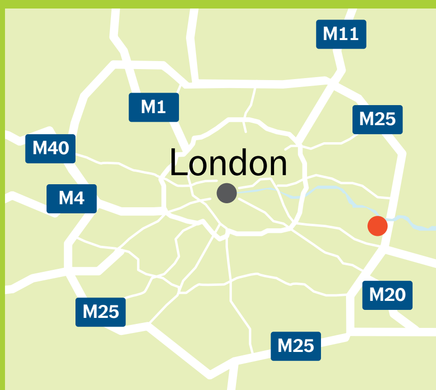
This in turn should see strong investment interest in the sector continue, with the potential for further yield compression.

Our business is now well set for the next phase of its life, supported by a high-calibre Board and Management team. We have a healthy level of opportunities to asset manage for value creation, particularly through the conversion of Value Add assets to Foundation assets. Our pipeline remains strong with attractive opportunities to buy accretively and off market at attractive pricing, but looking forwards we expect a lower level of external acquisitions. Littlebrook is now well placed to secure a pre-let and there will be opportunities from the newly acquired db symmetry portfolio to internally create high-quality investments. Our strategic development land will allow us to offer new hubs to our existing Customers and welcome new tenants to our portfolio. We are well capitalised and whilst further equity will be required to maximise value from this strategic land, we expect to sell some of our assets and recycle the proceeds internally to fund pre-let development at an attractive yield on cost.

Delivering Logistics Development for London

"We anticipate being able to provide additional new high-quality investments on a pre-let basis to the Company's portfolio over the coming years at an attractive yield on cost. Our continuing phased capital investment programme will in time bring new jobs to the site as well as the wider area."

Colin Godfrey, Fund Manager



Strategic land – Littlebrook, Dartford

Littlebrook has the potential to become one of London's largest Big Box logistics parks, capable of delivering approximately 1.6 million sq ft of logistics buildings, including several Big Boxes and some smaller urban logistics facilities. By developing larger scale buildings on a pre-let basis we aim to add new high-quality investments and Customers to the portfolio over the coming years, while minimising risk (see page 20-21).

Assets that satisfy modern occupiers' requirements

Location: well placed for logistics

Littlebrook is situated in a core "last mile" location benefiting from strong road and port connectivity. It is strategically located inside the M25, close to the Dartford Crossing, with direct access for distribution across London and the South East.

Labour: ready and accessible labour supply

Larger, increasingly automated Big Boxes can still require a large, appropriately skilled and affordable labour pool, employing several thousand people during peak periods. Littlebrook, Dartford benefits from a local population that includes c.222,900 people with qualifications relevant to logistics and distribution[1,2].

Power: driving operational efficiency

Modern Big Boxes typically use high levels of automation and complex technology to achieve efficiencies that are crucial to protecting the profitability of occupiers. A Big Box can require as much as 6Mva at full capacity; the equivalent power required for up to 3,000 homes. These large assets require sufficient levels of available power, increasingly supported by sustainable onsite generation initiatives.

Highlights

25 mins

Journey time to central London

580,000 people

Active local labour market in Dartford[1]

11Mva

Potential power capacity on site

1 Source: 2011 Census.
2 NVQ Levels 1 and 2, .and other qualifications (incl. apprenticeships).

Implementing the Group's Investment Policy

Despite a competitive investment market, we maintained capital pricing discipline and led the sector in transacting eight outstanding and attractively priced deals in 2018. These comprised seven forward funded pre-let developments and one standing investment. All of these were off market, taking our overall portfolio acquisitions to 86% off market. Our unique relationship-driven model continues to deliver value for our shareholders, with an average uplift on valuation of 7.5% across the eight new assets which were purchased at a blended NIY of 5.1%. This accretive yield supports the Company's ability to grow its dividend.

James Dunlop
Investment Director

Disciplined capital allocation

Each of our 2018 acquisitions has enhanced the quality of the Company's portfolio. In addition to broadening and deepening the Company's Customer base, our eight acquisitions had an overall WAULT of 18.9 years at the year end. The seven forward funded pre-let developments are Foundation assets, with an overall WAULT at practical completion of 19.6 years, which lengthens the average WAULT across the portfolio. When buying assets with shorter income, we target quality assets in good locations with strong intrinsic value. The standing investment we purchased is let to a pure-play online retailer; the building is versatile, modern, high-specification and occupies a strategic North West location. It falls within our Growth Covenant investment pillar, had an unexpired lease term of 7.9 years at the year end and offers the potential for attractive rental growth at the next open market rent review in May 2021.

Maximising transactional efficiency

Acquiring forward funded developments helps to reduce frictional costs significantly. Acquisition costs in 2018 were 1.7% of the aggregate purchase prices, which compares very favourably with typical direct property purchase costs of c.6.8%. This low level of acquisition costs maximises value for our Shareholders and enhances the running yield of the investments.

Forward funded pre-lets compound our relationship driven model

The common theme across the 2018 pre-let forward fundings is that they reflect either repeat business with existing developers or further transactions with established Customers. This has been a key focus for us and a strong source of capturing off-market opportunities. We value our relationships, working collaboratively with our delivery partners and demonstrating to them how our knowledge and reliability in pre-let forward funded transactions can provide certainty, ensuring the timely delivery of assets to meet their business plans. We have actively targeted key Customer relationships which seek long term, stable, supportive and innovative investment partners. This has been one of the cornerstones of our investment strategy in 2018.

The Group's Investment Highlights in 2018

+8
Big Box assets
£641.5m successfully invested

7.0m sq ft
Logistics space acquired in 2018 (GIA)

18.9yrs
WAULT of 2018 acquisitions

100%
of assets acquired off market

5.1%
Average NIY of eight Big Boxes acquired

Strengthening relationships with our existing Customers

During 2018 our acquisitions continued to diversify our high-calibre Customer base, but we also strengthened relationships with some of our existing Customers.

In particular, during the last three months, we focused on the highly influential e-commerce component of the retail sector committing to the delivery of three forward funded developments facilities pre-let to Amazon. Following these acquisitions and the letting of an existing asset, Amazon now occupies 4.9 m sq ft of high-quality Big Box logistics space within our portfolio and represent 13.7% of the total contracted rent roll.

> "Many operators still need to right size to ecommerce. There is a lot of portfolio engineering still required and this will mean new take-up"
>
> Logistics Manager, February 2019

> "By floorspace pure-play online retailers accounted for 32% of take-up during 2018"[1]

1 Source: CBRE – Assets 100,000 sq ft and above

Five Amazon Big Boxes

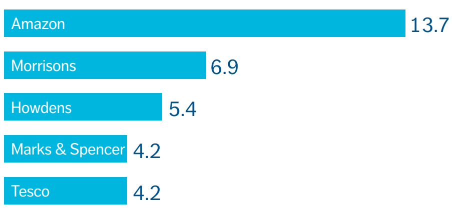
4.9m sq ft

High quality logistics space across the UK

17.1yrs

WAULT across five Amazon assets

Our five largest tenants by contracted rent roll (%)



Assets Acquired in 2018

Set out below are key details of the assets acquired in 2018. Further information on all the Group's assets, including those purchased during the year, can be found on its website: https://tritaxbigbox.co.uk/portfolio/properties.

Standing asset

AO World, Crewe, Cheshire

Announced: Jan 2018
Acquisition price: £36.10m
NIY: 5.4%
GIA: 387,666 sq ft
Built: 2006
Lease expiry: Nov 2026

Pre-let forward funded developments

Howdens II & III, Raunds, Northamptonshire

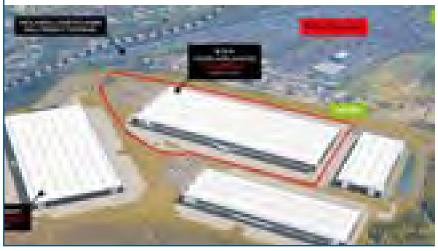
Announced: Jan 2018
Acquisition price: £103.70m (combined)
NIY: 5.0%
GIA: 657,000 sq ft & 300,000 sq ft
Practical completion: expected Sep 2019
Lease expiries: expected Sep 2049

Amazon, Darlington, County Durham

Announced: Jun 2018
Acquisition price: £120.26[1]m
NIY: 5.0%
Total GIA: 1,508,367 sq ft (incl. mezzanines);
Ground floor area: 542,060 sq ft
Practical completion: expected Sep 2019
Lease expiry: expected Sep 2039

BSH Home Appliances Limited, Corby, Northamptonshire

Announced: Oct 2018
Acquisition price: £89.30m
NIY: 5.2%
GIA: 945,375 sq ft
Practical completion: expected Aug 2019
Lease expiry: expected Aug 2029



Eddie Stobart, Corby, Northamptonshire

Announced: Feb 2018
Acquisition price: £81.80m
NIY: 5.0%
GIA: 847,643 sq ft
Practical completion: Feb 2019
Lease expiry: Jan 2039

Amazon, Haydock, Merseyside

Announced: Sep 2018
Acquisition price: £68.71m
NIY: 4.9%
GIA: c.361,092 sq ft
Practical completion: expected Jul 2019
Lease expiry: expected Jul 2034

Amazon, Durham, County Durham

Announced: Dec 2018
Acquisition price: £141.55[1]m
NIY: 5.25%
Total GIA: 1,992,061 sq ft (incl. mezzanines);
Ground floor area: 536,082 sq ft
Practical completion: expected Jul 2020
Lease expiry: expected Jul 2040

1 Based on target commitment amount.

Post year end activity

db symmetry acquisition

Investing for future performance

On 19 February 2019, the Group completed the acquisition of an initial 87% economic interest in db symmetry Group Ltd (DBS). With roots dating back to 1996, DBS has evolved to become a leading specialist logistics development company, with one of the UK's largest and geographically most diverse portfolios of strategic land for the development of Big Box assets and related logistics facilities.

A financially attractive proposition

We are targeting an average yield on cost of between 7% and 8% for the assets that the Group develops, which compares highly favourably with the 4.4%[3] valuation yield on the Group's portfolio at the year end. As such, we expect the DBS portfolio to contribute materially to the Group's ability to deliver strong earnings growth and a progressive dividend, as well as significant valuation gains. This will enhance the Group's ability to create value internally, with the recycling of capital from asset sales and redeploying this into new developments.

The acquisition gives the Group the opportunity to internally develop and control the timed delivery of new Big Boxes on a scale it could not otherwise achieve. It offers phased access to over 2,500 acres of land or options over land, which is expected to deliver up to c.38.2 million sq ft of Big Box and related logistic assets, spread across 26 schemes. We have assumed a build-out rate of approximately 2.8 million sq ft each year to 2028.

Buildings will be developed primarily on a pre-let, forward funded basis for large scale logistics facilities. Excluding the initial acquisition price paid, if the current portfolio is fully built out it is estimated that the capital requirement would be in the order of £1.3 billion over a period of 10 years, net of an element of capital recycling, to be funded by a combination of debt and equity. Variations of this model could be adopted to reduce the capital expenditure required.

An exceptional portfolio

The portfolio comprises:

New assets	Number	Net acres	Sq ft (m)
Consented developments[1]	7	250	3.8
Strategic land (options)[2]	19	1,700	34.4
Total	26	1,950	38.2

The portfolio is concentrated around the core logistics locations of the M1, the M40 and the North West's prime M6 and M62 corridors, plus sites in the North East and South West, and was independently valued by Colliers International at £372.75 million as at 31 December 2018. This supports the enterprise value attributed to DBS by the Company of £370 million, subject to certain adjustments in respect of cash, debt, working capital, tax and other operational liabilities.

Seven schemes have planning consent. Two of these are development management agreements (providing fees and/or profit share). The five remaining schemes that are owned currently have planning consent. On three of these schemes there are five buildings under construction, as shown in the table below:

Location	Size (sq ft)	Estimated completion date	Estimated potential rental income £m
Doncaster	150,000	Jan 2019	0.80
Bicester phase 1	163,130	Mar 2019	1.10
Aston Clinton	83,000	Jul 2019	0.60
Aston Clinton	55,000	Jul 2019	0.40
Aston Clinton	110,000	Jul 2019	0.80
	561,130		3.70

These buildings are being constructed to institutional specifications and are being marketed with a view to letting them during construction or shortly after completion.

The strategic land element of the portfolio primarily relates to options over land. Land options are legal agreements entered into between landowners and developers to secure exclusivity. They are structured to allow the developer to work up planning on the optioned land before having to acquire the freehold or leasehold interest. Typically, once planning consent is achieved the developer has the ability to acquire that land at a 15-20% discount to the open market value less costs incurred by the developer in securing planning and associated infrastructure. This should enable the Group to acquire the land at a significant discount to market value, once planning consent is secured. Our approach is to optimise the use of capital by minimising pre-planning capital commitments and exposure to variable development costs, phase the draw down of capital, and avoid the impact of holding non-income producing assets for an extended period.

At Darlington, DBS secured a pre-let with Amazon which the Group had already purchased as a forward funded development prior to the DBS transaction.

1 Includes two schemes which are subject to development management agreements with DBS benefiting from the right to receive fees and profit overage on land owned by third parties. One scheme is subject to a 50:50 joint venture arrangement.

2 Strategic land comprises schemes which are a combination of options, rights to profit or overage payments. Five schemes are subject to 50:50 joint venture arrangements.

3 Including Littlebrook, Dartford; 4.5% NIY excluding Littlebrook, Dartford.

Our established forward funded model

To minimise development risk, we will look to create high-quality, income producing investment properties for the Group's portfolio by obtaining planning, securing an occupier and developing larger scale Big Box logistics assets only on a pre-let, forward funded basis. In doing so, we will seek to leverage the Group's strong relationships with its existing Customers, helping to satisfy their demand for additional logistics space.

Larger scale buildings are typically purpose built for an occupier following a pre-let, because there is limited supply of speculatively developed larger facilities. These are usually regular in design specification such that they are generally appealing to the occupational market.

Speculative development and smaller format buildings

In November 2018, the Company amended its investment policy to allow for up to 5% of gross asset value to be invested in speculative development, without which the Group would have been unable to acquire an 87% interest in DBS. There are five buildings currently under construction that have been commenced on a speculative basis. In the future it is not our intention to speculatively develop larger format Big Boxes, but from time to time, it may be desirable to speculatively build smaller buildings. This is an accepted way of marketing the site and demonstrating to potential occupiers who can then see the quality of the buildings being constructed and understand the access, orientation and infrastructure provision.

DBS has master planned the use of each scheme to accommodate a variety of building sizes in order to appeal to a broad range of occupiers (sometimes an initial planning requirement). Whilst the outline planning consent may be for a scheme which incorporates a varying number of building sizes, this may be amended later, depending upon demonstrable demand.

An example of this is already evident within the DBS portfolio. Biggleswade benefits from detailed reserved matters planning consent for logistics uses in five buildings. Subsequently, the entire site has been pre-let to The Co-operative Group Limited, on a new 20-year term. Consequently, a reserved matters planning application has been submitted for a new 661,000 sq ft regional distribution centre. Determination of the application is due at the end of Q1 2019. The site totals 50 acres, is fully serviced and development ready with new access, utilities and drainage. Subject to receiving detailed planning consent, we expect the building to reach practical completion in Q4 2020.

Adding a highly experienced team

In acquiring an 87% interest in DBS, the Group has also secured the services of a highly experienced team of 17 property professionals and a further 11 support staff. Its senior management team, consisting of Richard Bowen, Henry Charman, Andrew Dickman and Christian Matthews retained a 13% stake in DBS, through the issuance of B and C shares in Tritax Symmetry Limited, the Group's acquiring entity and holding company for DBS (Tritax Symmetry). The B and C shares are designed to incentivise the wider

Symmetry Park, Biggleswade.

7-8%

Target yield on cost

Attractive target yield on cost across the DBS development portfolio

87%

Initial economic interest

Purchased interest in db symmetry

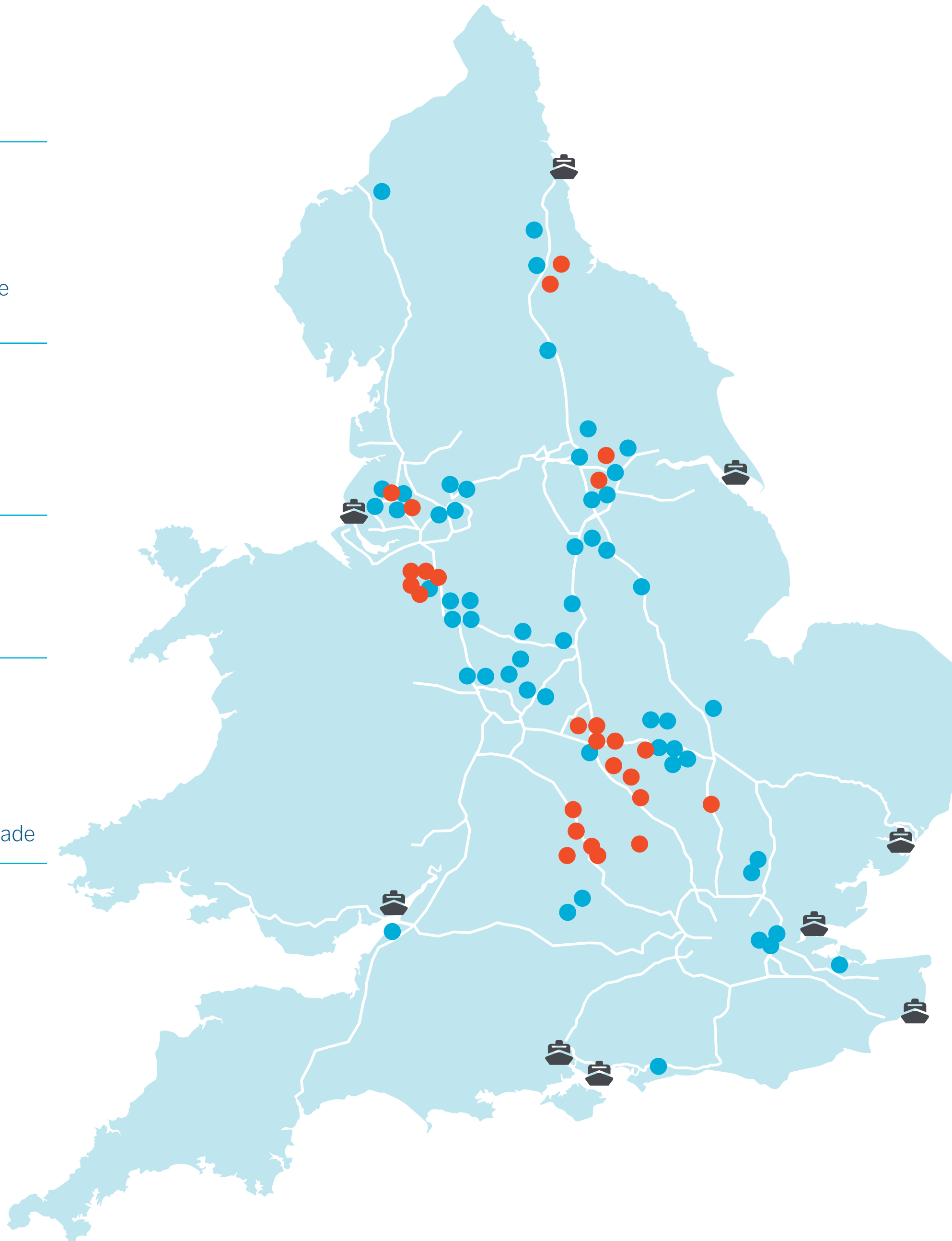
38.2m sq ft

Potential delivery of logistics assets

0.7m sq ft

Pre-let

Pre-let secured to an institutional grade occupier for a 20-year term at Biggleswade



DBS management team by aligning their interests with the rest of the Group. The Group has acquired 100% of the A shares in Tritax Symmetry which convey rights to all income.

The team has a track record of successful land promotion and adding value across the development value chain. They have delivered 13 million sq ft of commercial projects and achieved a 100% planning success rate on logistics land promoted. The DBS land portfolio has been assembled over approximately a 10-year period.

The Group has experience of working with DBS, having recently funded the pre-let to Amazon at Darlington in June 2018, where DBS is acting as the developer.

Alignment with senior management

The DBS senior management team have retained a 13% economic interest in Tritax Symmetry, which equates to approximately £38.1 million as at the point of completion. The DBS senior management team have also received a further 6% in the form of share consideration in the Company, representing approximately £17.56 million, further aligning their interests with the Group's overall performance.

There are two forms of lock-in arrangement for DBS senior management under these two separate share holdings, as follows:

6% share consideration in the Company – Share disposals can be made equally over a five-year period, by disposing of up to 20% of the share consideration, on an annual basis, from the end of year one, through to the end of year five.

13% economic interest – Senior management have an option to put an element of their B and C shares in Tritax Symmetry to the Company, equivalent to 1.5% of their shareholding, exercisable on an annual basis from the end of year three, through to the end of year eight. This is only on the basis that the DBS portfolio achieves a total return of 15% per annum on a cumulative basis.

If this return hurdle is not met, then the particular shareholding rolls to the next year when the test is assessed again. At the end of the year eight, any shares that have not been put onto the Company by DBS management can be put automatically by DBS management or called by the Company.

The B and C shares are realised through either the payment of cash to DBS management or the issue of shares in the Company to DBS management, noting that at least 25% is payable in cash. Any decision in terms of consideration split lies with the Company.

The Company has also negotiated a position whereby up to 4% of the DBS senior management shares (13%) are to be offered to the wider DBS management team, over time, through the further issue of C Shares. This incentivisation across the broader DBS management team is designed to provide an alignment of interest within the wider DBS management and to stimulate succession planning within DBS management.

Structure and corporate governance

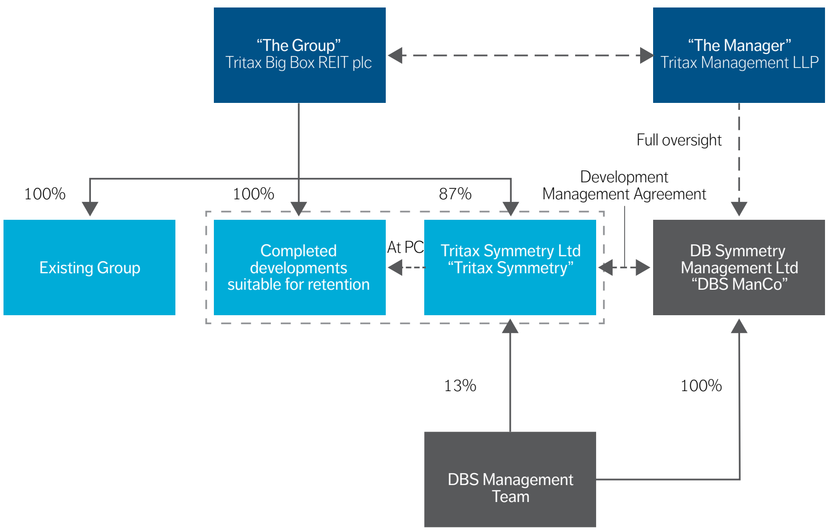
The DBS management team have established a separate external management company DBS Symmetry Management Ltd (DBS ManCo), which has contracted with Tritax Symmetry. The DBS management team will develop the portfolio under an exclusive Development Management Agreement with Tritax Symmetry. This means that whilst the Group is able to continue to contract with multiple other developers, DBS is only permitted to contract with the Group.

The DBS management team will report directly to the Manager; the Manager will be responsible for portfolio and risk management. The Manager will therefore retain control over all key decisions in respect of the portfolio, such as strategy, construction, letting, land acquisition and disposals, and further land options. The Manager will interact and report to the Board in the normal way.

The Manager will also approve the budget that is paid to DBS ManCo under the Development Management Agreement. DBS ManCo will receive a fixed management fee of £4.8 million for the year ending 31 December 2019, payable monthly in arrears. The Manager has the ability to review the DBS management fee on an ad hoc basis.

The Manager will take responsibility for the management of DBS investment assets (and previously developed assets which have been managed by DBS) once they have reached practical completion and have been let (including any future asset management initiatives on these DBS investment assets), including any decision that is made to sell the DBS Assets into the open market.

It is expected that a significant portion of DBS ManCo costs will be treated as development costs of new assets and capitalised.



There are no other fees, ie performance, acquisition, exit or property management fees, payable by the Group to DBS ManCo under the Development Management Agreement (although certain benefits are payable to senior management of DBS ManCo by virtue of the 13% economic interest in Tritax Symmetry).

The Group can decide whether or not to retain any suitable completed developments. Any asset not suitable for the Group will be sold to third parties and the capital recycled.

Acquisition consideration and future financing

Acquisition consideration

DBS was owned by DV4 Properties (60%) and DBS Senior Management and Brit Investments S.A. (40%). A total of approximately £67.7 million had been advanced to DBS by DV4 Properties by way of deep discounted bonds, which had been used to fund land acquisitions, construction, developments and associated costs in relation to the DBS portfolio. Under the terms of the Share Purchase Agreement, the Group procured the repayment of the deep discounted bonds at Completion.

Allocation of the consideration for the Acquisition on Completion was as follows (subject to certain adjustments in respect of cash, debt, working capital, tax and other operational liabilities):

> approximately £202.4 million in cash paid in respect of 69.1% of the equity value of DBS, of which approximately £140.9 million was paid to DV4 Properties and approximately £61.5 million was paid to DBS Senior Management and their related parties;

> approximately £38.1 million was paid through the issue of B and C Shares in Tritax Symmetry in respect of 13% of the equity value of DBS, issued to DBS Senior Management; and

> approximately £52.6 million was paid through the issue of new Ordinary shares in respect of 17.9% of the equity value of DBS, of which Consideration Shares representing £35 million were issued to DV4 Properties and Ordinary Shares representing approximately £17.6 million were issued to DBS Senior Management and Brit Investments S.A. These shares were issued on completion of the acquisition at 130p per share, equivalent to the issue price of Ordinary Shares issued under the Open Offer to Shareholders which was used to fund the acquisition and are subject to lock up restrictions for a period of six months, an orderly market arrangement for six months thereafter in respect of the shares issued to DV4, and for a five-year period in respect of the shares issued to DBS Management.

Open Offer

In order to fund the acquisition, and further investments in accordance with the Group's Investment Policy, the Company raised gross proceeds of approximately £250 million comprising a Placing and Open Offer, issuing 192,291,313 shares at a price of 130 pence each. The Open Offer was fully underwritten.

On 11 February 2019, the Company confirmed the issue of 192,291,313 New Ordinary Shares pursuant to the Open Offer, which was significantly oversubscribed. Valid applications were received for 152,562,386 New Ordinary Shares in respect of Qualifying Shareholders' Open Offer Entitlements which were satisfied in full. Valid applications were also received for 204,679,211 Excess Shares under the Excess Application Facility. A scaling back exercise was undertaken with respect to Excess Applications received which were allocated pro rata to Qualifying Shareholders' applications under the Excess Application Facility, in accordance with the terms set out in the Prospectus.

Financing the business plan

In addition to equity available from the Open Offer, the Group has available debt capital to draw upon for near term commitments to fund the development of the DBS portfolio. Thereafter, further capital requirements will be from a combination of equity and debt. The Manager estimates that the funding requirement will be in the order of £100-£200 million pa on the basis of 2.8 million sq ft being developed each year. This is likely to require the Group raising new equity, but the Manager intends to additionally fund growth in DBS from the sale of assets (potentially a combination of existing Group investments and DBS assets).

Land and speculative development exposure

On an ongoing basis we will closely monitor our exposure to land, options over land and speculative developments, to ensure that we remain within our Investment Policy parameters.

Taking the December 2018 Statement of Financial Position, and adding the effects of the DBS acquisition, the Company's holdings in land and options over land (including our site at Littlebrook, Dartford) represent 9.2% of gross asset value and speculative development constitutes 1.0%, therefore totalling 10.2% when combined, against overall gross asset value.

Dilutive impact of the transaction

Whilst we did not want to raise equity at a discount to net asset value, our share price did suffer in Q4 2018 from the political and economic uncertainty which affected the UK REIT market more generally, principally driven by a lack of clarity over Brexit. We believe the DBS acquisition will add significant value to the Group, and therefore, concluded with the Board that it was in shareholders' interests to proceed with the transaction rather than lose this unique opportunity, notwithstanding the challenging macro environment. This view was endorsed by Shareholders as evidenced by the oversubscribed nature of the equity raise.

When adjusting for the issue of new shares pursuant to the fundraising and the acquisition, which were issued at 130 pence per share, along with the relevant transactional and equity raise costs, the resultant dilution to the year-end NAV per share is estimated to represent approximately 3.80p or 2.52%. Management has identified value within the DBS portfolio which it believes will more than compensate for this NAV dilution in the near term.

Delivering Solutions for our Customers

Above: aerial view of site for Howdens II and III with groundwork underway.

Left: superstructure of buildings with Howdens I in background.

Opposite, above: Howdens I, completed.

TRITAX BIG BOX

Leading funder in the UK Big Box market

The seven pre-let forward funding projects added to the portfolio in 2018, mean that the Group has now undertaken a total of 16 forward funded pre-let developments, making it the leading funder in the UK Big Box market over the last five years.

Securing new high-quality assets and Customers

By developing buildings on a pre-let basis we aim to add new modern investments and Customers to the portfolio. We work collaboratively, with Customers delivering high quality and sustainable real-estate solutions that support their business objectives.

Acquiring prime, attractively priced assets

We acquire forward funded pre-let developments at an attractive discount to market levels when compared to existing income producing investment properties. As at the year end, nine pre-let developments had successfully reached practical completion, with an average purchase yield of 5.5%. This compares to an average valuation yield for a strong covenant on a 15-year term of 4.5% as at 31 December 2018 (source: CBRE).

Developing modern sustainable assets

We work closely with our Developer Partners to ensure that our assets are constructed using state of the art design and materials and incorporate initiatives such as low carbon technologies. The success of these initiatives are evaluated in the BREEAM rating achieved. By GIA, 78% the five forward funded pre-let developments that became operational during 2018, achieved a rating of "Very Good", with the remaining 22% securing the higher "Excellent" rating.

Benefiting local communities

Once operational, Big Boxes are important for job creation, with some multi-level facilities employing several thousand local staff. We also seek to work with our Customers to actively support local communities and charities through volunteering, sponsorship and charitable donations.

"Following the successful completion of the first Howdens building, which the Company agreed to forward fund in September 2015, we are delighted to be investing in the second phase of Howdens' two new distribution centres. Once completed, these three high specification facilities totalling 1.6 million sq ft will provide Howdens with a 'centre of excellence' for its national supply chain operations."

Colin Godfrey, Fund Manager

Delivering the Group's Asset Management Strategy

We continued to successfully implement the Group's asset management strategy in 2018, delivering valuable initiatives that have helped to strengthen or lengthen the Group's income whilst realising significant capital value appreciation. Key achievements included settling 11 rent reviews, completing a building extension, a lease surrender and re-letting, and a lease extension.

Petrina Austin
Partner, Head of Asset Management and Sustainability

Strong Customer relationships

We want the Group to be our Customers' landlord of choice for Big Box logistics property. We aim to develop strong relationships with the Group's Customers, so we understand their occupational requirements and commercial objectives. This helps us to identify asset management opportunities that support our Customers' businesses, enhance the quality of the Group's income and increase capital values.

As we have grown in scale, further acquisitions have allowed us to welcome new Customers and also strengthen our relationships with existing Customers, creating the future opportunity to perform asset management initiatives with one Customer across multiple assets.

Customer engagement – Key themes for 2018

In addition to our regular programme of Customer engagement, we have been in active discussions with a number of Customers as they plan for the potential impact of Brexit. This includes managing Customer applications for alterations to properties, to accommodate additional temporary storage space for more domestic inventory or the expansion of automation for improved efficiencies within existing buildings. These initiatives can help Customers to mitigate the effects of potential changes to border controls or delays in their supply chains. The portfolio consists of assets with the resilience to meet evolving Customer requirements either on a temporary or permanent basis.

Sustainability is of increasing importance to Customers, as they look to fulfil their corporate social responsibility (CSR) commitments. An ongoing priority is working closely with our in-house property management team and sustainability consultants to review the potential for "green" initiatives at the Group's assets. These can reduce costs for Customers, whilst improving the properties' environmental credentials. Similarly we have been reviewing the opportunity to work with our Customers on charitable engagement to help bring environmental and social benefits to the communities where the Group owns assets. More information on these initiatives can be found in Our Sustainable Approach on pages 54-57.

Repositioning our assets from Value Add to Foundation

There are opportunities to add value to assets across all of our investment pillars (see page 45), but particularly for Value Add

The Group's Asset Management Highlights in 2018

11
Rent reviews settled across 4.97m sq ft

£0.91m
Increase in rent from reviews settled in 2018

+£2.04m
Increase in annual rent[1]

1 Includes all 2018 asset management initiatives and rent reviews.

For Our Sustainable Approach, see pages 54-57

assets. Such assets comprise good quality buildings which are typically let to financially sound Customers and offer the potential for us to apply our asset management expertise in order to enhance income and/or capital value through lease re-gears (extending unexpired lease terms), amendments to the existing leases varying the rent review terms), physical improvements (building of extensions) or agreeing new lettings. For some assets such initiatives can change the pillar categorisation from "Value Add" to "Foundation".

Amazon, Chesterfield – A new 15-year lease: On acquisition in March 2014, we had categorised our Chesterfield asset as Value Add, owing to the lease having a relatively short unexpired term of approximately six years. Upon acquisition we were aware that the tenant, Tesco, intended to vacate the property but could not do so quickly. Tesco operated from the property for a further four years before vacating, at which time we negotiated a surrender of the Tesco lease, without premium. This completed at the end of March 2018. We immediately entered into a 12-month occupational licence with Amazon and subsequently agreed a new lease with Amazon for a 15-year term from November 2018; the new rent is subject to legal confidentiality but represents a significant increase over the previous level, and is reviewed on an indexed-linked five-year basis. Prior to the re-letting we committed to refurbishment works to improve the quality of the property. This lease surrender and re-letting has repositioned this asset from Value Add to Foundation.

Kellogg's, Trafford Park, Manchester – Lease renewal for a new 10-year term: The Group acquired the asset in August 2016, with an unexpired lease term of approximately 18 months, as we believed there was a strong possibility of negotiating a lease re-gear with Kellogg's owing to the importance of the building in their supply chain and the quality of the location. Shortly after our acquisition of the investment we engaged with Kellogg's to understand its future distribution requirements and develop a property solution. In March 2018, shortly before the expiry of the original lease term, we completed a new 10-year lease with Kellogg's. As part of the negotiation the annual rent was increased by 20% to £1.8 million pa.

Future proofing assets and enhancing value

When acquiring assets for the Group, one of our key considerations is the potential for physical improvements. We typically acquire assets that are well configured with low site cover, to allow for occupational flexibility as a Customer may need to extend a building or alter its layout as its occupational requirements evolve. Through our specialist knowledge and experience, we can often suggest practical solutions. These initiatives aim to grow the Group's income and ensure that its assets are resilient and can adapt to Customer demands.

DSG, Newark: During the year, further option agreements were entered into which provide the Group with the potential to acquire a substantial area of land adjoining its existing property asset, which is currently leased to DSG. Master-planned scheme designs have been drawn up by architects and discussions are progressing with

Our proactive asset management approach

Our approach to asset management aims to create value throughout the asset lifecycle.

Sector specialism
We draw on our unique knowledge and sector insight to identify assets where we can add value through asset management.

Market intelligence
Our extensive network of relationships with agents and consultants, plus in-house research, ensure we have up-to-date market intelligence.

In-house expertise
We have a team-based approach, combining dedicated internal asset and property management and development expertise.

Financial due diligence
We rigorously analyse Customers' financial strength before the Group acquires an asset and continue this scrutiny throughout the life of the lease.

Business plans
We create asset management plans for every asset in the portfolio and analyse the opportunity on an income and capital basis.

Ongoing risk analysis
We conduct a rigorous risk analysis for each property every year and "health check" it monthly.

Customer relationships
We regularly meet and build relationships with local and national Customer contacts. This is fundamental to unlocking asset management opportunities.

the local planning authority in respect of the potential for obtaining planning permission over the optioned land. Subject to achieving planning consent, this initiative could offer the opportunity of developing new buildings on a pre-let basis and/or extending the Company's existing property.

Tesco, Middleton: Tesco has substantially refurbished the Group's asset at Middleton and is undertaking a marketing exercise, with a view to assigning the lease or sub-letting the property. We continue to work closely with this Customer and its agent, and monitor progress and assist with enquiries proactively.

New Look, Newcastle-under-Lyme: In September 2018, the 78,604 sq ft extension to New Look's unit at Newcastle-under-Lyme reached practical completion which led to the rent increasing by £0.42 million pa. As noted in last year's report, the lease was extended by 12 years as part of our negotiation of the property extension and the rent increased as part of an early settlement of the rent review by £0.21 million pa. The initiative generated a yield on cost of 8.4%. The design of the extension is not bespoke to New Look's operations and in the event that an alternative occupier leased the unit, the extended footprint is likely to be beneficial. New Look remains in occupation and monthly in-advance rents have been received on time and are up to date. We continue to work closely with this occupier and regularly meet with New Look's finance director.

Royal Mail, Atherstone: At the time of our acquisition our surveys highlighted the existence of underground fuel tanks which we negotiated to have removed. These works have now been completed, reducing the potential environmental contamination risk associated with the continued existence of these redundant vessels. This has enabled Royal Mail to introduce a new welfare facility in this location. The cost of the removal was negotiated as an expense of the vendor.

Marks & Spencer, Castle Donington: Another notable event during the year saw us complete a licence with Marks & Spencer at Castle Donington allowing rail freight operators to begin using the building's dedicated rail freight terminal. This facility is now operational, demonstrating the commitment of M&S to the property and endorses our original strategy of acquiring a multi-modal property.

Capturing reliable and balanced income growth

The Group's assets have a balance of rent review types and timings, providing the opportunity to increase rental income each year, supporting the Group's earnings and ambition to provide shareholders with a progressive dividend.

The rent reviews which were settled in 2018 included; two outstanding open market rent reviews which were carried over from 2015 and 2017 due to elongated negotiations (as described in more detail below), and nine rent reviews across a variety of review types which had review dates during 2018. There were three open market rent reviews which were not settled and remain outstanding, two of which had review dates in 2017 and one in 2018. These will continue to be progressed during 2019, together with the rent reviews which fall in 2019.

The 11 rent reviews which were settled in 2018, as described above, reflected 19.5% of the total December 2018 portfolio income across 4.97 million sq ft of floor area, adding £0.91 million per annum to the passing rent, which produced a 3.00% increase in those rents reviewed.

Our portfolio balanced rent reviews by type*

37%

Open market rent reviews

These track the rents achieved on new lettings and rent reviews of comparable properties in the market, offering the potential to capture the recent and continued healthy rental growth of Big Box logistics.

11%

Fixed uplift rent reviews

Fixed rent reviews provide certainty of income growth and are set between either 2% pa or 3% pa increases. Fixed uplifts are reviewed on either an annual basis, or on a five-yearly basis.

45%

RPI/CPI linked

These provide inflation protection, via to CPI or RPI. They are all subject to a maximum "cap", varying between 2.5% and 5% pa. Some benefit from a 'collar', varying between 1% and 2% pa, providing a minimum level of growth which can be exceeded by inflation. Most are reviewed five yearly (annualised compound growth), but some are reviewed annually.

7%

Hybrid

Hybrid rent reviews can be an amalgam of the other types, for instance to the higher of open market rents or RPI (potentially subject to a cap and collar). Such arrangements provide enhanced income growth potential.

* Calculated as a percentage of contracted rental income.

Open market rent reviews: Four open market reviews were completed across 1.9 million sq ft, two of which have been under negotiation from previous years (Kuehne+Nagel, Dove Valley Park and Tesco, Chesterfield, outstanding from 2017 and 2015 respectively). Combined, these four reviews resulted in an increase of 3.4% over a five-year period, adding £0.31 million pa to the passing rent.

At the year end, there were three unsettled open market rent reviews (Tesco, Goole; Tesco, Middleton; Next, Doncaster). Once an open market rent review is agreed, the Customer is responsible for paying back-rent from the rent review date, together with interest thereon.

Fixed uplift rent reviews: There were two annual fixed rent reviews completed across 0.9 million sq ft. which were both subject to a 3% annual increase. This increased the rent by £0.19 million pa.

There was one five-yearly fixed rent review completed which reflected a 13.1% increase across this period, increasing the rent by £0.06 million pa which equates to an annual equivalent increase of 2.6%.

RPI/CPI linked: Four rent reviews which are annually reviewed to inflation indices were conducted during 2018. One was reviewed to the Consumer Price Index (CPI) capped at 3.5% pa, whilst the others were pegged to the Retail Price Index (RPI) of which two were capped at 2% pa and one at 3% pa. The combination of these inflation-linked rent reviews led to an increase in rental income of £0.35 million pa equivalent to a 2.44% increase in the rents for these reviewed properties.

If we were to analyse the rent reviews on an annualised basis the annual equivalent increase to the passing rent across all the rent reviews reflects 2.0% pa.

In addition to the rent reviews there were three further asset management initiatives which increased the income of the Group by a further £1.12 million. These initiatives related to agreeing a new lease with Amazon at Chesterfield at a rental level in excess of the 2015 rent review, agreeing a lease extension with Kellogg's at Trafford Park, which was ahead of the previous passing rent the tenant was paying, and completing the 78,604 sq ft extension at New Look. Collectively these initiatives increased the previous passing rent across these three assets by 20.1% and enhanced the capital value of these assets by £14.97 million.

Across all asset management initiatives (rent reviews, lease re-gears and building extensions) the annual passing rent increased by £2.04 million or 1.6% on a like-for-like basis across 46 assets, during 2018.

Understanding the five-year cycle of open market rent reviews

Open market rent reviews use comparable evidence from transactions of other similar properties in a similar geographic area and close to the subject rent review date.

Typically, the landlord and tenant will each appoint a rent review surveyor to negotiate in line with the clauses set out in the lease. In a market which is witnessing rising rents these negotiations can be protracted as both parties have different agendas. If the new rent cannot be agreed between both parties, then the negotiations may be referred to a third-party arbitrator or independent expert to determine the new rent. Having a third-party determine the appropriate rent can take further time.

The majority of open market rent reviews take place every five years and are pegged to the rent prevailing in the market for a comparable property as at the rent review date. When assessing rental growth over the five-year period the reference point is the passing rent, which will typically have been set five years earlier. During the intervening period rents in the market may have been subject to different dynamics, ie they may have reduced, increased or stayed static at different points in time. For example, the logistics market did not start to witness clear rental growth until late 2014/early 2015, since then rental growth has remained positive. Consequently, a property subject to a rent review in mid-2017 may have experienced 2.5 years of no rental growth followed by 2.5 years of positive rental growth. It follows, therefore, that prospects for capturing higher levels of rental growth are likely to improve as we move towards 2020, assuming that rental growth remains positive in the interim.

Delivering Growth Through Asset Management

"We are delighted to have successfully completed this strategic asset management initiative for the Company. This new 15-year lease to Amazon has increased and lengthened the income profile and enhanced the value of this well located asset. We look forward to continuing to work closely with this key customer in order to help them meet their fulfilment requirements."

Colin Godfrey, Fund Manager

Repositioning our Value Add assets to Foundation

During 2018, we delivered two key asset management initiatives welcoming Amazon to our Chesterfield asset and retaining Kellogg's as valued Customer at our Trafford Park asset.

Together the repositioning of these assets successfully strengthened and lengthened the Group's income stream, increasing the passing rent by nearly 20% whilst delivering a capital value increase of over 13%.

A new 15-year lease

During the year, we agreed a new lease with Amazon for a 15-year term from November 2018; the new rent represents a significant increase over the previous level and is reviewed to CPI on a five-year basis between a cap and collar. Prior to the re-letting we committed to refurbishment works to enhance the quality of the property. The lease surrender from Tesco and reletting to Amazon successfully repositioned this asset from Value Add to Foundation.

Lease renewal for a 10-year term

In 2018, we were delighted to retain a valued Customer by completing a new 10-year lease with Kellogg's at our Trafford Park asset. As part of the negotiation the annual rent was increased by 20% to £1.8 million pa. This commitment demonstrates the strategic importance of this facility to Kellogg's supply chain and the quality of the location. The lease renewal successfully repositioned this asset from Value Add to Foundation.

Above left: Petrina Austin, Tritax Partner and Head of Asset Management and Sustainability at the Amazon, Chesterfield Big Box where the fit out is underway.

Above and right: Kellogg's, Trafford Park, Manchester.

Highlights

+2

Key initiatives across c.800,000 sq ft

+£0.70m

Added to the passing rent

+£14.9m

Increase in capital values

The Group's Financial Strategy in Action

The Group met its dividend and total return targets for 2018, declaring dividends totalling 6.70 pence per share, which were fully covered by Adjusted earnings of 6.88 pence per share. Our total return was supported by underlying growth in EPRA NAV of 10.6 pence per share or 7.4%, to 152.83 pence per share as at 31 December 2018.

In April 2018, we successfully raised £155.56 million of equity to grow the Company further and partially finance eight assets. This capital was supplemented by additional, flexible debt finance consisting of a £250 million commitment, in the form of a short-term unsecured RCF, from some of our key relationship banks, and the Group's debut unsecured loan notes in the private placement market, raising £400 million, with an average 9.8 year term.

Frankie Whitehead
Head of Finance

Portfolio growth

At 31 December 2018, the total value of the portfolio, including forward funded development commitments, was £3.42 billion across 54 assets and 114 acres of strategic land (31 December 2017: £2.61 billion across 46 assets). The Group invested or committed a total of £641.45 million (net of purchase costs) in eight assets during the period, of which £330.52 million, or 51.5%, of acquisitions by value were pre-let to Amazon, increasing our overall exposure to the Amazon covenant to 13.7% based on contracted annual rent.

The IFRS gain recognised on revaluation of the Group's investment property portfolio was £162.98 million (2017: £175.98 million), after accounting for all costs related to asset purchases in the year. We managed to continue our efficient manner of purchasing by achieving an average purchase cost of 1.7%, helped by seven forward funded developments where SDLT is paid on the land value only, with the other acquisition being a corporate purchase.

On a like-for-like basis, compared with assets held at 31 December 2017, values increased by 4.7% during the year (excluding any additional capital costs incurred). The portfolio's average valuation yield at 31 December 2018 was 4.4% including the land at Littlebrook, which currently does not generate any income.

At the year end, the Group had total commitments relating to forward funded developments and other asset management initiatives of £365.96 million (31 December 2017: £5.11 million). The Group had £5.12 million (31 December 2017: £23.51 million) of outstanding commitments to prepare the Littlebrook site for construction, where costs remain on budget. This includes the remaining costs of demolition, remediation, planning and infrastructure works.

Financial results

Net rental income for the year was £132.78 million (2017: £107.94 million), an increase of £24.83 million or 23.0%. This reflected continued growth in the portfolio along with the settlement of 11 rent reviews and uplifts in rent following three strategic asset management initiatives, as described on pages 40-43. These factors increased

The Group's Financial Highlights in 2018

6.70p
Dividend per share
Increased by 0.30p or 4.7%

6.88p
Adjusted earnings per share
Increased by 0.51p or 8.0%

152.83p
EPRA NAV per share
Increased by 10.6p or 7.4%

13.7%
EPRA Cost Ratio

27.3%
Loan to value

the Group's annual contracted rent roll to £161.12 million across 54 income producing assets as at 31 December 2018 (31 December 2017: £125.95 million across 46 income producing assets).

An anomaly during 2018 was the structure of the licence agreement taken by Amazon at our Chesterfield asset, following the surrender by Tesco in March 2018. As a result of not having our usual FRI lease structure in place for six months, we are reflecting irrecoverable property costs of £0.87 million in relation to this property. To compensate, we grossed up the total licence fee amount receivable under the licence agreement as a mitigation against these costs and therefore there was no actual cost leakage against this property.

Operating profit before changes in the fair value of investment properties, as reported under IFRS, grew by 21.3% to £113.76 million (2017: £93.78 million). The increase primarily reflects the growth in the portfolio but includes the downward ratchet of the investment management fee (see page 96). Administrative and other expenses, which include management fees and other costs of running the Group, were £18.07 million (2017: £14.16 million). Elsewhere £0.95 million was incurred in relation to the acquisition of db symmetry, recognised in accordance with IFRS 3. There will be further acquisition related costs in 2019 in relation to db symmetry.

The EPRA cost ratio for 2018 was 13.7% (2017: 13.1%). The calculation of the EPRA cost ratio excludes licence fees from the Group's forward funded developments. The slight increase in EPRA cost ratio is because at the year end we had seven assets under construction (2017: nil) and therefore these assets did not contribute any rental income within the EPRA cost ratio.

Net financing costs (excluding capitalised interest) for the year were £22.93 million (2017: £19.92 million), excluding the reduction in the fair value of interest rate derivatives of £1.24 million (2017: £2.04 million). The change in net financing costs in the year reflects the continued growth in the business and the refinancing in December 2017 to a longer-term, unsecured debt structure. We continue to maintain a healthy level of Group interest cover of 5.0 times cover. Further information on financing and hedging is provided on page 48.

Tax

The Group has continued to comply with its obligations as a UK REIT and is therefore exempt from corporation tax on its property rental business. The tax charge for the year was therefore £nil (2017: £nil).

Profit and earnings

Profit before tax for the year was £252.57 million (2017: £247.80 million). This resulted in basic EPS of 17.54 pence (2017: 19.54 pence) and basic EPRA EPS of 6.37 pence (2017: 6.20 pence).

Adjusted EPS for 2018 was 6.88 pence (2017: 6.37 pence), an increase of 8.0%. Adjusted EPS takes EPRA EPS, adds the developer's licence fees the Group receives on forward funded developments and excludes other earnings not supported by cash flows. The Board considers Adjusted EPS as the most relevant measure when assessing dividend distributions. Adjusted EPS fully covered the total dividend in respect of the year of 6.70 pence per share, more details of which are set out below. Further information on the calculation of Adjusted EPS can be found in note 13.

Dividends

Since 1 January 2018, the Group has declared the following interim dividends:

Declared	Amount per share	In respect of three months to	Paid/to be paid
7 March 2018	1.60p	31 December 2017	29 March 2018
17 May 2018	1.675p	31 March 2018	11 June 2018
12 July 2018	1.675p	30 June 2018	9 August 2018
11 October 2018	1.675p	30 September 2018	15 November 2018
6 March 2019	1.675p	31 December 2018	28 March 2019

The dividend declared on 6 March 2019 will be paid on 28 March 2019, to Shareholders on the register on 15 March 2019.

Dividends in respect of 2018 therefore totalled 6.70 pence per share, an increase of 4.7% on the 6.40 pence per share paid in respect of 2017. This was ahead of inflation and in line with the Group's target for the year.

The Group continues to operate a progressive dividend policy with the intention that dividends are fully covered by Adjusted earnings. For 2019 the target dividend is 6.85p per share, paid quarterly.

The Company continues to maintain a healthy distributable reserves position, having previously converted a large part of its share premium account into the capital reduction reserve, which is considered distributable under the Companies Act, along with growing retained earnings. A further £932.37 million was converted during 2018 and as at the year end, the total distributable reserves available to the Company were £1.55 billion.

Net assets

The EPRA NAV per share at 31 December 2018 was 152.83 pence (31 December 2017: 142.24 pence), representing a 10.6 pence or 7.4% increase across the year. This excludes the fair value adjustments recognised against our interest rate derivatives, which are reported under IFRS.

The uplift in the EPRA NAV was largely driven by the performance of the property portfolio, as well as reflecting our ability to buy well for the Group and recognise material valuation gains across all assets purchased in the year. The level of investment demand in the market was also strong, particularly during the second half of the year, leading to further yield compression of 13 bps across our portfolio. Elsewhere, capital growth was assisted by the settlement of 11 rent reviews and other asset management initiatives which grew our income.

Trade and other receivables increased to £42.23 million (2017: £10.23 million). This movement relates to an increase in forward funded development activity in the year and principally the licence fee invoiced across seven developments and greater VAT recoverable in respect of development costs.

Equity capital

On 18 April 2018, we announced the issue of 109,364,308 new Ordinary Shares through a Placing at an issue price of 142.25 pence per Ordinary Share. This raised gross proceeds of £155.57 million, all of which was invested during the second half of the year.

Debt capital

We continued to diversify the Group's sources of debt financing as we built on the flexible, unsecured debt financing platform, following the significant refinancing event in December 2017.

The Group's strong banking relationships provided further support for its growth plans during the year, as we agreed a short-term and attractively priced revolving credit facility (RCF). The £250 million facility was provided by a syndicate of the Group's relationship lenders comprising Barclays Bank PLC, The Royal Bank of Scotland International Limited and Banco Santander, S.A., London Branch.

This facility gave us the flexibility to commit to a number of forward funded contracts during the second half of the year, whereby the cash flows are typically drawn down over the 9-12 month construction period.

Towards the end of the year, we put in place longer-term finance to suit the lease terms of these particular assets by issuing the Group's first, unsecured loan notes sourced from the private placement market. This market gives the Group a further source of liquidity, from a market known for its stability. This transaction presents attractive features, such as split maturities and the ability to fix the interest rate in November 2018, but delay receipt of the proceeds until February 2019.

The loan notes totalled £400 million split into two tranches, with a weighted average coupon of 2.91% and a weighted average maturity of 9.8 years. The two tranches comprise:

- £250 million at a fixed coupon of 2.86%, maturing in February 2028; and
- £150 million at a fixed coupon of 2.98%, maturing in February 2030.

The loan notes were priced on 15 November 2018 and the funds were drawn after the year end, on 28 February 2019. On the draw down date of the loan notes the £250 million short-term RCF was cancelled in full.

On 19 December 2018, the Company announced that it had extended the termination date of its existing £350 million unsecured RCF by one year. The maturity of £325 million was therefore extended to 10 December 2023, with the remaining £25 million maturing on 10 December 2022. The current margin payable is unchanged at 1.10% over three-month LIBOR and the facility retains its uncommitted £200 million accordion option. The Company has a further one-year extension option available before December 2019.

As a result of these initiatives, at 31 December 2018 the Group had the following borrowings:

Lender	Asset security	Maturity	Loan commitment £m	Amount drawn at 31 Dec 2018 £m
Loan notes				
2.625% Bonds 2026	None	Dec 2026	249.12	249.12
2.86% Loan notes 2028	None	Feb 2028	250.00	–
2.98% Loan notes 2030	None	Feb 2030	150.00	–
3.125% Bonds 2031	None	Dec 2031	246.73	246.79
Bank borrowings				
RCF (syndicate of three banks)	None	Oct 2019[1]	250.00	–
RCF (syndicate of seven banks)	None	Dec 2023	350.00	121.00
Helaba	Ocado, Erith	Jul 2025	50.87	50.87
PGIM Real Estate Finance	Portfolio of four assets	Mar 2027	90.00	90.00
Canada Life	Portfolio of three assets	Apr 2029	72.00	72.00
Total			**1,708.72**	**829.78**

In an uncertain political and economic climate, we have continued to de-risk the Group's cost of borrowing by increasing the level of fixed-rate debt available to 72.6%[1] of the Group's debt commitments.

Our hedging strategy for the Group's variable rate debt is primarily to use interest rate caps, which allow the Group to benefit from current historically low interest rates, while minimising the effect of a significant interest rate increase. The Group therefore holds derivative instruments which, when combined with the fixed-rate debt, hedge 99.0%[1] of its borrowing commitments. The derivative instruments comprise one interest rate swap and a number of interest rate caps, each running coterminous with the respective loan.

As a consequence of the fixed-rate debt and hedging policy, the Group has a capped cost of debt of 2.73%[1] (31 December 2017: 2.66%). The all-in running cost of borrowing has risen as a result

1 Excluding the £250 million short-term RCF, which was redeemed on 28 February 2019.

of increases to LIBOR and new longer-term debt, to 2.63%[1] at the year end (31 December 2017: 2.38%).

At the year end, the Group's debt had an average maturity of 8.7 years[1] (31 December 2017: 8.9 years).

Loan to value (LTV)

The Group has a conservative leverage policy, with a medium-term LTV target of 35% and a maximum of 40%. At the year end, the LTV was 27.3% (31 December 2017: 26.8%).

The Group also has commitments under forward funded development contracts (see note 32 for details). When taking these commitments into account, the Company's LTV would increase to approximately 35%.

Credit rating

During the year we continued our dialogue with Moody's which included our annual review towards the end of the year. In October 2018, Moody's reaffirmed its Baa1 long-term credit rating and stable outlook on the Company.

Alternative Investment Fund Manager (AIFM)

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

As part of this regulatory process, Langham Hall UK Depositary LLP (Langham Hall) is responsible for cash monitoring, asset verification and oversight of the Company and the Manager. In performing its function, Langham Hall conducts a quarterly review during which it monitors and verifies all new acquisitions, share issues, loan facilities and other key events, together with Shareholder distributions, the quarterly management accounts, bank reconciliations and the Company's general controls and processes. Langham Hall provides a written report of its findings to the Company and to 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.

Looking forward

In February 2019 the Group acquired an 87% economic interest in the db symmetry group. This was a transaction that we had been working on since the Summer of 2018. To fund this transaction the Company raised £250 million of equity in February 2019. The shares were issued at 130p each. When adjusting for the issue of new shares pursuant to the fundraising and the acquisition, along with the relevant transaction costs, the resultant dilution to NAV is estimated to represent approximately 3.80p or 2.52%.

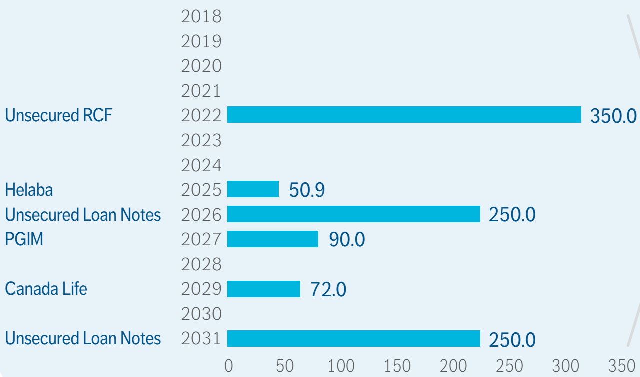
The db symmetry portfolio has the potential to deliver significant capital value growth to the Company. The Company's earnings profile also has the ability to be materially enhanced, particularly from 2021 onwards.

The development of these assets will require a significant amount of capital, as we expect to target a delivery of approximately 2.8 million sq ft of logistics space to the market on an annual basis over the 10 year business plan. We approach this with an efficient and flexible capital structure, and now with access to various debt capital markets to support our next phase of growth.

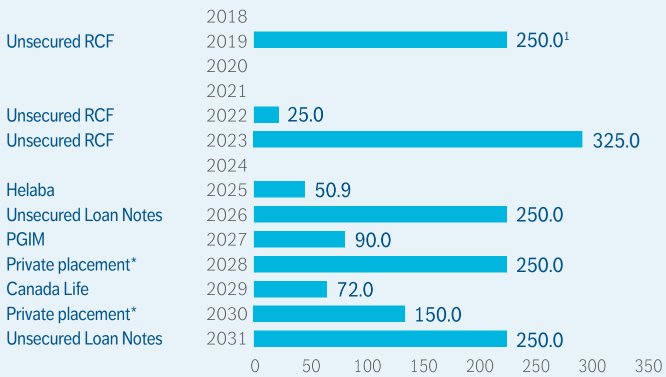
The Company has today announced its dividend target for 2019 of 6.85p per share.

Debt maturity profile extended

December 2017 debt maturity profile (£m)



December 2018 debt maturity profile (£m)



* Facility arranged in 2018 1 The £250 million short-term unsecured RCF was cancelled on 28 February 2019.

The Manager

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

The Manager is 100% owned by Mark Shaw, Colin Godfrey, James Dunlop, Henry Franklin, Bjorn Hobart and Petrina Austin. This team of property, legal and finance professionals has 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 high-calibre team of other accounting, marketing, public relations, administrative and support staff.

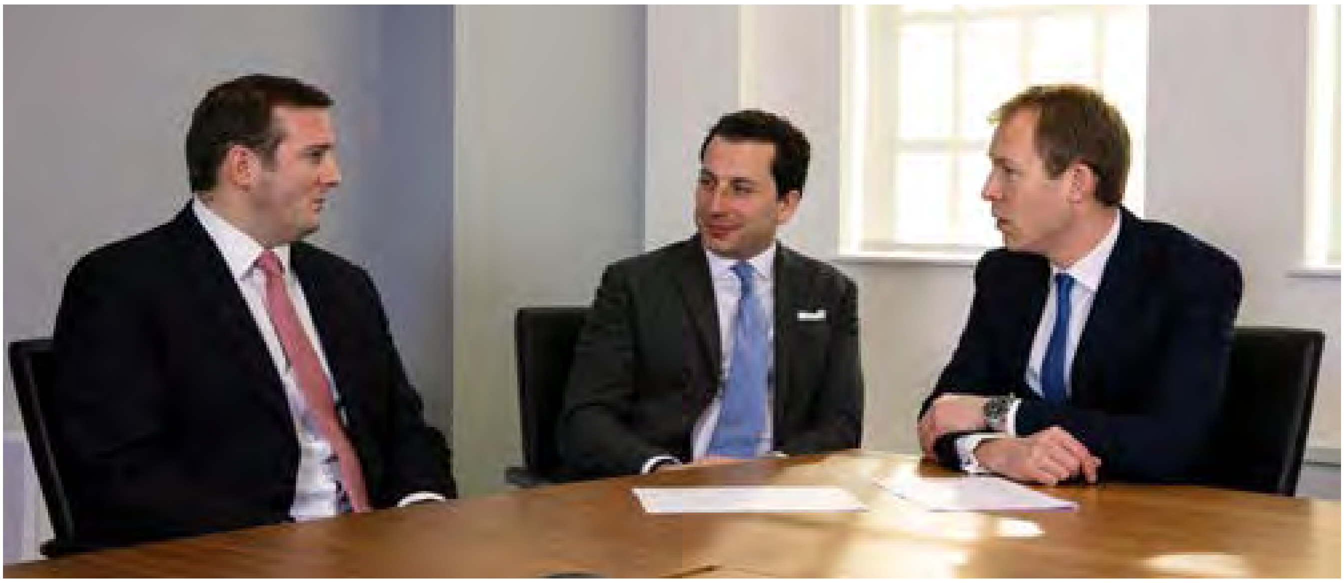
Above: James Dunlop BSc (Hons), MRICS, Investment Director

Right, from left: Colin Godfrey BSc (Hons), MRICS, Fund Manager; Charlie Withers MRICS, Director of Development.

Right: Henry Franklin BA, CTA, Structuring and Legal

Left: Petrina Austin BSc (Hons), MRICS, Asset Management and Sustainability

Below, from left: Edward Plumley MBA, MSc, MRICS, Assistant Fund Manager; Chase French MSc, AMCT, CAIA, Head of Analytics; Bjorn Hobart MA BSc (Hons) MRICS, Property.



Above-left, from left: Hana Beard ACIS, Company Secretary; Frankie Whitehead ACA, Head of Finance.

Above-right: Kirstin Walmsley, Head of Marketing.

Far-left: Catherine Fry, Head of Risk and Compliance.

Left: Sally Bruer, Head of Research.

Key Performance Indicators

Our objective is to deliver attractive, low-risk returns to shareholders, by executing the Investment Policy and operational strategy described on pages 20-21. Set out below are the key performance indicators we use to track our progress. For a more detailed explanation of performance, please refer to the Manager's Report on pages 22-49.

KPI and Definition	Relevance to strategy	Performance	Result
1. Total return (TR)	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.	12.1% for the year to 31 December 2018 (2017: 15.2%).	Ahead of our medium-term TR target of +9% pa.
2. Dividend*	The dividend reflects our ability to deliver a low-risk but growing income stream from our portfolio and is a key element of our TR.	6.70p per share for the year to 31 December 2018 (2017: 6.40p per share).	Achieved our target in 2018 of a fully covered dividend of 6.70p and set our 2019 dividend target of 6.85p.
3. EPRA NAV per share†	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the lifecycle of our assets.	152.83p at 31 December 2018 (2017: 142.24p).	Increase in EPRA NAV per share over the year by 10.59p (7.5%).
4. Loan to value ratio (LTV)	The LTV measures the prudence of our financing strategy, balancing the potential amplification of returns and portfolio diversification that come with using debt against the need to successfully manage risk.	27.3% at 31 December 2018 (2017: 26.8%).	Within our medium-term LTV target of up to 40%.
5. Adjusted earnings per share	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	6.88p per share for the year to 31 December 2018 (2017: 6.37p). See note 13, page 126	Adjusted EPS substantially covers the total dividend for the year.
6. Total expense ratio (TER)	This is a key measure of our operational performance. Keeping costs low supports our ability to pay dividends.	0.87% for the year to 31 December 2018 (2017: 0.84%).	Our TER is expected to reduce as the Company grows.
7. Weighted average unexpired lease term (WAULT)	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	14.4 yrs at 31 December 2018 (2017: 13.9 years).	+2.4 years above our 12-year target.

* This is a target only and not a profit forecast. There can be no assurances that the target will be met and it should not be taken as an indicator of the Company's expected or actual future result.

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

See Notes to the EPRA and Other Key Performance Indicators, pages 158-160
For definitions for all KPIs see Glossary of Terms on pages 161-163

EPRA Performance Indicators

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

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

KPI and Definition	Purpose	Performance
1. EPRA Earnings (Diluted) See note 13, page 126	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.	£91.78m/6.37p per share for the year to 31 December 2018 (2017: £78.61 million/6.20p per share).
2. EPRA NAV (Diluted) See note 28, page 140	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.	£2,253.11m/152.83p per share as at 31 December 2018 (2017: £1,940.42m/142.24p per share).
3. EPRA Triple Net Asset Value (NNNAV)	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.	£2,245.15m/152.29p per share as at 31 December 2018 (2017: £1,939.35m/142.16p per share).
4.1 EPRA Net Initial Yield (NIY)	This measure should make it easier for investors to judge for themselves how the valuations of the two portfolios compare.	4.37% at 31 December 2018 (2017: 4.04%).
4.2 EPRA 'Topped-Up' NIY	This measure should make it easier for investors to judge for themselves how the valuations of the two portfolios compare.	4.68% at 31 December 2018 (2017: 4.71%).
5. EPRA Vacancy	A "pure" (%) measure of investment property space that is vacant, based on ERV.	0.00% as at 31 December 2018 (2017: 0.00%).
6. EPRA Cost Ratio	A key measure to enable meaningful measurement of the changes in a company's operating costs.	13.7% for the year to 31 December 2018 (2017: 13.1%). Both the 2018 and 2017 ratios exclude vacancy costs.

See Notes to the EPRA and Other Key Performance Indicators, pages 158-160
For definitions for all KPIs see Glossary of Terms on pages 161-163

Our Sustainable Approach

We understand that our responsibility to society is broader than simply generating financial returns for Shareholders. We therefore strive to act responsibly in the areas where we can influence as a landlord, for example by working with Customers to improve the environmental performance of our assets and minimise their impact on climate change. This work is principally implemented by the Manager. Where appropriate, we also obtain advice and expertise on sustainability matters from specialist third-party professionals in order to keep us appraised of developments in best practice. Our approach is proactive, helping us to prepare for compliance with future legislative requirements and make sustainable operational advances.

Driving the sustainability performance of our assets

The portfolio consists predominantly of modern, well designed properties, built to ensure future flexibility for Customers and constructed utilising modern, safe working practices and a sustainable choice of materials.

The Manager adopts a formal "Green Property Review" process, which begins pre-acquisition with a detailed review of environmental and building surveys, combined with physical inspections. This review then directs the individual property's "Green Action Plan", which aims to maximise the potential for initiatives to enhance the asset's long-term resilience. Accrediting the assets through EPC ratings and BREEAM provides a benchmark of their sustainability performance, with the Group aiming to achieve EPC ratings of "D" and above for acquired investment properties and for new buildings BREEAM ratings of "Very Good" or above and EPC ratings of "A".

The Green Action Plan is then expanded following engagement with our Customers, which identifies opportunities to help them meet their corporate responsibility commitments. This may involve consents for additional welfare facilities, such as staff shops and break-out areas, or environmental initiatives, such as replacing lights, boilers or other mechanical and electrical equipment with more energy efficient systems, potentially powered by renewable sources. We are in the process of expanding this Green Action Plan to include initiatives benefiting local communities of a conservational and educational nature.

Highlights in 2018

During 2018, we implemented a number of initiatives to improve the sustainability performance of our assets.

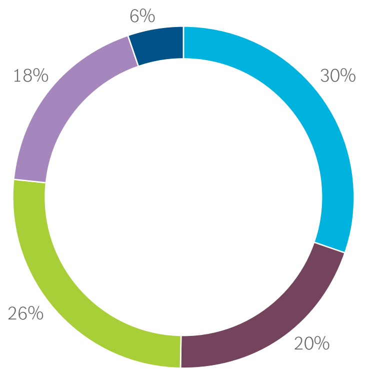
DSG Newark: We agreed to install a roof-mounted PV panel scheme, which is expected to provide around 15% of the Customer's annual consumption, generating substantial cost savings for the Customer over the remainder of the lease term. DSG has also decided to replace the original light fittings with passive infrared (PIR) sensor systems, which switch on when they detect people moving, thereby reducing energy use. DSG has entered into a 20-year power purchase agreement with us for the power created by the PV panels, providing the Group with an additional source of income. The capital expenditure of c.£626,000 should earn an internal rate of return of around 9.1% a year over the remainder of the lease. These changes should improve the asset's EPC rating from its current "D" to "C" or better.

Brakes, Harlow: We have committed to a roof-mounted PV scheme which is expected to be operational in April 2019. The capital expenditure of c.£728,500 should produce an internal rate of return over the remaining lease length of c.9.35% per annum. This is expected to improve the EPC rating for the property from the current grade of "C" to "B".

Brakes, Portbury: Together with our Customer Brakes, we commissioned a sustainability consultant to review the potential for installing a wind turbine. The initial feasibility study indicated the potential for substantial power cost savings for Brake Bros by reducing reliance on the national grid supply. We are currently negotiating the potential terms of a power purchase agreement. This project could produce additional income and a valuation improvement for the asset, whilst also improving the EPC rating for the property.

Our portfolio (by gross internal area) is rated as follows (as at 31 December 2018):

Portfolio Energy Performance, 2018 (%)



None of our properties are rated "F" or "G".

2018 Case study: Enhancing Sustainability Performance

When we acquired the B&Q, Worksop asset, our Green Property Review identified the opportunity to install roof-mounted PV panels. B&Q's in-house Sustainability team decided to proceed with the project and supplement this with the installation of a biomass boiler at the same time.

We worked collaboratively with the Customer to quickly progress the necessary reports and consents, ensuring the installation of the equipment was not detrimental to the building fabric and that it did not limit the potential for future expansion. The biomass boiler uses waste wood, such as redundant pallets, to supply the main office with heat and hot water. It takes priority over the existing gas heating system, which remains in place as a back-up.

Following completion of the works in 2018, we commissioned a new EPC rating and were delighted that in January this year the grading improved from "E" to "A", a level of grading usually associated with a new build property.

If this new and improved EPC certificate is added to the Group's EPC rating as at 31 December 2018, the percentage of the portfolio rated A would increase from 30% to 34%[1].

1 By gross internal area

Building sustainable assets

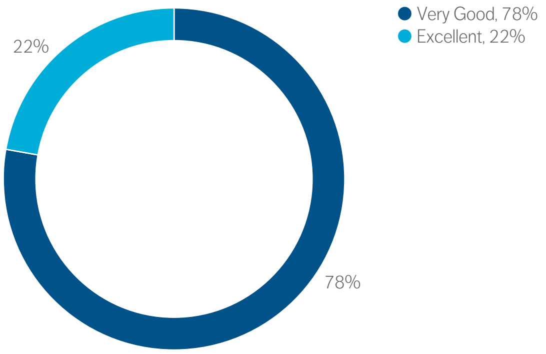
For new pre-let forward funded developments, the Manager works closely with the Group's Developer Partner to ensure that the contractors' working practices comply with industry codes of practice and best practice schemes, such as the Considerate Constructors Scheme. This includes an emphasis on health and safety management. As part of the development process choice of materials, transport methods and recycling opportunities are all appraised and similarly shape the approach for the future property management.

We strive to ensure that developments protect ecology and encourage biodiversity, for example through careful landscaping and incorporating trees and plants that support habitats. We also look to minimise the impact of construction related traffic on our neighbours and the public. The success of these methods and decisions are evaluated in the BREEAM rating achieved.

Highlights in 2018

Five of our completed forward funded pre-let developments totalling 2.5 million sq ft became operational. These included TK Maxx, Wakefield; Hachette, Didcot; Gestamp, Wolverhampton; Ocado, Erith; and Screwfix, Fradley.

BREEAM Rating for assets that became operational during 2018 (by gross internal area) (%)



2018 Case study: Developing our Strategic Land Responsibly

From demolition through to the completion of fully operational assets, we are focused on delivering high standards of sustainability performance at our development site at Littlebrook, in Dartford. To date, we have recycled more than 98% of waste produced during the demolition process.

We are targeting BREEAM Very Good as a minimum and an Energy Performance Certificate "A" Rating.

Our design objectives include the following: ensuring all elements of design and construction are in accordance with all relevant "Standards" including "BSRIA"; higher standards of air tightness than required by Building Regulations; highly efficient LED lighting; low water usage WC and shower facilities; thermodynamic panels which will provide all domestic hot water; and provision for Solar PV areas.

Monitoring and mitigating risk

Property management is undertaken by the Manager, which involves the mitigation and identification of risks to the health and safety of Customers, such as fire. The Manager maintains a comprehensive schedule detailing construction materials and suppression systems such as sprinklers and this is regularly reviewed in conjunction with insurers. A formal programme of re-commissioning reinstatement valuations is undertaken every three years to ensure accurate levels of insurance cover are in place. In 2018 the manager extended the insurance policy terms to enhance cover for the risk of environmental contamination.

Green facilities management

The Manager appoints third-party facilities managers for properties requiring a service charge. This enables the agent to apply its procurement practices and bulk buying abilities over a wider portfolio, thereby generating economies of scale. Its procurement strategy recommends contractors based on a large number of factors including price, health and safety practices, track record and localism. During 2018, the facilities managers have moved electricity supplies for common parts onto "green electricity tariffs", where the supply is generated by wind and hydro assets matched to Renewable Energy Guarantees of Origin (REGOs) enabling zero emission reporting.

Where we have management responsibility for waste as part of the service charge responsibilities we are achieving zero waste to landfill. Landscapers are required to use battery powered strimmers as opposed to petrol equipment when possible and recycle all waste. P.I.R. light sensors have been fitted to the common parts lighting at the Company's asset in Harlow, with a bulb replacement scheme of switching to LEDs.

Proactive Customer engagement

Building and maintaining close relationships with our Customers is an important feature of our business model. The Manager holds regular customer meetings, both at the asset and at the Customer's head office. The Manager also engages with current and potential Customers at industry events, including participation in the Chartered Institute of Logistics & Transportation events. In addition, the Group hosts various social events with key Customers, to enable the Non-Executive Directors and Senior Management team to meet with key contacts.

During the year the Manager circulated a Tenant Handbook to Customers, providing useful reference information regarding lease obligations and responsibilities, insurance cover, how to approach future projects including sustainability initiatives and full contact details for the Manager's team member who can assist and provide specialist advice. The intention is for this to be supplemented by a questionnaire, to formally ascertain our Customers' key objectives and enable us to consider and review initiatives.

Benefiting local communities

Big Boxes are important for job creation. At Littlebrook, our development partner seeks to employ construction staff from the local community. Once up and running, Big Boxes can be major sources of jobs, with some multi-level facilities employing several thousand staff.

We often work closely with local authorities to support the community in other ways, as part of the planning process. For example, for Amazon Haydock, we paid for major road improvements. Similarly, at Raunds, the creation of a footpath and park as part of the development scheme provides the community with a popular dog walking amenity space.

A number of our Customers are extremely active in supporting local communities through sponsorship, charitable donations or volunteering. We are developing some of those links and are reviewing proposals received from charities with environmental and educational aims. One such charitable initiative is at our Trafford property, where our Customer L'Oréal has appointed a charity to install beehives. The charity supplements the installation and management of the hives with educational presentations to local schools. Honey produced from the hives is provided to the Customer in branded jars. This type of project may be of interest to other Customers in the portfolio.

Similarly, we are reviewing a proposal to sponsor volunteers who supplement teachers in primary schools with reading practice. We are working with this charity to see if we can support this initiative in all of the areas where we own assets.

The Group supported a charitable training event at Littlebrook, which saw local firefighters and some of our consultants undertaking a zip wire challenge from the major tower. This provided the firefighters with both training and sponsorship, raising money for the firefighters Charity.

Looking forward

We have reviewed the numerous ESG reporting indexes and schemes and identified those which we consider to be most relevant to the Group.

We will build on our public reporting by subscribing to the Global Real Estate Sustainability Benchmark (GRESB) and expanding our European Public Real Estate Association (EPRA) reporting to include its Sustainability module in 2019. These evaluation reporting schemes require assessment relating to physical, social and environmental areas, where we will formally demonstrate the range of objectives, practices and processes in place and in development.

Our Responsible Approach

The Group has no employees, however the Manager has 31 employees. The Manager endeavours to provide a professional and enjoyable place of work, with a strong focus on constructive team work. The Manager provides and organises professional training and attendance at industry educational and networking events. Employees receive an annual appraisal and career review with their line manager, followed up by a further reflection meeting with an alternative senior member of staff to their line manager. Retention levels are high. Employees are encouraged to partake in industry events, with a number appearing on panels and talking at conferences in both the UK and overseas.

A number of employees are members of professional bodies, such as the Royal Institution of Chartered Surveyors, the Investment Property Forum, the Institute of Chartered Accountants, the Law Society and the Institute of Chartered Secretaries and Administrators. Similarly employees make up representation on sector specific groups, such as the Vice Chair of the British Property Federation's Industrial Committee and the Steering Committee of Women in Industrial Property.

Students are invited for work experience during university holidays and a programme of involvement, incorporating property inspections is provided. The Manager has also participated in graduate research projects.

The Manager regularly organises social events on a formal and informal basis for its employees and supports individuals who undertake sponsored events, such as triathlons and marathons.

Slavery and human trafficking policy

The Company is committed to maintaining the highest standards of ethical behaviour and it expects the same of its business partners. The use of slavery and human trafficking is unacceptable and entirely incompatible with our ethics as a business. We believe that all efforts should be made to eliminate it from our supply chains. We recognise that real estate and construction are sectors that are ranked highly in terms of being most prone to exploitation. However, we seek to mitigate our exposure to any illegal slavery or human trafficking activity by engaging with reputable third-party professional service firms based in the United Kingdom who also adhere to the Modern Slavery Act 2015. We also make regular requests from our suppliers for formal governance information to enable ongoing monitoring of business and supply chain risk and conduct due diligence and risk assessment on potential new suppliers. We will continue to monitor and collaborate with our suppliers and Customers to ensure that they continue to adopt systems and controls that reduce the risk of facilitating modern slavery and human trafficking.

Sponsorship – Networking Events

The Company sponsored the Industrial Agents Society inaugural golf event, which was well supported by approximately 100 property agents, plus employees of the Manager and the Company's Development Partner.

The Company sponsored a bespoke British Property Federation research paper, titled "Which Warehouse Where?", which included contributions from the Company's Customers in respect of employee engagement and retention initiatives.


KINGSTON 1 PRO 22 ENIGMA

Our Principal Risks and Uncertainties

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

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

Approach to managing risk

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

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

Risk management framework

The Board

Audit & Risk Committee

Policy procedure and controls

Review of key performance indicators and management reports

Risk identification

The Manager

Risk assessment – financial and operational

Risk mitigation – implementation of risk mitigants

Risk monitoring – evaluation and revaluation of financial and operational metrics

Risk reporting – to Audit & Risk Committee and Board

Risk appetite

We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility. In November 2018, Shareholders approved a change to the Investment Policy the principal effect of which was to increase the level of exposure the Company can have to land and options over land and, within that, to allow for a limited level of speculative development. Our exposure to land can be up to 15% of gross asset value, of which up to 5% can be invested in speculative development.

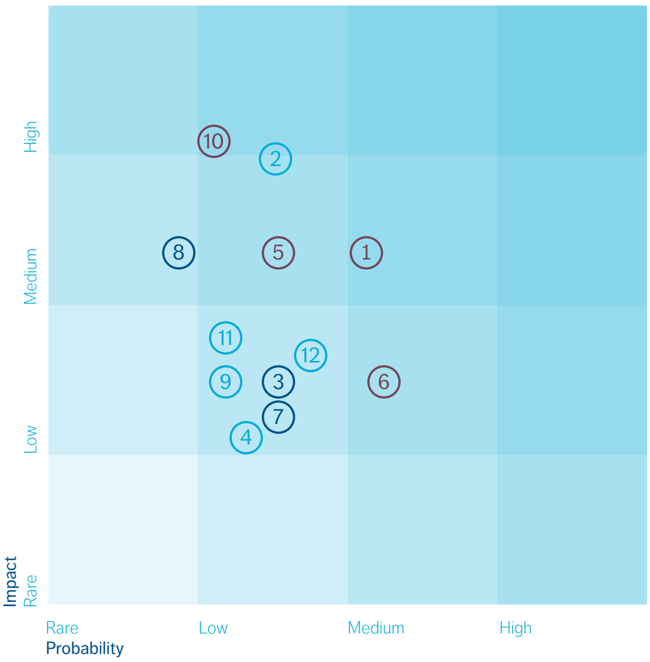
We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility.

Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out on pages 61-67. They have the potential to materially affect our business, either favourably or unfavourably. Some risks are currently unknown, while others that we currently regard as immaterial, and have therefore not included here, may turn out to be material in the future. Most of the principal risks are the same as detailed in the 2017 Annual Report, with the key changes relating to the increase in development activity following the change to our Investment Policy in November 2018 and the subsequent acquisition of db symmetry in February 2019.

For Our Investment Policy, see Our Objectives and Strategy on pages 20-21

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 is contained within the commentary for each risk category.

The Board considers these risks have increased since last year

1 Default of one or more tenants
5 Development activities are likely to involve a higher degree of risk than investment in standing investments
6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or pre-let development activities
10 We rely on the continuance of the Manager

The Board considers all the other risks to be broadly unchanged from last year

2 The performance and valuation of the property portfolio
4 Our property performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail
9 We must be able to operate within our banking covenants
11 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
12 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 considers these risks have decreased since last year

3 Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector
7 Our use of floating rate debt will expose the business to underlying interest rate movements
8 A lack of debt funding at appropriate rates may restrict our ability to grow

Property risks

1 Default of one or more tenants

Probability: moderate

Impact: 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 Customer. 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, while continuing to monitor the covenant strength once forming part of the portfolio. 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 that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) is less than 13.7% as at 31 December 2018.

See Asset Management pages 40-45

Property risks continued

2 The performance and valuation of the property portfolio

Probability: low

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.

See Asset Management pages 40-45

Mitigation

As at 31 December 2018, our property portfolio was 100% let or pre-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, gearing and interest cover. The level of headroom is currently significant. The EMTN has less restrictive covenants.

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

Probability: low

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.

See Our Objectives and Strategy pages 20-21

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. In particular, our acquisition of db symmetry in February 2019 has secured a pipeline of development opportunities for the longer term.

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, nor will we commit funds to the development of a larger scale Big Box on a speculative basis.

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

Probability:
low

See The Logistics Property Market pages 16-17

Impact:
low

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

Mitigation

The diversity of our institutional-grade tenant base means the impact of default of any one of our tenants is low. In addition to our due diligence on tenants before an acquisition or, in the case of forward funded developments, before agreeing the lease terms, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance of our tenants. E-commerce is expected to grow to 25.8% of UK retail sales by 2021. Which is driving strong occupational demand across the sector.

5 Development activities are likely to involve a higher degree of risk than investment in standing investments

Probability:
low to medium

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

Impact:
medium

Our development activities 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. Inaccurate assessment of a development opportunity or a decrease in tenant demand, particularly in relation to any speculative developments, could result in the development remaining vacant.

If any of the risks associated with our developments materialised, this could reduce the value of these assets and our portfolio.

Mitigation

The Company had seven forward funded development assets, totalling 6.6 million sq ft, under construction as at 31 December 2018. All of these assets are pre-let to institutional grade tenants. Any risk of investment into forward funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost overruns. Funds for these developments remain with us and are only released to the developer on a controlled basis subject to milestones as assessed by our independent project monitoring surveyors (see also risk below on land and development activities). Post the period end, the Company acquired the db symmetry portfolio of land assets which included a further five smaller scale logistics assets under construction, totalling c. 600,000 sq ft, which are being developed space on a speculative basis. It is not anticipated that larger scale Big Boxes will be speculatively developed on any of the other schemes acquired. The vertical construction of any future developments will be subject to securing pre-let agreements except where small scale speculative development is considered appropriate.

Property risks continued

6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or development activities

Probability:
medium

Impact:
low

The inability to obtain planning consent means that the land would have to be held or sold prior to any development. The value of the land may be reduced due to the refusal of planning consent and the costs incurred to that date could be significant and may be irrecoverable; this would reduce the Company NAV. If the Company fails to attract a suitable pre-let it cannot proceed with the development of a Big Box. This would impact on the future revenues the Company could make from the land and failure to secure a pre-let may have a negative effect on the valuation.

Postponement or cancellation of a development may result in the Group holding too much development land which may dilute returns due to capital being invested into non-income producing assets.

The land may be subject to an environmental risk which requires significant investment to remediate prior to commencing the development works.

The costs associated with developing land may fluctuate over the course of the development due to market conditions.

Mitigation

The purchase of land is subject to a maximum level of 15% of gross assets, at the time of purchase. The Company can also only undertake limited speculative development of buildings although it can undertake land preparation works but we will continue to seek a pre-let prior to commencing the vertical construction of a larger scale Big Box.

The acquisition of db symmetry in February 2019 has provided us with access to one of the UK's largest strategic land portfolios for the development of Big Box real estate assets and related logistics facilities, including land and options over land. The db symmetry assets have been subjected to due diligence by the Company but prior to the exercise of any option to acquire any land, the Company will carry out an extensive due diligence exercise to limit exposure to environmental risk and other hazards. Once a pre-let is agreed with a suitable tenant, the Company will structure the development of the asset as it does its forward funded development projects, therefore minimising risk (see risk above on development activities). The Company also undertakes a significant level of due diligence on the land, the surrounding power and highways infrastructure, the surrounding environment and the state of the market prior to embarking on a land purchase to mitigate any risk around the viability of the site for development as much as possible. The Company will usually also work in tandem with an experienced and respected development partner to manage any preparatory works and/or development. Upon completion of the acquisition of db symmetry, the Company entered into an agreement with db symmetry Management Limited, which will manage the development of these assets, in particular.

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

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

Probability:
moderate

Robust financing and hedging with strong liquidity pages 46-49

Impact:
low

Interest on our variable rate 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 to 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. During 2018, we agreed a significant amount of fixed-rate debt further reducing our exposure to Libor, currently represents only 27% of our committel debt facilities.

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

Probability:
low

Robust financing and hedging with strong liquidity pages46-49

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 refinance existing debt, this will impair our ability to maintain our targeted level of dividend or impair our ability to grow.

Mitigation

During the year the Company agreed further long-term unsecured borrowings. This is in addition to the EMTN which should enable the Company to raise future debt in a more efficient and effective manner on an unsecured basis. The Board keeps our liquidity and gearing levels under review. We only enter into forward funding or other development commitments if they are supported by available uncommitted funds. In December 2018, we agreed a £400m senior unsecured fixed-rate loan note which was drawn in February 2019. We also extended the maturity of £325 million of our £350 million unsecured revolving credit facility by one year. We had headroom of £229 million within the £350 million credit facility at the year end. Whilst our £250 million short-term RCF remained undrawn.

9 We must be able to operate within our debt covenants

Probability:
low

Depository Statement page 89

Impact:
low

If we were unable to operate within our debt covenants, this could lead to default and our debt 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 debt 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. During 2018, we moved closer to a predominantly fixed-rate debt platform through the agreement or issue of further fixed-rate debt. This will mitigate the effect on the Company from interest rate rises. We invest in assets let to institutional-grade tenants and we also seek to maintain a long WAULT, which should reduce the volatility in our property values.

Property risks continued

10 We rely on the continuance of the Manager

Probability:
low

See Our Objectives and Strategy pages 20-21

See Management Engagement Committee Report pages 94-97

Impact:
moderate to 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 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 Development Management Agreement has a minimum term of eight years from February 2019 and is terminable by the Group on 12 months' written notice thereafter. The DBS management team is incentivised to progress the developments through their 13% economic interest in Tritax Symmetry Limited.

The Management Engagement Committee regularly reviews and monitors the Manager's performance and, going forward, will review the performance of db symmetry Management Limited in relation to development activities. In addition, the Board meets regularly with the Manager, to ensure it maintains a positive working relationship and this relationship will extend to the DBS management team.

Taxation risk

11 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

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.

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

Political risk

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

Probability:
low

Impact:
low to moderate

The UK has triggered Article 50, which sets the expected date of the UK's departure from the EU in March 2019. Economic volatility is not a new risk for the Group; however, until the terms of Brexit become clearer the exact outcome for the business is difficult to predict at this stage.

Mitigation

The Group operates with a sole focus on 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.

Robust financing and hedging with strong liquidity pages 46-49

Going Concern and Viability

The Strategic Report describes the Group financial position, cash flows, liquidity position and borrowing facilities. The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 27.3% as at 31 December 2018.

The Group 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 Group's cash balance as at 31 December 2018 was £48.33 million, of which £47.37 million was readily available. It also had undrawn amounts under its debt facilities of a further £479.00 million excluding the Private Placement as noted below. The Group had capital commitments totalling £371.08 million. The Group had seven assets under construction at the year end.

A significant part of the Group's borrowings are on an unsecured basis, providing the Group with a deeper pool of liquidity and with more flexibility over its arrangements. During the year the Group issued its debut Loan Notes in the Private Placement market, totalling £400 million, split across nine-year and 11-year maturities. The Group also exercised an extension option over its £350 million unsecured RCF, extending the maturity of this facility by 12 months to December 2023. This assisted the Group in maintaining its weighted average maturity across its borrowings of 8.7 years (excluding the £250 million unsecured RCF which was cancelled on 28 February 2019) as at 31 December 2018 (2017: 8.9 years). As a result, the Directors believe that the Group is well placed to manage its current and future financial commitments and other business risks.

Following the year end the Group raised £250 million of equity through a heavily oversubscribed Open Offer. This equity was raised in order to facilitate the completion of the db symmetry acquisition which owns one of the UK's largest strategic land portfolios for the development of Big Box real estate assets and related logistics facilities. The total consideration in respect of the 87% economic interest that the Group has acquired in db symmetry was £322.72 million, of which £270.13 million was funded with cash and with the remaining £52.59 million funded via the issue of shares in the Company.

The Directors believe that there are currently no material uncertainties in relation to the Company and the Group's ability to continue for a period of at least 12 months from the date of approval of the Company and the Group'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 6 March 2024. 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 on pages 62-67 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. Following the recent acquisition of db symmetry, the Board also paid attention to the impact of either a delay to the receipt of planning permission or the risk of not achieving planning consent across a number of schemes. 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 6 March 2024.

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, planning risk, rental growth and yields were sensitised to reflect reasonably likely levels associated with an economic downturn.

Restricted availability of finance: Following the extension of the £350 million RCF by 12 months, and ignoring the £250 million short-term RCF which was cancelled on 28 February 2019, the Group does not have a significant refinancing event occurring until December 2023. This facility does, however, still have a further one-year extension option, which if exercised and approved by the lenders would extend the maturity of the facility until December 2024. Regardless of the extension of the facility, 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. Furthermore, the Group has the ability to make disposals of investment properties to meet the future financing requirements under the DBS business plan.

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 6 March 2024.

Board Approval of the Strategic Report

Board approval of the Strategic Report

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

Sir Richard Jewson KCVO, JP Chairman
6 March 2019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Governance

Chairman's Governance Overview

The Company's culture of strong corporate governance is integral to the Company's growth, its long-term success and the implementation of its strategy.

Strong performance, underpinned by our belief in effective corporate governance, has been the foundation of our business since the Company's launch in 2013. The Company's culture supports open and robust debate, promoting decisions made to secure the Company's long-term and continuing success. This section of the Annual Report focuses on our compliance with the corporate governance principles and highlights the key governance events of 2018.

2018 was a busy year filled with new achievements, including: an oversubscribed equity fundraising of £156 million in April; a change to our Investment Policy to allow more investment into land assets and the ability for limited speculative development which received Shareholder approval in November; a well supported US private placement which was agreed in November; and the negotiation of the Company's acquisition of an 87% economic interest in db symmetry, enabled by a further equity fundraising of £250 million which completed in February 2019.

Strong governance

Tritax Management LLP (the "Manager") acts as the Company's Alternative Investment Fund Manager ("AIFM") for the purposes of the Alternative Investment Fund Manager Directive ("AIFMD") and as such the Board has delegated authority to the Manager to conduct portfolio and risk management services on behalf of the Company. Whilst the Manager has the ultimate responsibility to make the final decision over portfolio and risk management services, the Board actively discusses potential investments and divestments with the Manager and ensures ongoing compliance with the Company's Investment Policy and Investment Objectives. This complies with the latest European Securities and Markets Authority ("ESMA") guidelines published on 16 November 2016 in respect of the correct interpretation of the AIFMD and ensures that the Company continues to adopt best governance practice.

As well as regular Board meetings which consider Company business in light of its strategy, we continue to meet for dedicated strategy meetings to consider the Company's strategy and a number of ad-hoc meetings to consider specific issues, discuss the future of the Company, its market and its Customers. Further detail on the Board and strategy meetings can be found on pages 79-80.

Directors

In line with our structured approach to succession planning, the Company appointed a new Non-Executive Director, Richard Laing, formerly of CDC Group plc and De La Rue plc, in May 2018. Richard has taken over as Chair of the Audit & Risk Committee from Jim Prower and is also a member of the Management Engagement and the Nomination Committees. Alastair Hughes, formerly of Jones Lang LaSalle Inc., was appointed to the Board as a Non-Executive Director on 1 February 2019. Alastair is a member of the Audit & Risk, Management Engagement and Nomination Committees. Mark Shaw retired from the Board on 1 February 2019 having served as a Non-Executive Director since the Company's inception over five years ago. I would like to thank Mark on behalf of the Board for his valuable contribution over that time. The Board now comprises six independent Non-Executive Directors. Further details can be found in the Nomination Committee Report on pages 86-87.

As in 2017, Lintstock Limited ("Lintstock") conducted the Board evaluation in 2018. Further information on the 2018 evaluation can be found on page 84. As a Board, we continue to benefit from our bespoke professional development programme, further details of which can be found on page 85.

Shareholder and stakeholder communications

The Company has continued to develop its relationships with Shareholders and other stakeholders, and I was pleased to run another series of Chairman's lunches which were insightful and beneficial and were well received by attendees. Colin Godfrey, together with the Company's Broker, Jefferies International Limited ("Jefferies"), undertook further extensive international roadshows this year covering the United States, Continental Europe and South East Asia in addition to the more regular Shareholder and analyst

Key Board statements

Requirement	Board statement	Where to find further information
Going concern basis	The Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.	Further details are set out on page 68 of the **Strategic Report**.
Annual review of systems of risk management and internal control	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 **Accountability** on page 88-89 of this Governance Report.
Fair, balanced and understandable	The Directors confirm that to the best of their knowledge 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.	Further details of the fair, balanced and understandable statement can be found in the **Audit & Risk Committee Report** on pages 90-93.
Appointment of the Manager	The Directors consider the continuing appointment of the Manager on the terms agreed in the Investment Management Agreement dated 11 September 2017 to be in the interests of the Company's Shareholders as a whole.	Further details are set out in the **Management Engagement Committee Report** on pages 94-97.
Robust assessment of the principal risks to the business model, future performance, solvency and liquidity of the Company	The Audit & Risk Committee and the Board undertake a full risk review twice a year where all the principal risks and uncertainties facing the Company and the Group are considered.	Further details can be found in **Our Principal Risks and Uncertainties** on pages 60-67 of the Strategic Report.

engagement following the publication of our financial results and in respect of the Company's corporate activity, including both debt and equity fundraisings. In particular, we consulted with a significant proportion of our institutional Shareholder base ahead of the proposal to amend our Investment Policy in order to ensure that this proposal was supported by Shareholders.

Capital markets

The Company undertook a successful equity fundraising in April 2018, raising approximately £156 million through a placing of Ordinary Shares. In December 2018, the Company entered into an agreement with a number of new institutional investors for a private placement of £400 million of new senior unsecured loan notes, comprising two separate tranches, with £250 million maturing in February 2028 and £150 million maturing in February 2030. The funds were drawn down in February 2019 and £250 million was used to immediately redeem the short-term, unsecured, revolving credit facility we had secured in October 2018. This allowed the Company to commit to a number of forward funded investments towards the end of the year. The Company also exercised an extension option falling due under the £325 million revolving credit facility, which extended this facility by 12 months to December 2023.

Moody's reaffirmed the Company's investment-grade credit rating of Baa1 during the year. These debt financing activities helped maintain the maturity of the Company's borrowings at 8.7 years[1], as at 31 December 2018.

1 Excluding the £250 million RCF, which was redeemed on 28 February 2019.

Audit & Risk Committee

Jim Prower stepped down as the Chair of the Audit & Risk Committee and Richard Laing assumed this role upon his appointment in May 2018. In line with the Company's commitment to managing risk, the Audit Committee has changed its name to the Audit & Risk Committee.

Risk

We assessed, through the Audit & Risk Committee, the principal risks facing the Group, its risk appetite and mitigating factors put in place in respect of those risks. The Audit & Risk Committee has delegated responsibility for managing internal risks and for establishing appropriate procedures in respect of financial and internal risks to the Manager. The management of these risks is reviewed by the Board on a half yearly basis. We consider the risks the Group faces at each Board meeting and the longer-term outlook at the strategy meetings. The Audit & Risk Committee considers the principal risks in depth twice a year, along with an assessment of whether the risk has heightened or reduced during the previous 12 months.

Sir Richard Jewson KCVO, JP Chairman
6 March 2019

Statement of Compliance

The Company is subject to the UK Corporate Governance Code; however, we, as the Board of the Company, have considered the principles and recommendations of the 2016 AIC Corporate Governance Code for Investment Companies ("AIC Code"). The AIC Code 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.

We believe that reporting against the principles and recommendations of the AIC Code (which incorporates the UK Corporate Governance Code), provides better information to Shareholders.

The Company has complied with the recommendations of the AIC Code (as set out on pages 75-76) and the relevant provisions of the UK Corporate Governance Code except where set out in this section.

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 reasons set out in the AIC Code, and in the UK Corporate Governance Code, we do not consider these provisions relevant to the Company. The Company is an externally managed investment company, with all of the day-to-day management and administrative functions outsourced to third parties and no executive directors or employees. We have, therefore, not reported further in respect of these provisions.

The AIC Code can be found at:
https://www.theaic.co.uk/aic-code-of-corporate-governance-0

For Audit & Risk Committee Report, see pages 90-93

Application of the Principles of

the 2016 AIC Code

The Company has applied the 21 Principles of the 2016 AIC Code as follows:

The Board

1. The Chairman should be independent

The Company's Chairman, Sir Richard Jewson, is independent. In addition, the Senior Independent Director takes the lead in the annual evaluation of the Chairman and is an alternative contact for Shareholders.

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

The Board currently comprises six Non-Executive Directors, all of whom are independent of the Manager.

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

As the Company is a constituent of the FTSE 250, Sir Richard Jewson, Jim Prower, Susanne Given and Aubrey Adams will retire and stand for re-election at the AGM in May 2019. Richard Laing and Alastair Hughes will stand for election to the Board at the AGM in May 2019.

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 Richard Laing and Alastair Hughes as Non-Executive Directors of the Company and as members of the Audit & Risk, Nomination and Management Engagement Committees. 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 86-87.

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

The Board appointed Lintstock to conduct the Board evaluation. Details are set out on page 84.

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

The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration and sets remuneration appropriately so as to attract, retain and motivate Board members. The fees paid to the Directors are listed on page 99 of this report.

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

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on pages 86-87.

10. Director Induction Programme

Richard Laing and Alastair Hughes were appointed as Non-Executive Directors of the Company and as members of the Audit & Risk, Management Engagement and Nomination Committees. Both Directors received bespoke induction training programmes designed to give them a comprehensive overview of the Company, including its business and strategic aims and its governance structure. The Company Secretary also provided them with bespoke induction packs of documents and an introduction to the Company.

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

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

Board meetings and relationship with the Manager

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

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

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

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

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

Board meetings and relationship with the Manager (continued)

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 2018 are set out in the Management Engagement Committee Report on pages 94-97.

The Board together with the Audit & Risk 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 & Risk Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised in the Audit & Risk Committee Report on pages 90-93.

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 pages 77-78. 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 89.

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

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

18. The Board should monitor and evaluate other service providers

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

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

Shareholder communications

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

Representatives of the Manager met regularly with Shareholders throughout 2018, providing the Board with feedback on Shareholder views and concerns. Please see Relations with Shareholders and stakeholders for further information on page 98.

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 Interim Report and the Annual Report including, in particular, the Strategic Report. The Strategic Report is set out on pages 1-69 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.

Leadership

The Board is responsible to Shareholders, Customers and other stakeholders for promoting the long-term sustainable success of the Company and generating shareholder value. Good governance is fundamental to the long-term success of the Company. The Board and the Manager work together to ensure the highest standards of governance are maintained by the Company and are central to every Board decision.

The Board

The Board currently consists of six Non-Executive Directors, all independent of the Manager. This follows the appointments of Richard Laing in May 2018 and Alastair Hughes in February 2019, and the retirement of Mark Shaw in February 2019. Each Director, other than Richard Laing and Alastair Hughes, will resign and stand for re-election by Shareholders at the Company's May 2019 AGM in accordance with the requirements of the AIC Code. Richard Laing and Alastair Hughes will be submitting themselves for election at the scheduled May 2019 AGM, as this will be the first AGM since their respective appointments.

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, whilst complying with the principles of good corporate governance.

We believe that the Board is well balanced and possesses sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions effectively and promotes the long-term sustainable success of the Company, whilst generating Shareholder value. Biographical information on each Director is set out on pages 82-83.

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

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

Matters reserved for Board consideration can be found at:
https://www.tritaxbigbox.co.uk/about-us/#corporate-governance

We have not established a Remuneration Committee as the Board has no Executive Directors and the Company has no other employees. The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration. Details of the Directors' remuneration for the year ended 31 December 2018 are included in the Directors' Remuneration Report.

We consider the culture and ethos of the Company to be integral to the Company's success. Despite the Company being externally managed, we believe that the culture within the Manager is aligned with the Company's purpose, values and strategy and it is complementary to the Company. The Senior Independent Director, Jim Prower, and I meet independently with members of the Manager regularly outside of Board meetings. In addition, different representatives from the Manager attend Board meetings as and when requested and deliver bespoke training sessions to us.

Committees

The Board has delegated some of its responsibilities to its three formal Committees, the Nomination, Audit & Risk and Management Engagement Committees, details of which are set out in the diagram overleaf. The Company ensures that all of the Board Committees have sufficient resources and skills to carry out their obligations.

These Committees are each chaired by a different Non-Executive Director and have their own terms of reference which can be found on the Company's website (or copies are available on request from the Company Secretary). The terms of reference are reviewed as necessary by the Board as a whole. The Company Secretary acts as secretary to these Committees and each Committee Chairman reports the outcome of the meetings to the Board.

We also establish further ad hoc operational committees to take operational responsibility on specific matters either following "in principle" approval from or with subsequent ratification by the Board. These operational committees ensure that key matters are dealt with efficiently by the Director(s) and representatives of the Manager best qualified for the specific role.

Our governance structure

1 Audit & Risk Committee

- Reviewing the integrity of the Group financial statements and any significant financial reporting judgements.
- Reviewing and monitoring the relationship with the Auditor.
- Reviewing the Manager's internal controls and controls embedded in Link Asset Services as the Company's Administrator.
- Overseeing the Company's risk management process.
- Advising the Board on whether the Annual Report and Accounts provide a fair, balanced and understandable view of the Company's performance, position and strategy.
- Considering and reviewing the Company's Viability Statement and Going Concern Statement.

See pages 90-93 for further information

2 Nomination Committee

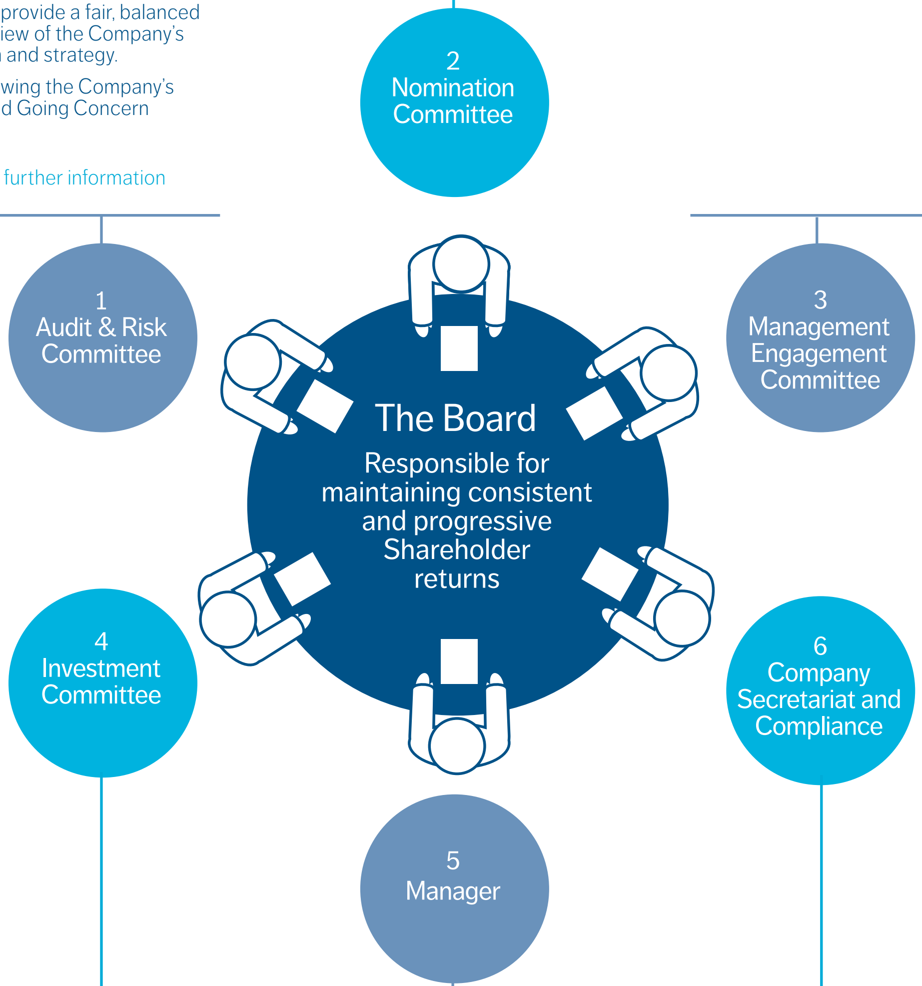
- Reviewing the Board composition and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.
- Managing succession planning and ensuring that the Directors receive necessary training.

See pages 86-87 for further information

3 Management Engagement Committee

- Reviewing the Company's main suppliers including the Manager, the Broker, the Valuer and the Registrar to ensure that the Company is receiving a strong level of performance along with value for money.
- Overseeing re-tenders or new appointments.

See pages 94-97 for further information



4 Investment Committee

- Reviewing and recommending investments and divestments. The Investment Committee is Chaired by Colin Godfrey, as the Fund Manager of the Company, and consists of various members of the Manager.

5 Manager

- Day-to-day running of the Company including making the final decisions in respect of investments and divestments, financial management, asset management and Investor Relations.
- Colin Godfrey, as the Fund Manager of the Company, oversees the Manager's relationship with the Company.

See pages 50-51 for further information

6 Company Secretariat and Compliance

- Overseeing the Company's governance structure and managing the Company's regulatory compliance.
- The Company Secretariat also administers the Group's subsidiaries. The Company Secretariat function was re-tendered in 2018; further information can be found on page 94-97

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. Further details of the delegated matters can be found on the Company's website. The Investment Management Agreement was amended and restated on 11 September 2017 to clarify the Manager's responsibility to make final investment and divestment decisions in accordance with ESMA guidance. The Management Engagement Committee Report discusses how the Company's relationship with the Manager is regulated.

How we Govern the Company

The Company's success is based upon the effective implementation of its strategy by the Manager and third-party providers. The Company's culture is set by the leadership of the Board, cascaded down to the Manager.

Board meetings

During 2018 we held nine scheduled Board meetings (of which one was a strategy meeting) plus further ad hoc meetings to deal with transactional and other specific events such as equity raises, debt financing and the db symmetry acquisition. The table below shows each individual Director's attendance at the scheduled Board meetings during the year. Attendance at Committee meetings is shown in the respective Committee reports.

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 Directors and other attendees. At each Board meeting every agenda item is considered against the Company's strategy, its Investment Objectives and its Investment Policy.

A typical agenda includes:

- a review of investment performance;
- a review of investments and divestments and asset management initiatives in progress;
- an update on investment opportunities available in the market and how they fit within the Company's strategy;
- a review of the Company's financial performance;
- a review of the Company's financial forecast, cash flow and ability to meet targets;
- a review of the Company's financial and regulatory compliance;
- updates on Shareholder and stakeholder relations;
- updates on the Company's capital market activity; and
- specific regulatory, compliance or corporate governance updates.

We are kept fully informed of potential investment opportunities, along with wider property market intelligence, through the Board papers prepared by the Manager. Board papers are disseminated to the Directors via a secure online platform for reasons of efficiency and cyber security. The online platform is also used to store relevant Company documentation, as it provides us with quick and secure access.

All decisions to invest in or divest of property are made by the Manager following a recommendation of the Investment Committee and discussions with us. The Manager provides a detailed acquisition paper to us on any selected potential acquisition and notifies us when an offer is made for and accepted on a site, and also regularly updates us on the progress of the transaction. An initial development appraisal is presented to us upon acquisition of development land and regular updates are provided thereafter.

Representatives of the Manager attend the Board meetings together with the Company Secretary. Representatives of the Company's other advisers are also invited to attend Board meetings as required, particularly representatives from, Jefferies; Financial Advisers, Akur Limited and Lazard & Co Limited and Legal Advisers, Taylor Wessing LLP.

Attendance at Board meetings and Committee meetings during the year ended 31 December 2018

All Directors are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors and to attend all scheduled meetings of the Board and of the Committees on which they serve. Where Directors are unable to attend a meeting, they will provide their comments on the Board papers received in advance of the meeting to the Chairman who will share such input with the rest of the Board and the Manager.

Due to the significant number of additional ad hoc meetings during the year it was not necessary for all the Directors to attend each meeting, provided that such meetings were quorate which was the case across all meetings held. The Nomination Committee is satisfied that all the Directors, including the Chairman, have sufficient time to meet their commitments.

Attendance at scheduled Board meetings during 2018:

	Board meetings eligible to attend	Board meetings attended
Meetings held	**9**	**9**
Sir Richard Jewson	9	9
Jim Prower	9	9
Susanne Given	9	8
Aubrey Adams	9	9
Richard Laing (appointed 16 May 2018)	6	6
Mark Shaw (resigned 1 February 2019)	9	6

A Director has a duty to avoid a situation in which he or she has a direct or indirect interest that may conflict with the interests of the Company. The Board may authorise any potential conflicts, where appropriate, in accordance with the Articles of Association. Where a potential conflict of interest arises, a Director will declare their interest and not participate in the decision-making in respect of the relevant business.

Strategy

Our 2018 strategy meeting focused on assessing whether the Company followed its overarching strategy set in 2017 and reviewed where changes should be made to ensure the long-term success of the Company. We believe that the Company is fulfilling its strategic objectives, as demonstrated by the acquisition of eight new Big Box investments in 2018 (including seven pre-let forward funded developments and three new tenant relationships), with an aggregate purchase price commitment of approximately £641.5 million funded through a mix of new equity and debt. As at 31 December 2018, the Company's property portfolio was let or pre-let to 39 institutional tenants. There was also progress with the Company's prime London distribution development site at Littlebrook, with detailed planning permission being secured for the proposed development of a 450,000 sq ft logistics facility across phase 1 of the site.

We resolved that the Company should continue to aim for growth and diversification of its property portfolio by tenant, asset and geography in order to deliver further value to Shareholders. The Company's focus remains on the acquisition of let or pre-let Big Box assets. However, given the current dynamics of the logistics market, with strong demand but limited supply of suitable assets, we felt that our strategy would best be achieved through the increased controlled development of new assets which we expect will maintain the high quality of our portfolio and support future returns. Furthermore, the ability to make limited investments in speculative development activity will give the Company additional flexibility to either source development opportunities at an earlier stage or allow us to bring a new development to the market, both of which have the potential to deliver enhanced returns for Shareholders.

Therefore, in November 2018, the Company sought, and received, Shareholder approval at a General Meeting to change its Investment Policy to increase the maximum exposure limit to land or options over land from 10% of Net Asset Value to 15% of Gross Asset Value (calculated at the time of investment), of which up to 5% of gross assets may be invested in speculative development activity.

This change in Investment Policy enabled the Company to acquire an 87% economic interest in db symmetry in February 2019. db symmetry owns one of the UK's largest strategic land portfolios for the development of Big Box real estate assets and related logistics facilities. This acquisition will provide the Company with the potential to add approximately 38.2 million sq ft of new logistics and Big Box assets to its portfolio over the short to long term. The acquisition was funded by a fully underwritten equity issue of £250 million which also completed in February 2019.

Key activities of the Board during 2018

Q1

- Issuance of a Trading Statement;
- Approval of 2017 financial results and fourth interim dividend declaration;
- Consideration of an equity raise for Q2 2018;
- Quarterly review of corporate governance compliance, Group activity and depositary report.

Q2

- Nomination Committee review and appointment of Korn Ferry to search for a new Non-Executive Director; please refer to the Nomination Committee Report, pages 86-87;
- Raised gross proceeds of £156 million through a placing;
- AGM;
- Dividend declaration in respect of Q1 2018;
- Principal risk review and consideration of risk appetite;
- Appointment of Richard Laing as Non-Executive Director and Chair of the Audit & Risk Committee;
- Quarterly review of corporate governance compliance, Group activity and depositary report.

Q3

- Approval of Interim Property valuation;
- Approval of Interim results;
- Quarterly review of corporate governance compliance, Group activity and depositary report;
- Dividend declaration in respect of Q2 2018.

Q4

- Amendment to Company's Investment Policy;
- Second half yearly principal risk review and consideration of risk appetite;
- Approval of the updated Financial Prospects, Positions and Procedures document;
- Review of corporate governance compliance, Group activity and depositary report;
- Review of Moody's confirmation rating of Baa1;
- Dividend declaration in respect of Q3 2018;
- Entered into a £250 million short-term unsecured banking facility with a syndicate of existing relationship lenders;
- Agreement to issue £400 million of unsecured fixed rate loan notes in US private placement;
- Extension of £350 million of the Company's revolving credit facility for one year to December 2023;
- Consideration and due diligence of the db symmetry acquisition;
- Consideration of an equity raise for Q1 2019.

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https://tritaxbigbox.co.uk/news-media
See Chairman's Governance Overview, pages 72-74
See Audit & Risk Committee Report, pages 90-93
See Nomination Committee Report, pages 86-87

The Board of Directors

Sir Richard Jewson KCVO, JP
Chairman

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

Committee memberships:
- Chair of the Nomination Committee
- Member of the 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:
- Chair of Meyer International PLC, holding company of Jewson Limited
- Chair of Archant Limited for 17 years
- Chair of Savills plc for 10 years
- Board member of Grafton Group plc for 18 years
- Non-Executive Director and Deputy Chairman of Anglian Water Plc for 14 years

Principal external appointments:
- Chair of Raven Property Group Limited. Board member since June 2007
- Senior Independent Director of Temple Bar Investment Trust plc. Board member since May 2001

Jim Prower FCA
Senior Independent Non-Executive Director

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

Committee memberships:
- Member of the Audit & Risk Committee
- Member of the Nomination Committee
- Member of the Management Engagement 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 roles at Argent Group, Minty plc and Creston Land and Estates plc
- Experienced in raising funding development and investment and working capital, having served as Chief Financial Officer at Argent Group, and then (until December 2015) as a representative member of Argent (Property Development) Services LLP, inter alia the Developer and Asset Manager of Kings's Cross Central

Significant previous external experience:
- In addition to his roles at Argent, Jim has significant previous external experience, having 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 Chair of Audit & Risk Committee of Empiric Student Property plc since May 2014
- Non-Executive Director of AEW UK Long Lease REIT PLC since June 2017

Aubrey Adams OBE, FCA, FRICS
Independent Non-Executive Director

Appointed: 11 September 2017
Length of service: one year, six months
Independent: Yes

Committee memberships:
- Member of the Audit & Risk Committee
- Member of the Nomination Committee
- Member of the Management Engagement Committee

Relevant skills and experience:
- Almost 40 years' experience at board level in the real estate industry, most significantly as the Chief Executive of Savills plc, a leading global real estate service provider employing 30,000 people across a network of 700 offices
- Fellow of the Institute of Chartered Accountants in England and Wales
- Fellow of the Royal Institution of Chartered Surveyors

Significant previous external experience:
- Chief Executive of Savills plc from 1991-2008
- Senior Independent Director of Associated British Ports PLC
- Chair of Air Partner plc and Max Property Group plc
- Non-Executive Director of The British Land Company PLC from 2008-2017

Principal external appointments:
- Group Chair of L&Q, a leading housing association since September 2015
- Chair of the Board of Trustees of Wigmore Hall since May 2011

Richard Laing FCA
Independent Non-Executive Director

Appointed: 16 May 2018
Length of service: 10 months
Independent: Yes

Committee memberships:
- Chair of the Audit & Risk Committee
- Member of the Nomination Committee
- Member of the Management Engagement Committee

Relevant skills and experience:
- In depth knowledge of financial matters, through his previous role as Finance Director and Chief Executive of CDC Group plc for 11 years; as Finance Director of De La Rue plc; as a financial analyst and manager at Bookers; and from five years at PricewaterhouseCoopers
- Fellow of the Institute of Chartered Accountants in England and Wales

Significant previous external experience:
- Chief Executive of CDC Group plc from 2004-2011, having joined the organisation in 2000 as Finance Director
- Group Finance Director of De La Rue plc, where he held a number of positions over 15 years, in the UK and internationally

Principal external appointments:
- Chair of 3i Infrastructure plc since January 2016; Chair of Perpetual Income and Growth Investment Trust plc since July 2017 having joined the Board in November 2012; Chair of Miro Forestry, which operates in Ghana and Sierra Leone, since May 2014 having joined the Board in May 2012
- Chair of the Audit & Risk Committee of JP Morgan Emerging Markets Investment Trust plc since January 2015
- Member of the Board of Trustees of Leeds Castle since September 2012, currently chairing the Audit & Risk and Investment committees; and Member of the Board of Trustees of Plan International UK, the international children's charity, since February 2010, currently Deputy Chair and chairing the Audit & Risk Committee

Susanne Given
Independent Non-Executive Director

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

Committee memberships:
- Chair of the Management Engagement Committee
- Member of the Audit & Risk Committee
- Member of the Nomination Committee

Relevant skills and experience:
- Over 20 years' experience in managing and running large retail companies
- High profile involvement in investor presentations as well as previous membership of remuneration and 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:
- Non-Executive Chair of Made.com Ltd since April 2016
- Non-Executive Chair of Outfittery GmbH
- Chief Operating Officer of SuperGroup Plc for three years from April 2012
- Group Director of Fashion & Beauty of John Lewis & Partners from January 2011 to April 2012
- Managing Director of TK Maxx UK & Ireland for three years from December 2007
- General Merchandise Director of Harrods Limited for four years from December 2001

Principal external appointments:
- Chair of VC-backed Push Doctor Ltd, Europe's largest online surgery; and of Made.com since April 2016
- Non-Executive Director of Eurostar International Ltd since December 2016 and Al Tayer Insignia and Chair of Remuneration Committee at the Middle Eastern luxury group, a division of Al Tayer Group, since January 2016
- Independent Non-Executive Director of Deloitte NWE since January 2019

Alastair Hughes FRICS
Independent Non-Executive Director

Appointed: 1 February 2019
Length of service: one month
Independent: Yes

Committee memberships:
- Member of the Nomination Committee
- Member of the Audit & Risk Committee
- Member of the Management Engagement Committee

Relevant skills and experience:
- 30 years of experience in the UK and international real estate markets
- Fellow of the Royal Institution of Chartered Surveyors

Significant previous external experience:
- Executive Board member and Chief Executive for Asia Pacific at Jones Lang LaSalle Inc. for eight years until 2016; previously Chief Executive for Europe, Middle East and Africa and more formerly UK Managing Director of JLL

Principal external appointments:
- Non-Executive Director of The British Land Company PLC since January 2018 and Schroder Real Estate Investment Trust Limited since April 2017

See Audit & Risk Committee Report, pages 90-93
See Management Engagement Committee Report, pages 94-97
See Nomination Committee Report, pages 86-87
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Effectiveness

Strong governance enables the Board to pursue the Company's strategic objectives and helps to safeguard the continued success of the Company for its Shareholders and other stakeholders.

Board performance and evaluation

We appointed Lintstock to undertake an externally facilitated Board evaluation for 2017 and again for 2018. Lintstock has no other connection with the Company apart from conducting the Board Evaluation. The 2017 Board evaluation provided a benchmark for the 2018 Board evaluation and enabled Lintstock to understand the Board, the relationships between the Directors and between the Board and the Manager, the Company Secretary and other key stakeholders to the Company, as well as the Company's Shareholders.

The 2017 Board evaluation took the form of a questionnaire which was sent to each of the Directors and one key representative of the Manager. It contained a section designed specifically as an appraisal of the Chairman. As a result of the action points from the 2017 Board evaluation, we have recruited two new Non-Executive Directors (see the Nomination Committee Report on pages 86-87 for more information), and reviewed our strategy, a key product of which was the change of the Investment Policy in November 2018 (see page 20 for more details). The Company Secretary regularly reviews the length of the Board packs to ensure that they are not too voluminous, while remaining comprehensive.

The 2018 Board evaluation was more comprehensive than the 2017 Board review, starting with questionnaires sent to all the Directors and three key representatives of the Manager. This was followed by individual interviews with the Directors and the Manager representatives. We were asked to consider: Board composition and Expertise; Board Dynamics; Management and Focus of Meetings; Board Support; Board Committees; Strategic Oversight; Risk Management and Internal Control; and Succession Planning.

The outcome of the 2018 Board evaluation was positive, displaying a strong working relationship with the Manager. The Board is undergoing a transition in its membership which is expected to bring a fresh perspective to the oversight of our fast growing business. The Board met in February 2019 to discuss Lintstock's 2018 Board Evaluation Report and the following top priorities for change over 2019 were identified.

1. **Board refreshment, including the Chairman's succession** – to determine the process for identifying a suitable candidate to take over the role of Chairman, in anticipation of the eventual retirement of Sir Richard Jewson KCVO, JP.

2. **Developing Director engagement and dynamics** – to clarify the expectation for meeting attendance in a period of high activity, especially during transactions, and to maintain and encourage open and robust debate in meetings.

3. **Meeting management** – to review the structure and timing of Board meetings with the potential of transitioning to a cycle of fewer meetings, with the allocation of more time to each meeting.

4. **Strategic Oversight** – to monitor closely the Company's strategic position in the market, particularly in light of the recent change in Investment Policy and the acquisition of db symmetry Ltd in February 2019 and the delivery of the Littlebrook project.

Led by Jim Prower, the Senior Independent Director, the Non-Executive Directors met without the Chairman present to appraise the Chairman's performance. The Chairman's review was very positive and the other Directors appreciated that he had played an influential role during a period of significant expansion of the Company and concluded that he had continued to chair the Board of the Company effectively.

We considered succession planning for the Company and felt that a focus for 2019 will be to determine the timing of the appointment of a new Chairman and the process for identifying a successor to the role in order to facilitate an orderly transition to take place. We will also continue to monitor and evaluate Board composition to ensure we have a diverse and relevant range of skills and expertise, particularly in the fast evolving technology sector.

For the Nomination Committee Report, see pages 86-87
For Our Investment Policy, see Our Objectives and Strategy on pages 20-21

Director training programme

We recognise that it is essential to keep abreast of regulatory and compliance changes. Accordingly, a bespoke training programme is agreed with the Chairman and arranged for us each year. In 2018, the training programme included a site visit to the Littlebrook site in May and a session on the changes in the 2018 Corporate Governance Code, provided by the Company's lawyers, Taylor Wessing LLP. We also received formal training sessions from some of the Company's external service providers as well as the Manager's Head of Compliance and the Head of Research. The 2018 Board evaluation confirmed that the training programme is well structured and highly informative and a valuable asset to the Directors.

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 the advice and services of the Company Secretary, who manages the Company's governance procedures, and the Manager.

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

The Company maintains Directors and Officers' Liability Insurance, which gives appropriate cover for legal action brought against its Directors.

Nomination Committee Report

"Dear Shareholders,
I was delighted to welcome Richard Laing to the Board in May 2018 and Alastair Hughes in February 2019. Richard has spent 11 years as the Finance Director and more recently as the CEO at CDC Group plc and 15 years at De La Rue plc. He currently holds a number of non-executive appointments, including chairing 3i Infrastructure plc and Perpectual Income and Growth Investment Trust plc. Alastair has 30 years' experience in the real estate markets, gained at Jones Lang LaSalle Inc, and currently serves as a Non-Executive Director on the board of Schroders Real Estate Investment Trust and The British Land Company PLC. Both appointments bring a significant breadth of industry knowledge and experience and will be great assets to the Company.

Mark Shaw retired from the Board on 1 February 2019. On behalf of the Board, I would like to thank Mark for his valuable contribution to the Company over his five year tenure and wish him every success in the future. Mark will remain Chairman of the Manager.

2019 will see the Nomination Committee focus on succession planning, and particularly with regard to a future Chairman over the medium term, and ensuring that the Board continues to have the right balance of skills, experience and knowledge to carry out its duties independently."

Sir Richard Jewson, Chair of the Nomination Committee

Membership

Sir Richard Jewson Chair
Jim Prower, Susanne Given, Aubrey Adams, Richard Laing, Alastair Hughes

Key areas of focus for 2018

- The size, structure and composition of the Board;
- The appointment of two Non-Executive Directors to the Board; and
- The proposal for re-election of the Directors and the election of Richard Laing and Alastair Hughes as Non-Executive Directors at the AGM in May 2019.

Meeting attendance register

Person	Meetings eligible to attend	Meetings attended
Sir Richard Jewson	3	3
Jim Prower	3	2
Susanne Given	3	3
Mark Shaw	3	2
Aubrey Adams	3	3
Richard Laing	3	3

Alastair Hughes joined the Board and became a member of the Nomination Committee on 1 February 2019.

See Audit & Risk Committee Report, pages 90-93
See Management Engagement Committee Report, pages 94-97
See Nomination Committee Report, pages 86-87
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The Committee's role is to review the size, structure and composition of the Board, including succession planning, and to ensure that it 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.

New appointments

The Nomination Committee evaluated the skills and experience considered necessary to complement the existing Board composition. We identified the need to appoint a suitably experienced, independent Non-Executive Director to take over the chairmanship of the Audit & Risk Committee in light of Jim Prower's other commitments as well as a further independent Non-Executive Director to replace Mark Shaw who, as Chairman of the Manager, was not considered independent.

In terms of the first role, it was essential that the successful candidate was suitably qualified and had a strong background in finance at a board level, particularly in a public company environment. The second candidate needed both significant real estate sector experience and public company experience. We were clear that both candidates had to be able to devote sufficient time to their positions and that we wanted the best candidate for the respective roles.

We instructed Korn Ferry who had successfully worked with us on the recruitment of Susanne Given and Aubrey Adams. Korn Ferry has no other connection with the Company, apart from the provision of non-executive recruitment services.

Korn Ferry presented us 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. A series of interviews was arranged with the Board as well as Colin Godfrey, James Dunlop and Henry Franklin of the Manager. We considered the candidates' skills and experience, as well as their ability to devote enough time to the position. Following our recommendation, the Board decided to appoint Richard Laing as a Non-Executive Director of the Company and Chair of the Audit & Risk Committee with effect from 16 May 2018 and Alastair Hughes with effect from 1 February 2019. Both Directors will hold office until the Company's AGM on 15 May 2019 when they will be submitted for election by the Shareholders as Non-Executive Directors of the Company. Both Non-Executive Directors will sit on the Audit & Risk, Nomination and Management Engagement Committees.

Policy on tenure and succession planning

We considered the ongoing independence of each of the Directors, their respective skills, experience and time commitment, as well as any other external appointments held by the Directors. We believe that each Director has contributed a significant amount over a particularly active year which has seen the Company conduct an equity raise and prepare for another in early 2019, agree two additional debt facilities and extend the existing revolving credit facility and prepare for the acquisition of db symmetry which completed in February 2019, in addition to the ordinary course of activities of the Company. Following the advice of the Committee and in line with the AIC Code, the Board will recommend the election and re-election of each Director at the forthcoming AGM.

Directors are appointed for an initial period of two years. It is the Company's policy of tenure to review individual appointments after seven years of service to consider whether the Director remains independent and continues to fulfil his or her role. However, in accordance with the principles of the AIC Code, we do not consider it necessary to mandatorily replace a Director after a predetermined period of tenure. We are, however, mindful of the circumstances of each Director and implement succession planning accordingly.

Under the Articles of Association ("Articles") of the Company, at every AGM of the Company, one third of the Directors who are subject to the requirement of retiring by rotation (not including any Director who was appointed by the Board since the last AGM 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 any new Director being appointed, are able to vote at the AGM.

Board diversity and inclusion

The Company does not have any employees. In respect of appointments to the Board, we consider that each candidate should be appointed on merit to make sure that the best candidate for the role is appointed every time. We support diversity and inclusion at Board level and encourage candidates from all educational backgrounds and walks of life. What is important to us is professional achievement and the ability to be a successful director based on the individual's skill set and experience.

Qualifications are considered when necessary to ensure compliance with regulation such as in relation to appointments to the Audit & Risk Committee. We regularly review the Company's policy on diversity and we believe that the Board has a balance of skills, qualifications and experience which are relevant to the Company. As at the date of this report the Board consisted of five male and one female members. We support the recommendations of the Hampton-Alexander and Parker Reports and recognise the value and importance of diversity in the boardroom but we do not consider it appropriate, or in the interests of the Company and its Shareholders, to set prescriptive diversity targets for the Board.

Sir Richard Jewson KCVO, JP Chair of the Nomination Committee
6 March 2019

Accountability

The Board is responsible for delivering robust and sustainable value to its Shareholders by setting strategic objectives and working to achieve them. Undertaking robust assessments of the risks which the Group faces and effectively managing those risks is a key responsibility of the Board. The main risks identified as the most relevant to the Company are set out on pages 62-67 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 processes are designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Group. 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, Link Asset Services (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 Strategic Report.

We have contractually delegated responsibility for administrative and 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 we have reviewed as part of the Company's Financial Position and Prospects Procedures document, which was reviewed, updated and approved in December 2018 to better reflect the operations of the Company. The Financial Position and Prospects Procedures document is reviewed, updated and approved by the Audit & Risk Committee annually.

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 Auditor (details of which are included in the Audit & Risk Committee Report), regular reports from the Company Secretary (outlining corporate activity within the Group and outlining the Company's compliance with the AIC Code) and proposed future initiatives relating to the Company's governance and compliance framework. We also receive quarterly compliance reports prepared by Langham Hall UK Depositary LLP (see page 89 for further information) and review the formal risk assessment conducted by the Audit & Risk Committee twice a year. Further, we actively consider investment opportunities, asset management initiatives, debt and equity fundraisings and other financial matters against the requirements of the Company's Investment Objectives and Investment Policy.

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

Robust assessment of risks

The Board also confirms that it conducts a robust assessment of the risks to the business model, future performance, solvency and liquidity of the Company twice a year. The Manager is asked to analyse and report on the risks which the Company may encounter on specific transactions including, for example, an adverse decision regarding the development of a forward funded asset at the planning stages or a sudden change in market conditions before the launch of an equity raise or debt issue. We then consider each risk in turn, probing the Manager's assumptions and analysing whether the risk factors attributed to each individual risk are fair and accurate, and the effect of any mitigating factors. We also consider this as part of our biannual risk review and at each strategy meeting and challenge the Manager to review actively the risks it includes.

AIFM Directive

The AIFMD became part of UK law in 2013. It regulates AIFMs and imposes obligations on managers who manage alternative investment funds ("AIFs") 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. The Manager is responsible for making investment and divestment decisions in respect of the Company's assets as part of its regulatory responsibility for the overall portfolio and risk management of the Company. This is in line with published ESMA guidance on the application of the AIFMD.

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 its 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

Depository 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 entity represents net assets of US$50 billion and we deploy our services to over 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 the requirements of the AIFMD.

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 Company, and shareholding of special purpose vehicles 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 out our work performed and the corresponding findings for the period.

In the year ended 31 December 2018 our work included the review of one equity and two management share issues, seven investment property acquisitions, three third-party financing arrangements and four property income distributions. Based on the work performed during this period, we confirm that no issues came to our attention to indicate that controls are not operating appropriately.

Joe Hime Head of Depositary
For and on behalf of
Langham Hall UK Depositary LLP, London, UK
6 March 2019

Langham Hall

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

years, awarded a discretionary bonus from a bonus pool worth, in aggregate, at least 5% of the Manager's profits. The discretionary bonus may consist of cash or Ordinary Shares in the Company allocated to certain members of staff out of the Management Shares which form part of the management fee payable to the Manager (see below). This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's overall profitability, rather than the performance of a particular AIF.

The Manager's Partners are entitled to their partnership share of its profits and losses. None of the Partners are entitled to additional partnership drawings that depend on the performance of any AIF managed by the partnership. The Partner's remuneration therefore depends on the Manager's overall profitability, rather than the performance of any 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 its NAV, as set out in the Management Engagement Committee Report, pages 94-97. 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 96) in the Company's Ordinary 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 and its Shareholders. The Manager's Partners are within their rights to allocate a proportion of the Management Shares to key members of staff, which it has once again done in respect of both management share issues in 2018.

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 identified aspects of the business, which may be improved to mitigate such risks. The Manager actively reviews and monitors perceived risks. Responsibility for anti-bribery and corruption has been assigned to the Head of Compliance within the Manager.

The Manager maintains a risk register, where perceived risks and associated actions are recorded and this is regularly shared with the Board for approval.

See Our Principal Risks and Uncertainties, pages 60-67
See Management Engagement Committee Report, pages 94-97

Audit & Risk Committee Report

"Dear Shareholders,
This year we have changed the membership of the Audit & Risk Committee with my appointment on 15 May 2018 and that of Alastair Hughes on 1 February 2019. I succeeded Jim Prower as the Chairman upon appointment; however, Jim remains a member of the Audit & Risk Committee. It is the Committee's role to undertake a robust review and assessment of the accuracy and quality of the yearly audit and half yearly review of the Company's financial results, to challenge and consider the biannual property valuations undertaken by the Valuer and evaluate the Company's risk management, financial reporting and financial management functions which are undertaken by the Manager and Administrator."

Richard Laing, Chair of the Audit & Risk Committee

Membership

Richard Laing Chair[1]
Jim Prower[2], Susanne Given[3], Aubrey Adams[4], Alastair Hughes[5]

Key areas of focus for 2018

- Recommended to the Board that the Annual Report and Accounts for 2017, taken as whole, was fair, balanced and understandable and that it provided the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- Reviewed the Interim Report 2018 and recommended it to the Board for approval;
- 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 robustness of the Company's internal financial controls and reviewed the efficacy of the internal control and risk management systems used by the Company;
- Assessed the quality of the annual and interim property valuations prepared by the Company's independent Valuers and challenged the assumptions used by the Valuers in preparing the valuation;
- Reviewed and considered the basis of the Viability and Going Concern Statements made by the Directors; and
- Reviewed and monitored the Company's relationship with its Auditor.

Meeting attendance register

Person	Meetings eligible to attend	Meetings attended
Richard Laing	3	3
Jim Prower	5	5
Susanne Given	5	5
Aubrey Adams	5	5

1. Richard Laing, who was appointed to the Board on 16 May 2018, is considered to possess recent and relevant financial experience for the purpose of the AIC Code. Richard is a Chartered Accountant with significant financial expertise and listed investment company experience. He is also a member of the Management Engagement and Nomination Committees.
2. Jim Prower is a Chartered Accountant with significant financial experience, having held a number of Financial Director roles. Jim serves as a member of the Management Engagement and Nomination Committees.
3. Susanne Given has previous experience of attending Audit & Risk Committee meetings in her role as COO of SuperGroup Plc. Susanne chairs the Management Engagement Committee and is a member of the Nomination Committee.
4. Aubrey Adams is a Chartered Accountant and was the pro-tem Chair of the Audit & Risk Committee at The British Land Company PLC. Aubrey is also a member of the Management Engagement and Nomination Committees.
5. Alastair Hughes, who joined the Board and became a member of the Audit & Risk Committee on 1 February 2019, is a member of the Audit & Risk Committees of The British Land Company PLC and Schroder Real Estate Investment Trust Limited. Alastair is also a member of the Management Engagement and Nomination Committees.

Sir Richard Jewson is not a member of the Audit & Risk Committee; however, he attends by invitation when required.

Further details of each Directors' experience can be found in the biography on pages 82-83.

See The Board of Directors, pages 82-83
See Viability Statement, page 68
See Our Principal Risks and Uncertainties, pages 60-67
For further information on Langham Hall UK Depositary LLP, see Depositary Statement, page 89

The Audit & Risk 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 approved by the Board in March 2018.

The membership of the Audit & Risk Committee has changed over the course of the year with my appointment as the Chair of the Committee on 16 May 2018 and Alastair Hughes on 1 February 2019. All of the current Audit & Risk Committee members are independent Non-Executive Directors of the Company and not connected to the Manager or the Auditor.

I am a Fellow of the Institute of Chartered Accountants in England and Wales and have extensive financial experience gained in my previous roles as the CEO and Finance Director of CDC Group plc and a number of other listed organisations. Aubrey Adams is also a Fellow of the Institute of Chartered Accountants and has chaired an audit committee previously; Susanne Given has experience of being a member of an audit committee in a previous role. Jim Prower, the former Chair of the Audit & Risk Committee, is a Chartered Accountant and acted as Finance Director at Argent Group and several other listed companies. Alastair Hughes is a member of the audit committee of two other real estate companies. The biographies of the members can be found on pages 82-83 of this Annual Report.

Meetings

We met five times during 2018, 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 important matters 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, BDO LLP, and, on occasion, the Company's Chairman. We also met with the Auditor without any representative of the Manager present. The Committee also met with the Company's independent Valuer, CBRE, in January 2018, June 2018 and January 2019 as part of the interim and year-end audit process. As the Committee Chair, I have had regular meetings with the Company Secretary and the Head of Finance of the Manager (as did Jim Prower prior to my appointment), and the Committee regularly has discussions throughout the year outside of the formal Committee meetings.

Risk management and internal controls

As part of each Board meeting and each Audit & Risk Committee meeting, the Board reviews the financial position of the Company and assesses any risks in relation to the Company's business model, the Group's future performance, liquidity and solvency as well as any risks relating to specific investments or proposed investments and specific tenants or initiatives relating to specific assets. To facilitate this process the Manager produces financial reports, which include the latest management accounts, a review and report on the Company's financial forecast, a report on proposed and existing investment and asset management initiatives, substantiation of any dividend payments and a general update on the financial health of the Company.

The Committee reviewed the principal business risks of the Company on 1 August, 12 December 2018 and 27 February 2019. The Company's principal risks are found on pages 61-67.

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. Please refer to page 89 for a description of Langham Hall UK Depository LLP's role.

The Manager also employs a Compliance Officer and Head of Risk to assist the regulatory team with the discharge of the Manager's obligations in accordance with the AIFMD.

The Company does not have an internal audit function and, following an internal risk review, we do not consider it necessary for the Company to have one. The Company is managed externally by the Manager. All payments of Company funds are authorised by the Manager in accordance with the duties delegated to it pursuant to the terms of the IMA and in accordance with the provisions of the AIFMD. The Manager instructs the Administrator to make the duly authorised payment and Langham Hall UK Depositary LLP, as part of its role as Depositary, reviews each material payment in relation to the specific test areas as mentioned in the report on page 89. We consider that the internal controls in place and the function undertaken by Langham Hall UK Depositary LLP make it unnecessary for the Company to employ an internal audit function. In addition to this, the Administrator has its own internal audit performed on an annual basis by KPMG, from which the Company reviews any findings. The 2018 audit did not raise any significant findings.

Financial reporting and significant judgements

We monitor the integrity of the financial information published in the Interim Report and Annual Report 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 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 & Risk Committee over the course of the year. These included budgets, periodic re-forecasting following acquisitions or corporate activity and specific papers to assess the impact of transactions including:

> the issuance of further equity in April 2018
> the proposed equity issue in February 2019
> the proposed acquisition of db symmetry, and
> the US private placement of loan notes agreed in December 2018.

We also regularly review the Company's ability to continue to pay a progressive dividend. This financial information was fully reviewed and debated both at Committee and Board level across a number of meetings. This was of particular focus upon consideration of the db symmetry acquisition and the potential growth in earnings that the transaction allows the Company over the long term.

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 developments as well as 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 an acquisition is judged not to be the acquisition of a business, it is not treated as a business combination. Of the eight acquisitions in the year, all were considered to be property acquisitions.

Valuation of property portfolio

The property portfolio is independently valued by CBRE biannually. Following production of the draft valuation by CBRE, the Manager meets with CBRE to discuss and challenge various elements of the property valuation, if necessary. The Auditor, in fulfilling its function as independent auditor to the Company, also meets with CBRE to discuss, and where necessary, challenges the property valuations. The Board receives a copy of the property valuation for the portfolio once it has been tested by the Manager and after the Auditor has met with the Valuer. The performance of CBRE is assessed on an annual basis by the Management Engagement Committee in its report on pages 94-97.

The Group had property assets valued at £3.42 billion at 31 December 2018, 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. We have reviewed the assumptions underlying the property valuations and discussed these with the Manager and CBRE, and have concluded that the valuation is appropriate.

The Board also meets with the Valuer to discuss and challenge the valuation and to ensure it was conducted properly, independently and could be fully supported.

The Board has also considered the following items:

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 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 IFRS 9 and makes additional required disclosures under IFRS 7 Financial Instruments Disclosures and IFRS 13 Fair Value Measurement.

The valuations are provided by the relevant counterparties of the interest rate derivatives. The Board has reviewed and approved these valuations.

Management have reviewed the requirements of IFRS 9 and IFRS 15, which were effective from 1 January 2018. The impact on the Group and Company is not considered material. Further information can be found on page 122.

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 Annual Report is fair, balanced and understandable, as required under the AIC Code, the Board has requested that the Audit & Risk Committee advise on whether it considers that the Annual Report fulfils these requirements. In outlining our advice, we as the Audit & Risk Committee 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 Adviser, Auditor and the Audit & Risk 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 2018, 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 2018 and that all internal controls in place at the time of the last review remain active.

See Management Engagement Committee Report, pages 94-97

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 2018, 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 Chairman's Governance Overview on pages 72-74.

External Auditor

In line with the European Union Audit Reform Legislation which came into effect in 2016, and applied by the Company for years' ended 31 December 2017 onwards, as the Company's Auditor, BDO LLP ("BDO") were unable to continue to provide the Company with audit services along with non-audit services including corporate finance services and tax advisory work. The position of Auditor to the Company was re-tendered in April 2017. As a result of this rigorous process the Audit & Risk Committee recommended that BDO be re-appointed. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2014 to 31 December 2018.

BDO have agreed, subject to no significant changes of scope, a fixed fee for this audit of the Annual Report and review of the Interim Report up to and including 2019.

Richard Levy, the lead Audit Partner for the past five years, is due for rotation following the 2018 year-end audit. It is intended that Geraint Jones, whom we met as part of the audit tender process, takes over the position as Lead Audit Partner. The Committee has met with the key members of the Audit team over the course of the year and BDO have formally confirmed its independence as part of the reporting process as well as during the re-tender process. 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 also considered BDO's internal quality control procedures and found them to be sufficient. The Committee is satisfied that the Audit process is transparent and of good quality.

Please refer to note 8 in the financial statements for a summary of fees paid to the Auditor.

The Company confirms that it has complied with the provisions of the CMA's statutory audit services order for the financial year under review.

Audit process

We meet with the Auditor and the Manager before the preparation of each of the interim and annual results begins, to plan and discuss the scope of the audit or review as appropriate, and challenge where necessary to ensure its rigour. At these meetings the Auditors prepare a detailed audit or review plan which is discussed and questioned by us and the Manager to ensure that all areas of the business are appropriately reviewed and that the materiality thresholds are set at the appropriate level which varies depending on the matter in question. We also discuss with the Auditor their views over significant risk areas and why they consider these to be risk areas. The Audit & Risk Committee, where appropriate, continue to challenge and seek comfort from the Auditor over those areas which drive audit quality. The timescale for the delivery of the audit or review is also set at this meeting. We meet with the Auditor again just prior to the conclusion of the review or audit to consider, challenge and evaluate findings in depth. As an example, we questioned the Auditor in depth on the process it adopted to challenge the 2018 property valuation to ensure it was effective. Neither the audit nor the interim review uncovered any significant findings.

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 as reporting accountants on the Company's secondary issues of equity capital in the normal course of the Company's business. Following the audit tender, PwC LLP were appointed to assist with financial and tax due diligence on corporate acquisitions and to provide specific tax compliance advice.

The Company paid £90,000 in fees to the Auditor for non-audit services during 2018. These fees are set out in the table below.

Work undertaken	Rationale for using the external auditor	Fee (£)
Reporting accountant on the Company's secondary offerings and public debt issuance	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.	£90,000

The ratio of audit to non-audit services received in the year was 54% (2017: 56%).

Richard Laing Chair of the Audit & Risk Committee
6 March 2019

See Chairman's Governance Overview, pages 72-74

Management Engagement Committee Report

"Dear Shareholders,
In 2018 the Committee focussed on conducting a detailed review of the services provided by the Company's key suppliers and recommending which suppliers are to be re-tendered. The Committee also continued to monitor and evaluate the performance of the Manager."

Susanne Given, Chair of the Management Engagement Committee

Membership

Susanne Given Chair
Sir Richard Jewson, Jim Prower, Aubrey Adams, Richard Laing[1], Alastair Hughes[2]

Key areas of focus for 2018

- Implementation of the re-tender schedule commencing with the re-tender of the Company Secretarial function and CBRE.
- Annual review of each service provider to ensure the quality of service and value for money for Shareholders.

Meeting attendance register

Person	Meetings eligible to attend	Meetings attended
Susanne Given	1	1
Sir Richard Jewson	1	1
Jim Prower	1	1
Aubrey Adams	1	1
Richard Laing[1]	1	1

1 Richard Laing was appointed to the Management Engagement Committee on 16 May 2018.

2 Alastair Hughes was appointed to the Management Engagement Committee on 1 February 2019.

The Management Engagement Committee's role is to review the performance of the Manager and the Company's main service providers and to recommend the re-tender of their appointments for consideration by the Board. The Committee is also responsible for overseeing any amendments to the Investment Management Agreement ("IMA").

We met once in the year ending 31 December 2018 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. I also met independently with representatives of the Manager to discuss the re-tender process and management of suppliers.

We reviewed the performance of the Manager and, together with the Manager and the Company Secretary, 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 12-month period ended 30 June 2018, thereby allowing the Committee to refer to figures reviewed by the Auditor in its assessment of performance.

Under the terms of the IMA, 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, responsibility for investment and divestment decisions made in accordance 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. All of the Company's subsidiaries and therefore all of its assets are wholly owned and controlled by the Company as at 31 December 2018 and the Board exercises direct control in respect of the Group's holdings.

The IMA establishes that responsibility for investment and divestment decisions is delegated to the Manager in accordance with ESMA guidance as to the interpretation of the rules under the AIFMD. Investment and divestment decisions must be made in accordance with the Company's Investment Policy and the Board remains responsible for ensuring this is the case. The Board continues to review all investment and divestment decisions as well as the Asset Management Policy established by the Manager.

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 discuss the general market conditions and the financial performance and strategy of the Company. Details of the Company's performance in 2018 have been set out in the Strategic Report on pages 1-69.

The Manager

The Manager has adopted a focused approach to investing, with the Company acquiring eight new Big Box investments in 2018 (including seven pre-let forward funded developments), with an aggregate purchase price commitment of £641.5 million. At the end of March 2018, the Manager negotiated a surrender of the Tesco lease, without premium, and immediately entered into a 12-month occupational licence with Amazon. A new lease with Amazon was subsequently arranged for a 15-year term from November 2018.

The Manager further engaged with Kellogg's US-based property team to understand its future distribution requirements and develop a property solution at our asset in Manchester. In March 2018, shortly before the expiry of the original lease term, a new 10-year lease with Kellogg's was completed, repositioning this asset from Value Add to Foundation. For further information please refer to page 45.

The Manager also secured planning permission for phase 1 of the Company's prime London distribution development site at Littlebrook, Dartford, comprising the proposed development of a 450,000 sq ft logistics facility.

The Company is currently seeking an occupier for this unit. In the second half of the year, the Manager started negotiations with the owners and management of db symmetry to acquire an 87% economic interest in the company. db symmetry owns one of the UK's largest strategic land portfolios for the development of Big Box real estate assets and related logistics facilities and is independently valued at £372.75 million. The acquisition completed in February 2019.

The Committee also reviews the Manager's culture and resourcing. The Manager increased the number of employees in 2018 to ensure that the Company is well serviced, including the appointment of a Legal Counsel, a Company Secretary, an Assistant Company Secretary and a Head of Financial Modelling and Portfolio Analytics. We are confident following our review that the Manager continues to provide excellent service to the Company which represents fair value for money to the Company's Shareholders.

This year we asked the Manager to review its cyber security systems and controls. The Manager commissioned PwC to perform a cyber security review and risk assessment. PwC engaged with the Manager to map out potential risks and vulnerabilities together with benchmarking good practice recommendations. Following the review, the Manager implemented the recommendations and conducted site visits to critical suppliers to the Company to test physical and data security. The Manager also improved its IT security by introducing multi-factor authentication and regular security testing. As part of its commitment to cyber security, the Manager is re-tendering its IT function with a particular focus on cyber security and encryption technology. For the year 2019, we will be asking the Manager to focus on the formal and public evaluation of the various CSR initiatives which it is progressing and developing.

Suppliers

Following an extensive review and full analysis, we agreed with the Manager that the performance of the Company's current service providers for the past year continued to be satisfactory, and in several cases exceptional, and, in accordance with the Manager's recommendation, that each, other than the Registrar, Link Asset Services (see below), be retained until the next review. We did not suggest any material changes to the engagement terms of the remaining advisers or service providers.

Our review did not reveal any material weaknesses in the advice and support provided to the Group. 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 Committee recommended to the Board that the Company Secretarial function be re-tendered in 2018 to ensure that the Company follows best practice corporate governance at all times. Following consideration of a number of third-party service providers, it was concluded that the Company Secretarial role would remain with the Manager but that the Manager would seek to appoint a full time company secretarial team. A number of candidates for the role were interviewed by the representatives of the Manager and the Board with the appointment of a Company Secretary and an Assistant Company Secretary being made in October 2018. DMJ Recruitment assisted the Manager in the recruitment process. DMJ Recruitment does not have any existing relationship with the Company or the Manager.

CBRE, the Company's valuer, was also re-tendered in 2018. As part of the re-tender exercise we invited CBRE, Savills PLC, Cushman Wakefield Inc. and BNP Paribas Real Estate S.A. to submit proposals to undertake the Company's bi-annual portfolio and acquisition valuations. All providers were requested to submit proposals on the same scope of appointment including, amongst other items: example template reports to be provided to the Company; the number of property inspections to be carried out per annum; the cost of building survey measurements; the cost of access to in-house research; the ability to rely on information provided by third parties (such as: Reports on Title, Building and Environmental surveys, Plans and Agent particulars); and the CVs of personnel regularly involved. All of these factors were assessed together with the fees proposed.

The Manager completed a SWOT analysis on all four providers and selected CBRE as the most suitable candidate, on the basis that they have the most focussed and detailed knowledge of the Big Box logistics subsector with a highly experienced and dedicated valuation team. Although their annual fee scored higher than the others, it was not significantly out of line with the other providers, who were regarded as having significantly less experience in the subsector. Importantly for the Company, the retender exercise allowed the Company to re-negotiate and reduce the fee basis originally agreed with CBRE at the Company's IPO in December 2013 when the scale of the Company was an unknown factor.

Following the Committee's recommendation, the Manager invited Computershare Investor Services Plc, Link Asset Services and Equiniti Group plc to tender in April 2018 for the role of the Company's Registrar. Following a rigorous assessment of services offered, experience, efficiency and pricing, Computershare Investor Services plc were appointed and a letter of termination served on Link Asset Services. Following a successful migration process, the shareholder register was transferred to Computershare in February 2019.

Management fee

Under the terms of the IMA, 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. The fee is payable in arrears. 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 while remaining capped at NAV.

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 up to and including £750 million	0.9%
Above £750 million 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 Interim Results the members of the Manager and relevant employees (and/or their connected parties) are obliged to 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 ("Management Shares"). 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 being issued at a price above the prevailing share price, the Company's Broker will be instructed to acquire Ordinary Shares in the market for those persons, to the value as near as possible equal to the net cash amount. The Management Shares may be issued to any members of the Manager or, at the discretion of the Manager, to any employee of the Manager.

On 29 March 2018, the Company issued 594,559 Ordinary Shares in respect of the net cash amount, relating to the six months to 31 December 2017. The issue price was 139.90 pence per Ordinary Share, equivalent to the prevailing and latest published audited basic NAV of 141.50 pence per Ordinary Share less the interim dividend of 1.60 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders on 29 March 2018 for the period between 1 October to 31 December 2017.

On 8 October 2018, the Company issued 676,451 Ordinary Shares in respect of the net cash amount, relating to the reinvestment and the management fee for six months to 30 June 2018. The issue price was 143.815 pence per Ordinary Share, equivalent to the latest prevailing unaudited basic NAV of 145.49 pence per Ordinary Share less the interim dividend of 1.675 pence per Ordinary Share, for which the shares did not qualify, paid to Shareholders on 9 August 2018 in respect of the period from 1 April to 30 June 2018.

Following these issues of Ordinary Shares and the Open Offer of Ordinary Shares in February 2019 in which the Manager and some members of its staff participated, the Manager had the following beneficial interests as at the date of this report:

Tritax Partner or person closely associated	Number of Ordinary Shares	Percentage of issued share capital as at 6 March 2019
Mark Shaw	1,197,897	0.070%
Colin Godfrey	1,163,760	0.068%
James Dunlop	1,101,399	0,065%
Henry Franklin	825,200	0.048%
Bjorn Hobart	120,610	0.007%
Petrina Austin	100,523	0.006%
Tritax Management LLP	94,008	0.006%
Staff of Tritax Management LLP*	200,137	0.012%
Total	**4,803,534**	**0.282%**

* This figure comprises Ordinary Shares issued to staff 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 any staff members.

Term

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.

See Strategic Report, pages 1-69
See Audit & Risk Committee Report, pages 90-93

Conflict management

The IMA contains restrictive conflict provisions and 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 UK distribution or 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.

Susanne Given Chair of the Management Engagement Committee
6 March 2019

Relations with Shareholders and Stakeholders

As a Board, we recognise the importance of maintaining strong relationships with the Company's Shareholders and stakeholders and an understanding of their priorities and concerns. In 2018 we have focussed on developing strong relationships with our Customers.

The Chairman and the Senior Independent Director, alongside Colin Godfrey of the Manager, are the Company's principal spokesmen who regularly communicate with the Company's Shareholders, the press, analysts, investors and other stakeholders. All Directors are available to speak to Shareholders on any matters relating to the Company.

Investor relations

During the year, the Manager together with the Company's Broker, Jefferies, devoted time to meeting with existing Shareholders and prospective new investors in the UK, Continental Europe, South East Asia and the USA. The roadshows, together with a series of ongoing ad hoc meetings with Shareholders and stakeholders, enabled the Manager to listen to and understand the views of Shareholders and stakeholders and report those views to the Board so it could consider and appreciate these opinions. On the whole, feedback from the roadshows and other meetings has been positive and constructive over the year.

The Manager has a dedicated investor relations team who liaise with the Company's public relations advisor and provide regular investor relations reports to us, which include major press coverage, analyst reports and Shareholder feedback. In January 2019, the Company changed advisors from Newgate Communications plc to Maitland AMO. The Company's Broker provides a bespoke quarterly report, which has a section dedicated to investor relations. The Manager also produces a quarterly fact sheet on behalf of the Company which can be viewed on the Company's website.

The Chairman and Colin Godfrey, together with other Directors, are planning to hold a series of lunches in March 2019 with several Shareholders to discuss, informally, the Company and its business strategy in the present economic climate. In the past, 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 generally highly supportive of the Company. The salient themes to emerge included, a desire for the Company to maintain its focus on the progressive dividend and on the quality of its tenants and real estate. Some Shareholders were also keen to explore how and when the Company might become more organic in its growth. These themes were reported to the Board and have proven useful to the Company in the formulation of its strategy in 2018.

As well as the Chairman's lunches, the Company hosted a private event for Customers and other key stakeholders during the summer of 2018. As well as the Board, representatives from the Manager were also present. This event enabled us and the Manager to better understand the main concerns and development points for our Customers which should enable the Company to partner with its Customers more effectively, as well as promoting a more open discussion for future asset management and other property initiatives.

Site visits

The Manager has undertaken several "Big Box" site visits for existing Shareholders and lenders, prospective investors and analysts during the year, notably to the Company's development site at Littlebrook in May. In November, the Manager arranged a tour of a number of sites for US based prospective subscribers to the private placement of loan notes as part of their due diligence process on the Company. We will continue the initiative in 2019 as we believe that such site visits provide Shareholders and other stakeholders with a better insight into the nature of the assets we invest in and our strategy.

Annual General Meeting ("AGM")

Shareholders are encouraged to attend and vote at the Company's general meetings so they can discuss governance and strategy with the Directors and the Manager. This enables us to better understand Shareholders' views. All the Directors usually attend the AGM and we make ourselves available to answer Shareholders' questions at all the general meetings of the Company and are contactable as necessary. 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.

Various Directors also regularly attend the biannual financial results presentations to analysts.

The Company held a General Meeting on 23 November 2018 to seek shareholder approval for the amendment of the Company's existing Investment Policy to increase the exposure limit to land and options over land from 10% Net Asset Value to 15% of Gross Asset Value of which 5% could be invested in speculative developments (the development of buildings where no tenants are in place). The change to the Investment Policy was duly approved at the General Meeting.

The Chairman and the Senior Independent Director as well as other Directors 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 at the Company's registered office.

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, the Key Information Document required by PRIIPS regulations 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.

https://tritaxbigbox.co.uk/investors/shareholder-information

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 Directors' remuneration is disclosed later in this Remuneration Report. The Remuneration Report will be presented at the 2019 AGM for Shareholder consideration and approval.

No changes have been made to the remuneration of the Directors during the review period and we are not planning to make any changes in 2019.

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 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, all Directors are entitled to the remuneration determined from time to time by the Board.

External advisers
The Board and its Committees have access to sufficient resources to discharge their duties, which, in the past have included access to independent remuneration experts Deloitte LLP. The Board has not required any advice from Deloitte LLP during 2018. Deloitte LLP has no other connection with the Company.

Annual report on remuneration

Director	Letter of appointment dated
Sir Richard Jewson – appointment letter updated and reissued	18 November 2013 13 September 2016
Jim Prower	18 November 2013
Susanne Given	13 September 2016
Aubrey Adams	11 September 2017
Richard Laing	16 May 2018
Alastair Hughes	1 February 2019

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 of Association and without compensation.

Each Director 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, Sir Richard Jewson, who is paid a fee of £100,000 pa.

The fees paid to the past and current Directors (other than Alastair Hughes who was appointed post the year end) in the year to 31 December 2018, which have been audited, are set out in the table below. In addition, each Director is entitled to recover all reasonable expenses incurred in connection with performing his or her duties as a Director. Directors' expenses for the year to 31 December 2018 totalled £4,046 (2017: £4,163). No other remuneration was paid or payable during the year to any Director.

Director	Annual fee £	2018 total £	2017 total £
Sir Richard Jewson, Chairman	£100,000	£100,000	£100,000
Jim Prower	£50,000	£50,000	£50,000
Susanne Given	£50,000	£50,000	£50,000
Aubrey Adams	£50,000	£50,000	£15,385
Richard Laing[1]	£50,000	£31,474	N/A
Mark Shaw[2]	N/A	N/A	N/A

1 Richard Laing was appointed on 16 May 2018.

2 As Chairman of the Company's Manager, Mark Shaw was not entitled to receive a fee. He retired from the Board on 1 February 2019.

Alastair Hughes was appointed on 1 February 2019, after the end of the reporting period, and is therefore not included in the table above.

Statement of voting at general meeting
The Company is committed to ongoing Shareholder dialogue and takes an active interest in voting outcomes. If 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 and the Directors' Remuneration Policy were approved by Shareholders at the Company's AGM held on 16 May 2018. The voting on the respective resolutions was as shown below.

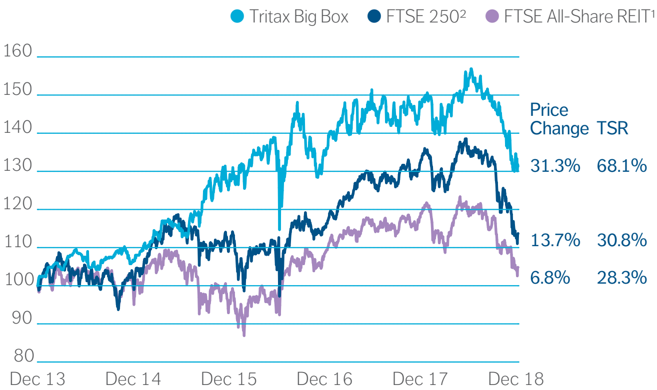
Resolution	Votes cast	For %	Against %	Votes withheld
Directors' Remuneration Policy	1,005,099,223	99.93	0.02	566,224
Directors' Remuneration Report	1,005,099,222	95.59	3.92	5,121,638

See Company Information, page 164

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 (p)



1 Source: Bloomberg and Capital IQ. 2 Rebased to Tritax Big Box as of 9 December 2013.

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

Directors' shareholdings (audited)

There is no requirement for the Directors of the Company to own shares in the Company. As at 6 March 2019, the Directors and their persons closely associated had the shareholdings listed below.

Director*	Number of shares held as at 6 Mar 2019	Percentage of issued share capital as at 6 Mar 2019	Dividends received 31 Dec 2018 £
Sir Richard Jewson, Chairman	87,249	0.005%	£5,113
Jim Prower	26,859	0.02%	£1,574
Aubrey Adams	113,043	0.007%	£6,625
Susanne Given	0	0.00%	£0
Richard Laing	45,828	0.002%	£2,212
Alastair Hughes	0	0.00%	£0

* Includes Directors and persons closely associated (as defined by the EU Market Abuse Regulation) shareholdings. Includes Ordinary Shares issued under the Open Offer in February 2019.

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.

Relative importance of spending on pay

	2018 £m	2017 £m	Change
Directors' remuneration	0.32	0.27	17%
Investment management fees	15.31	11.84	29%
Dividends paid to Shareholders	95.88	78.45	22%

Sir Richard Jewson KCVO, JP Chairman
6 March 2019

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 2018.

The Directors' Report, together with the Strategic Report, comprise the "Management Report" for the purposes of Disclosure Guidance 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 Report (pages 72-98 of this Annual Report and Accounts for the year ended 31 December 2018) 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, 6.70 pence per share were declared:

On 17 May 2018, we declared an interim dividend in respect of the period from 1 January 2018 to 31 March 2018 of 1.675 pence per Ordinary Share. This dividend was paid on 11 June 2018 to Shareholders on the register on 24 May 2018;

On 12 July 2018, we declared a second interim dividend in respect of the period from 1 April 2018 to 30 June 2018 of 1.675 pence per Ordinary Share. This dividend was paid on 9 August 2018 to Shareholders on the register on 20 July 2018;

On 11 October 2018, we declared a third interim dividend in respect of the period from 1 July 2018 to 30 September 2018 of 1.675 pence per Ordinary Share. This dividend was paid on 15 November 2018 to Shareholders on the register on 19 October 2018;

A fourth interim dividend in respect of the three months ended 31 December 2018, of 1.675 pence per share, was declared on 6 March 2019. This dividend is payable on or around 28 March 2019, to Shareholders on the register on 15 March 2019. This takes the total dividend in respect of the 2018 financial year to 6.70 pence per share.

Post balance sheet events

For full disclosure of post balance sheet events including db symmetry acquisition please refer to note 33 on page 143.

Directors

The names of the Directors currently serving the Company are set out in The Board of Directors, together with their biographical details on pages 82-83. Mark Shaw served as a Director of the Company until his resignation on 1 February 2019.

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 on page 99.

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 or policies on equal opportunities and disability.

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 April 2018, the Company issued 109,364,308 Ordinary Shares at a price of 142.25 pence pursuant to a Placing, Open Offer and Offer for Subscription. In March and October 2018 the Company issued 594,559 Ordinary Shares and 676,451 Ordinary Shares respectively pursuant to the IMA.

As at 31 December 2018, there were 1,474,233,401 Ordinary Shares in issue.

Ordinary Shares	Number	Gross proceeds £m
Balance at start	1,363,598,083	N/A
Shares issued in March 2018	594,559	N/A
Shares issued in April 2018	109,364,308	155.57
Shares issued in October 2018	676,451	N/A
Balance at the year end	**1,474,233,401**	**155.57**

In February 2019 we also issued 192,291,313 shares as part of an Open Offer to Shareholders, at a price of 130.00p. Later in the month we issued a further 40,450,234 shares in part consideration of the Company acquiring an 87% economic interest in db symmetry, also at 130.00p.

On 6 March there were 1,706,974,948 Ordinary Shares in issue.

See The Board of Directors, pages 82-83

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.

Greenhouse gas emissions reporting

The Board has considered the requirement to disclose the Company's measured carbon emissions as follows.

During the year ended 31 December 2018:

- 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 2018.

Substantial shareholdings

As at 28 February 2019, 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
BlackRock	131,059,104	7.68%
Aviva plc	115,052,007	6.74%
Brewin Dolphin Limited	83,762,893	4.91%
The Vanguard Group, Inc.	66,741,702	3.91%
State Street Global Advisers	54,404,657	3.19%
Legal & General Investment Management Ltd	53,132,055	3.11%
PGGM Listed Real Estate PF Fund	51,468,503	3.02%

Amendment of Articles of Association

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

Powers of the Directors

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

Powers in relation to the Company issuing its shares

At the AGM held on 16 May 2018, 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 £9,094,617. Of those Ordinary Shares, the Directors were granted authority to issue up to an aggregate nominal amount of £682,096 (which is equivalent to 5% of the Company's issued share capital as at that date) non pre-emptively and wholly for cash and authority to issue up to an aggregate nominal amount of £682,096 to be used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction), a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the Notice of the AGM. These authorities replaced the equivalent authorities given to the Directors at the AGM held on 16 May 2018. These authorities expire at the next AGM on 15 May 2019.

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 or institutions.

In certain facilities including the issue of recent loan notes, 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 on page 87.

Events subsequent to the year-end date

For details of events since the year-end date, please refer to note 33 to the consolidated financial statements.

Independent Auditor

BDO LLP has expressed it willingness to continue as Auditor for the financial year ending 31 December 2019.

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 Link Asset Services 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 disclosure of capitalised interest, which is disclosed in note 11, page 124.

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 15 May 2019.

This report was approved by the Board on 6 March 2019.

Tritax Management LLP Company Secretary
6 March 2019

Company Registration Number: 08215888

Responsibilities Statements

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

Directors' responsibilities statement

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 and Company 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 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 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' responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

> the Group 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 Group and the undertakings included in the consolidation as a whole;

> the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, 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.

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.

Signed on behalf of the Board by:

Sir Richard Jewson KCVO, JP Chairman
6 March 2019

See Directors' Report, pages 101-102
See Strategic Report, pages 1-69
See Directors' Remuneration Report, pages 99-100
See Chairman's Governance Overview, pages 72-74

Independent Auditor's Report

to the members of Tritax Big Box REIT plc

Opinion

We have audited the financial statements of Tritax Big Box REIT plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Cash Flow Statement, the Group Statement of Changes in Equity, Notes to the Consolidated Accounts, the Company Balance Sheet, the Company Statement of Changes in Equity and the Notes to the Company Accounts, including a summary of significant accounting policies. 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, as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in preparing the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

> the disclosures in the Annual Report set out on pages 60-67 that describe the principal risks and explain how they are being managed or mitigated;

> the Directors' confirmation set out on page 88 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

> the Directors' statement set out on page 68 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;

> whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

> the Directors' explanation set out on page 68 in the Annual Report 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of investment property portfolio, including properties under construction (forward funded assets)

Refer to note 1 in relation to accounting policies over significant estimates and judgements

Refer to note 15 in relation to investment property.

The valuation of investment property requires significant judgement and estimates by the Directors 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 assets: these are existing properties that are currently let. They are valued using the income capitalisation method.
- Properties under construction: these are properties being built under forward funded agreements with developers and which have agreed pre lets with tenants. Such assets have a different risk and investment profile to the standing assets. 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 the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.

Additionally, properties under construction may involve licence fees receivable from the developer during the construction phase and lease incentives to the pre-let tenant. Accounting for such assets is typically more complex than for standing assets.

How the scope of our audit addressed the key audit matter

Experience of Valuer and relevance of its work

We read the Valuer's report and confirmed that the approaches used were consistent with the requirements of IFRSs as adopted by the European Union. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them.

Data provided to the Valuer

We validated the data provided to the Valuer by the Manager and found that it was consistent with the information we audited. This data included inputs such as current rents and lease terms, which we have agreed on a sample basis to executed lease agreements as part of our audit work.

Assumptions and estimates used by the Valuer

We met with the Valuer and gained an understanding of the valuation methods and assumptions used. We have considered the assumptions utilised by the Valuer within the valuation and benchmarked the valuation to our expectations developed using independent data around the period end.

For properties under construction we assessed the project costs and progress of developments and verified the forecast costs to complete included in the valuations to third party costs to complete information.

Our testing indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio.

Our application of materiality

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

Materiality	£30 million
Performance materiality	£22.5 million
Specific materiality	£4.5 million
Specific performance materiality	£3.375 million
Reporting threshold	£0.6 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 £30 million (2017: £25 million), which was set at 1% of Group total assets (2017: 1%). 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 £4.5 million (2017: £3.75 million), which was set at 5% (2017: 4.8%) of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties and interest rate derivatives.

We determined that the same measures as the Group were appropriate for the Parent Company, and the materiality and specific materiality applied were £22 million and £4.1 million (2017: £21 million and £3.7 million) respectively.

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% (2017: 75%) of materiality, namely £22.5 million (2017: £18.75 million).

We determined that the same measure as the Group was appropriate for the Parent Company, and the performance materiality and specific performance materiality applied were £16.5 million and £3.08 million (2017: £15.75 million and £2.7 million) respectively.

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all individual audit differences in excess of £0.60 million (2017: £0.50 million) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We agreed that the reporting threshold for the Parent Company would be £0.44 million (2017: £0.42 million).

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 our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

The Group operates solely in the United Kingdom and operates through one segment, investment property, structured through 76 subsidiary Special Purpose Vehicle ("SPV") companies. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions. None of the subsidiary SPVs were considered to be significant components, and as such the audit approach included undertaking audit work on the key risks of material misstatement identified for the Group across the SPV subsidiaries.

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, the REIT regime requirements and legislation relevant to the rental of properties. We made enquiries of management to obtain further understanding of risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluate whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 92 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit & Risk Committee reporting set out on pages 90-93 – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 74– the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 104, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other matters which we are required to address

We were initially appointed in November 2013 to audit the financial statements of the Company for the period ended 31 December 2014. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. Following a competitive re-tender in May 2017 we were reappointed to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2014 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
6 March 2019

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

Group Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £m**	Year ended 31 December 2017 £m
Gross rental income	6	**133.85**	107.96
Service charge income	6	**3.88**	2.94
Service charge expense	7	**(4.95)**	(2.96)
Net rental income		**132.78**	107.94
Administrative and other expenses	8	**(18.07)**	(14.16)
Acquisition related costs	8	**(0.95)**	–
Operating profit before changes in fair value of investment properties		**113.76**	93.78
Changes in fair value of investment properties	15	**162.98**	175.98
Operating profit		**276.74**	269.76
Finance income	10	**0.21**	0.40
Finance expense	11	**(23.14)**	(20.32)
Changes in fair value of interest rate derivatives	21	**(1.24)**	(2.04)
Profit before taxation		**252.57**	247.80
Tax charge on profit for the year	12	**–**	–
Total comprehensive income (attributable to the Shareholders)		**252.57**	247.80
Earnings per share – basic	13	**17.54p**	19.54p
Earnings per share – diluted	13	**17.54p**	19.53p

Group Statement of Financial Position

As at 31 December 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Non-current assets			
Investment property	15	**3,038.31**	2,599.21
Interest rate derivatives	21	**5.20**	1.97
Total non-current assets		**3,043.51**	2,601.18
Current assets			
Trade and other receivables	17	**42.23**	10.23
Cash held at bank	18	**48.33**	78.04
Total current assets		**90.56**	88.27
Total assets		**3,134.07**	2,689.45
Current liabilities			
Deferred rental income		**(30.23)**	(27.62)
Trade and other payables	19	**(42.50)**	(23.44)
Total current liabilities		**(72.73)**	(51.06)
Non-current liabilities			
Bank borrowings		**(327.78)**	(216.76)
Loan notes		**(492.67)**	(492.17)
Total non-current liabilities	20	**(820.45)**	(708.93)
Total liabilities		**(893.18)**	(759.99)
Total net assets		**2,240.89**	1,929.46
Equity			
Share capital	24	**14.74**	13.64
Share premium reserve	25	**153.63**	932.37
Capital reduction reserve	26	**1,304.43**	467.93
Retained earnings	27	**768.09**	515.52
Total equity		**2,240.89**	1,929.46
Net asset value per share – basic	28	**152.00p**	141.50p
Net asset value per share – diluted	28	**152.00p**	141.44p
EPRA net asset value per share	28	**152.83p**	142.24p

These financial statements were approved by the Board of Directors on 6 March 2019 and signed on its behalf by:

Sir Richard Jewson KCVO, JP Chairman

Group Cash Flow Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cash flows from operating activities			
Profit for the year (attributable to equity Shareholders)		**252.57**	247.80
Changes in fair value of investment properties	15	**(162.98)**	(175.98)
Changes in fair value of interest rate derivatives	21	**1.24**	2.04
Finance income	10	**(0.21)**	(0.40)
Finance expense	11	**23.14**	20.32
Accretion of tenant lease incentive	6	**(11.13)**	(12.52)
Increase in trade and other receivables		**(14.13)**	(3.00)
Increase in deferred income		**2.61**	7.16
Increase in trade and other payables		**3.31**	0.02
Cash received as part of corporate acquisitions		**(0.07)**	1.62
Cash generated from operations		**94.35**	87.06
Tax paid		**(0.40)**	(0.28)
Net cash flow generated from operating activities		**93.95**	86.78
Investing activities			
Purchase of investment properties		**(283.17)**	(607.92)
Licence fees received		**16.53**	5.84
Interest received		**0.18**	0.39
Amounts transferred into restricted cash deposits	18	**–**	(5.26)
Amounts transferred out of restricted cash deposits	18	**5.17**	4.78
Net cash flow used in investing activities		**(261.29)**	(602.17)
Financing activities			
Proceeds from issue of Ordinary Share capital	24	**157.36**	351.40
Cost of share issues	25	**(2.63)**	(5.83)
Bank borrowings drawn	20	**180.28**	164.00
Bank borrowings repaid	20	**(69.28)**	(482.66)
Amounts received on issue of loan notes		**–**	495.54
Loan arrangement fees paid		**(1.20)**	(7.85)
Bank interest paid		**(21.76)**	(14.21)
Interest rate cap premium paid		**(4.47)**	(1.07)
Proceeds from disposal of interest rate cap		**–**	0.24
Dividends paid to equity holders		**(95.50)**	(77.31)
Net cash flow generated from financing activities		**142.80**	422.25
Net decrease in cash and cash equivalents for the year		**(24.54)**	(93.14)
Cash and cash equivalents at start of the year	18	**71.91**	165.05
Cash and cash equivalents at end of the year	18	**47.37**	71.91

Group Statement of Changes in Equity

	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2018	**13.64**	**932.37**	**467.93**	**515.52**	**1,929.46**
Total Comprehensive Income	**–**	**–**	**–**	**252.57**	**252.57**
Issue of Ordinary Shares					
Cancellation of share premium account	–	(932.37)	932.37	–	–
Shares issued in relation to further equity issue (April 2018)	1.09	154.47	–	–	155.56
Associated share issue costs	–	(2.63)	–	–	(2.63)
Shares issued in relation to management contract	0.01	1.79	–	–	1.80
Share based payments	–	–	–	2.02	2.02
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(2.02)	(2.02)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.82)	–	(21.82)
First interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.68)	–	(24.68)
Second interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.68)	–	(24.68)
Third interim dividend in respect of period ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.69)	–	(24.69)
31 December 2018	**14.74**	**153.63**	**1,304.43**	**768.09**	**2,240.89**
1 January 2017	11.05	589.39	546.38	267.72	1,414.54
Total Comprehensive Income	–	–	–	247.80	247.80
Issue of Ordinary Shares					
Shares issued in relation to further equity issue (May 2017)	2.58	347.42	–	–	350.00
Associated share issue costs		(5.83)	–	–	(5.83)
Shares issued in relation to management contract	0.01	1.39			1.40
Share based payments	–	–	–	1.56	1.56
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.56)	(1.56)
Dividends paid:					
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share	–	–	(17.13)	–	(17.13)
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(17.69)	–	(17.69)
Second interim dividend in respect of year ended – 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.81)	–	(21.81)
Third interim dividend in respect of period ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.82)	–	(21.82)
31 December 2017	13.64	932.37	467.93	515.52	1,929.46

Notes to the Consolidated Accounts

1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2018 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries and were approved by the Board for issue on 6 March 2019. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information.

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

Accounting policies

2. Basis of preparation

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

The comparative information disclosed relates to the year ended 31 December 2017.

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

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

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

2.1. Going concern

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:

For Company Information, see page 164
For Strategic Report, see pages 1-69
For Accountability, see pages 88-89

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. Under IFRS 3, a business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business will usually consist of inputs, processes and outputs. Therefore, the Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where 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.

In the current and preceding year all acquisitions were accounted for as asset acquisitions as none of the acquisitions included the acquisition of an integrated set of activities.

3.2. Estimates

Fair valuation of investment property

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

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

4. Summary of significant accounting policies

4.1. Basis of consolidation

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

4.2. Subsidiaries

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

4.3. Segmental information

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

4. Summary of significant accounting policies (continued)

4.4. Investment property and investment property under construction

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

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to investment property. For further details please see Accounting Policy note 4.9.1.

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

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

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

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

4.5. Financial Instruments

Fair value hierarchy

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

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

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

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

4.5.1. Financial assets

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

Fair value through profit or loss

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

Amortised cost

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

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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

4. Summary of significant accounting policies (continued)

4.5.2. Financial Liabilities

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

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

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group Statement of Comprehensive Income. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

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

4.6. Forward funded pre-let investments

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

4.6.1. Licence fees receivable

During the period between initial investment in a forward funded agreement and the rent commencement date under the lease, the Group receives licence fee income. 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.

4.7. Share based payments

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

4.8. 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.

4.9. Property income

4.9.1. Rental income

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

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

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

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

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

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

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

4.10. 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.

4.11. Finance costs

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

4.12. Taxation

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

5. Standards issued and effective from 1 January 2018

The following new standards are effective and have been adopted for the year ended 31 December 2018.

5.1. Standards in issue and effective from 1 January 2018

IFRS 9: Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

Management have reviewed the requirements of IFRS 9. The Group's principal financial assets comprise interest rate derivatives which will continue to be measured at fair value, and trade receivables, which will continue to be measured at amortised cost. The following changes have been identified.

a) The Group adopted the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables (both current and non-current)). This resulted in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. To measure expected credit losses the Group considered the probability of a default occurring over the contractual life of its trade receivables. Historically the Group has not had to provide or write off any debt from tenants. The specific situation of each tenant has been evaluated using a provision matrix as allowed under IFRS 9. Based on this assessment the impact is not material.

b) In 2017, the Group renegotiated some of the terms and conditions of a long-term loan, but that did not result in derecognition of the loan as the revised terms were neither qualitatively nor quantitatively different from the original terms. Therefore this was considered a modification rather than an extinguishment. Under IAS 39, the effective interest rate was updated so as to amortise the revised expected cash flows over the revised term. In accordance with IFRS 9 it is not appropriate to revise the original effective interest rate. The impact of this change was not material.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The majority of the Group's revenue is derived from leases that are outside the scope of IFRS 15 and accordingly the adoption has not had a material impact.

5.2. Standards issued but not yet effective

IFRS 16: Leases (effective 1 January 2019)

The Directors are currently assessing the impact on the financial statements of this standard; however, at present they do not anticipate that the adoption of this will have a material impact on the Group's financial statements as the Group does not hold any material operating leases as lessee.

6. Total property income

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Rental income – freehold property	**93.66**	73.02
Rental income – long leasehold property	**29.04**	22.40
Spreading of tenant incentives and guaranteed rental uplifts	**11.13**	12.52
Lease premiums	**0.02**	0.02
Gross rental income	**133.85**	107.96
Property insurance recoverable	**2.92**	2.43
Service charges recoverable	**0.96**	0.51
Total insurance/service charge income	**3.88**	2.94
Total property income	**137.73**	110.90

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

7. Service charge expenses

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Property insurance expense	**4.08**	2.94
Service charge expense	**0.87**	0.02
Total property expenses	**4.95**	2.96

8. Administrative and other expenses

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Investment management fees	**15.31**	11.84
Directors' remuneration (note 9)	**0.31**	0.27
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	**0.14**	0.14
– Fees payable for the review of the Company's interim accounts	**0.04**	0.03
– Fees payable for the audit of the Company's subsidiaries	**0.06**	0.05
Total Auditor's fee	**0.24**	0.22
Corporate administration fees	**0.46**	0.38
Regulatory fees	**0.06**	0.04
Legal and professional fees	**1.12**	0.91
Marketing and promotional fees	**0.14**	0.14
Other administrative costs	**0.43**	0.36
	18.07	14.16
Acquisition related costs[1]	**0.95**	–

The Auditor has also received £0.09 million (2017: £0.08 million) in respect of providing reporting accountant services in connection with the equity issuance and bond issuance occurring during the year.

Fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees related to the bond issuance have been treated as part of the arrangement fees for issuing the bond. The fees in relation to the acquisition of assets have been capitalised in to the cost of the respective assets.

1 Acquisition related costs have been removed from the total of administrative and other costs incurred in the year, due to the one-off nature of these costs which have been expensed in accordance with IFRS 3: Business combinations.

9. Directors' remuneration

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Directors' fees	**0.28**	0.24
Employer's National Insurance	**0.03**	0.03
	0.31	0.27

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 2018 £m	Year ended 31 December 2017 £m
Interest received on bank deposits	**0.21**	0.40
	0.21	0.40

11. Finance expense

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Interest payable on bank borrowings	**5.97**	12.29
Interest payable on loan notes	**14.37**	0.67
Commitment fees payable on bank borrowings	**1.37**	0.63
Swap interest payable	**0.08**	0.11
One-off cost of extinguishment of bank loans	**–**	4.75
Amortisation of loan arrangement fees	**1.35**	1.87
	23.14	20.32

The total interest payable on financial liabilities carried at amortised cost comprises interest and commitment fees payable on bank borrowings and loan notes of £21.71 million (2017: £13.91 million) of which £nil was capitalised in the year (2017: £0.32 million) and amortisation of loan arrangement fees of £1.36 million (2017: £6.69 million) of which £nil (2017: £0.08 million) was capitalised in the year. The total interest payable on bank borrowings specifically drawn to finance the construction of investment properties was capitalised in the current and preceding year.

12. Taxation

a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
UK corporation tax	**–**	–

The Government announced its intention to further reduce the UK corporation tax rates from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2018.

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 2018 £m	Year ended 31 December 2017 £m
Profit on ordinary activities before taxation	**252.57**	247.80
Theoretical tax at UK corporation tax rate of 19.00% (31 December 2017: 19.25%)	**47.99**	47.70
REIT exempt income	**(17.28)**	(14.48)
Non-taxable items	**(33.05)**	(33.49)
Transfer pricing adjustment	**1.10**	0.65
Residual losses	**1.24**	(0.38)
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 2018	Net profit attributable to Ordinary Shareholders £m	Weighted average number of Ordinary Shares [1] Number	Earnings per share Pence
Basic earnings per share	**252.57**	**1,440,012,547**	**17.54p**
Adjustment for dilutive shares to be issued		–	
Diluted earnings per share	**252.57**	**1,440,012,547**	**17.54p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(162.98)		
Changes in fair value of interest rate derivatives (note 21)	1.24		
Costs associated with a business combination (note 8)	0.95		
EPRA[2] basic earnings per share	**91.78**	**1,440,012,547**	**6.37p**
EPRA[2] diluted earnings per share	**91.78**	**1,440,012,547**	**6.37p**
Adjustments to include/(exclude):			
Licence fee receivable on forward funded developments	10.27		
Rental income recognised in respect of fixed uplifts	(4.34)		
Loan amortisation	1.34		
Interest capitalised	–		
Adjusted basic earnings per share	**99.05**	**1,440,012,547**	**6.88p**
Adjusted diluted earnings per share	**99.05**	**1,440,012,547**	**6.88p**
For the year ended 31 December 2017			
Basic earnings per share	**247.80**	**1,268,540,113**	**19.54p**
Adjustment for dilutive shares to be issued		590,881	
Diluted earnings per share	**247.80**	**1,269,130,994**	**19.53p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(175.98)		
Changes in fair value of interest rate derivatives (note 21)	2.04		
One-off cost of extinguishment of bank loans (note 11)	4.75		
EPRA[2] basic earnings per share	**78.61**	**1,268,540,113**	**6.20p**
EPRA[2] diluted earnings per share	**78.61**	**1,269,130,994**	**6.20p**
Adjustments to include/(exclude):			
Licence fee receivable on forward funded developments	5.31		
Rental income recognised in respect of fixed uplifts	(4.65)		
Loan amortisation	1.87		
Interest capitalised	(0.32)		
Adjusted basic earnings per share	**80.82**	**1,268,540,113**	**6.37p**
Adjusted diluted earnings per share	**80.82**	**1,269,130,994**	**6.37p**

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

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

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

14. Dividends paid

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Fourth interim dividend in respect of period ended 31 December 2017 at 1.60 pence per Ordinary Share (Third interim for 31 December 2016 at 1.55 pence per Ordinary Share)	**21.82**	17.13
First interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.68**	17.69
Second interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.68**	21.81
Third interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.69**	21.82
Total dividends paid	**95.87**	78.45
Total dividends paid for the year	**5.025p**	4.80p
Total dividends unpaid but declared for the year	**1.675p**	1.60p
Total dividends declared for the year	**6.70p**	6.40p

On 17 May 2018, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2018 to 31 March 2018 of 1.675 pence per Ordinary Share, which was payable on 11 June 2018 to Ordinary Shareholders on the register on 25 May 2018.

On 12 July 2018, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2018 to 30 June 2018 of 1.675 pence per Ordinary Share, which was payable on 9 August 2018 to Shareholders on the register on 20 July 2018.

On 11 October 2018, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2018 to 30 September 2018 of 1.675 pence per Ordinary Share, which was payable on 15 November 2018 to Shareholders on the register on 19 October 2018.

On 6 March 2019, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2018 to 31 December 2018 of 1.675 pence per Ordinary Share, which will be payable on or around 28 March 2019 to Shareholders on the register on 15 March 2019.

15. Investment property

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13.

The Valuer in forming its opinion 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.

	Investment property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2018	**1,924.33**	**612.38**	**62.50**	**2,599.21**
Property additions[1]	**42.53**	**0.02**	**222.44**	**264.99**
Fixed rental uplift and tenant lease incentives[2]	**9.35**	**1.78**	**–**	**11.13**
Transfer of completed property to investment property	**–**	**–**	**–**	**–**
Change in fair value during the year	**77.55**	**21.37**	**64.06**	**162.98**
As at 31 December 2018	**2,053.76**	**635.55**	**349.00**	**3,038.31**
As at 1 January 2017	1,278.13	436.84	88.14	1,803.11
Property additions[1]	307.45	121.83	178.32	607.60
Fixed rental uplift and tenant lease incentives[2]	7.70	4.82	–	12.52
Transfer of completed property to investment property	209.75	–	(209.75)	–
Change in fair value during the year	121.30	48.89	5.79	175.98
As at 31 December 2017	1,924.33	612.38	62.50	2,599.21

1 Licence fees deducted from the cost of investment property under construction totalled £35.03 million in the year (2017: £0.70 million).
2 Included within the carrying value of investment property is £37.03 million (2017: £25.89 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

	31 December 2018 £m	31 December 2017 £m
Investment property at fair value per Group Statement of Financial Position	**3,038.31**	2,599.21
Licence fee receivable	**18.34**	–
Capital commitments	**361.56**	5.12
Ring fenced cash (note 18)	**0.03**	2.95
Total portfolio valuation*	**3,418.24**	2,607.28

* 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 commitments could also represent commitments made in respect of asset management initiatives and development land. These costs are not provided for in the Statement of Financial Position; refer to note 32.

For note 32, see page 142

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

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

The valuation summary is set out in the Strategic Report.

Fair value hierarchy

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

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Assets measured at fair value:					
Investment properties	**31 December 2018**	**3,038.31**	**–**	**–**	**3,038.31**
Investment properties	31 December 2017	2,599.21	–	–	2,599.21

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 per square foot at which space could be let in the market conditions prevailing at the date of valuation (range: £4.05-£10.75 per annum).

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

Unobservable input: rental growth

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

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 3.75%-6.47%).

For Strategic Report, see pages 1-69

15. Investment property (continued)

Sensitivities of measurement of significant unobservable inputs

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

As a result the following sensitivity analysis has been prepared:

	–5% in passing rent £m	+5% in passing rent £m	+0.25% in initial yield £m	–0.25% net initial yield £m
(Decrease)/increase in the fair value of investment properties as at 31 December 2018	(170.91)	170.91	(183.24)	205.25
(Decrease)/increase in the fair value of investment properties as at 31 December 2017	(130.36)	130.36	(136.56)	152.41

16. Investments

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

	Principal activity	Country of incorporation	Ownership %
TBBR Holdings 1 Limited	Investment Holding Company	Jersey	100%
TBBR Holdings 2 Limited	Investment Holding Company	Jersey	100%
Baljean Properties Limited	Property Investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment Holding Company	Jersey	100%
The Sherburn RDC Unit Trust	Property Investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property Investment	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Ripon Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 9 Limited	Property Investment	Jersey	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Worksop Limited	Property Investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 16 Limited	Property Investment	Jersey	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax Acquisition 23 Limited	Property Investment	Jersey	100%
Tritax Acquisition 24 Limited	Property Investment	Jersey	100%
Tritax Knowsley Limited	Property Investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property Investment	BVI	100%
Tritax Acquisition 28 Limited	Property Investment	Jersey	100%
Tritax Peterborough Limited	Property Investment	Jersey	100%
Tritax Littlebrook 2 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property Investment	Jersey	100%
Tritax Atherstone (UK) Limited	Property Investment	UK	100%

	Principal activity	Country of incorporation	Ownership %
Tritax Stoke DC1&2 Limited	Investment Holding Company	Jersey	100%
Tritax Stoke DC3 Limited	Investment Holding Company	Jersey	100%
Tritax Holdings CL Debt Limited	Investment Holding Company	Jersey	100%
Tritax Portbury Limited	Property Investment	Jersey	100%
Tritax Newark Limited	Property Investment	Jersey	100%
Tritax Carlisle Limited	Investment Holding Company	Jersey	100%
Tritax Worksop 18 Limited	Property Investment	Jersey	100%
Tritax Edinburgh Way Harlow (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Stoke Management Limited	Management Company	UK	100%
Tritax Holdings PGIM Debt Limited	Investment Holding Company	Jersey	100%
Tritax Merlin 310 Trafford Park Limited	Property Investment	Jersey	100%
Tritax West Thurrock Limited	Property Investment	Jersey	100%
Tritax Tamworth Limited	Property Investment	Jersey	100%
Tritax Acquisition 34 Limited	Property Investment	Jersey	100%
Tritax Acquisition 35 Limited	Property Investment	Jersey	100%
Tritax Acquisition 36 Limited	Property Investment	Jersey	100%
Tritax Acquisition 37 Limited	Property Investment	Jersey	100%
Tritax Acquisition 38 Limited	Property Investment	Jersey	100%
Tritax Acquisition 39 Limited	Property Investment	Jersey	100%
Tritax Acquisition 40 Limited	Property Investment	Jersey	100%
Tritax Acquisition 41 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 1 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property Investment	Jersey	100%
Tritax Atherstone Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 42 Limited	Property Investment	Jersey	100%
Tritax Luxembourg DC1&2 Limited	Property Investment	Luxembourg	100%
Tritax Luxembourg DC3 Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 43 Limited	Property Investment	Jersey	100%
Tritax Carlisle UK Limited	Property Investment	UK	100%
Tritax Edinburgh Way Harlow Limited	Investment Holding Company	Jersey	100%
Tritax Crewe Limited	Investment Holding Company	Jersey	100%
Tritax Crewe (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 44 Limited	Property Investment	Jersey	100%
Tritax Acquisition 45 Limited	Property Investment	Jersey	100%
Tritax Acquisition 46 Limited	Property Investment	Jersey	100%
Tritax Acquisition 47 Limited	Property Investment	Jersey	100%
Tritax Acquisition 48 Limited	Property Investment	Jersey	100%
Tritax Symmetry Limited	Investment Holding Company	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: Standbrook House, 2-5 Old Bond Street, London W1S 4PD

Luxembourg entities: 9 Allée Scheffer, Luxembourg, L-2520.

17. Trade and other receivables

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Trade receivables	**7.00**	5.27
Licence fee receivable	**18.34**	0.45
Prepayments, accrued income and other receivables	**3.97**	0.92
VAT	**12.92**	3.59
	42.23	10.23

The following table sets out the ageing of trade receivables as at 31 December 2018.

Past due but not impaired		
<30 days	**5.93**	3.27
30-60 days	**0.02**	1.74
60-90 days	**0.99**	–
90 days+	**0.06**	0.26
	7.00	5.27

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

18. Cash held at bank

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cash and cash equivalents to agree with cash flow	**47.37**	71.91
Restricted cash	**0.96**	6.13
	48.33	78.04

Ring fenced cash of £0.03 million (2017: £2.95 million) included with cash and cash equivalents represents amounts relating to future rent-free periods on certain assets within the portfolio or rental top-up amounts, where a cash deduction against the net purchase price was agreed with the vendor. Currently the cash is held in a ring fenced bank account.

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

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £47.37 million (2017: £71.91 million) as at the year end, which excludes long-term restricted and ring fenced cash deposits totalling £0.96 million (2017: £6.13 million). Total cash held at bank as reported in the Group Statement of Financial Position is £48.33 million (2017: £78.04 million).

19. Trade and other payables

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Trade and other payables	**32.57**	16.81
Bank loan interest payable	**2.01**	1.69
Accruals	**7.86**	4.43
Tax liability	**0.06**	0.51
	42.50	23.44

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

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

20. Borrowings

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

Bank borrowings

	Bank borrowings drawn £m	Bank borrowings undrawn £m	Total £m
As at 1 January 2018	**222.87**	**340.00**	**562.87**
New bank borrowings agreed in the year	**–**	**650.00**	**650.00**
Bank borrowings drawn in the year under existing facilities	**180.28**	**(180.28)**	**–**
Bank borrowings repaid in the year under existing facilities	**(69.28)**	**69.28**	**–**
As at 31 December 2018	**333.87**	**879.00**	**1,212.87**
As at 1 January 2017	541.53	150.00	691.53
New bank borrowings agreed in the year	100.00	340.00	440.00
Bank borrowings drawn in the year under existing facilities	64.00	(64.00)	–
Bank borrowings repaid in the year under existing facilities	(482.66)	(86.00)	(568.66)
As at 31 December 2017	222.87	340.00	562.87

Loan notes

Bonds	31 December 2018 £m	31 December 2017 £m
2.625% Bonds 2026	**249.12**	249.01
3.125% Bonds 2031	**246.79**	246.55
	495.91	495.56

On 2 October 2018, the Company announced it had entered into a new £250 million senior, short-term, unsecured banking facility with a syndicate of its relationship lenders comprising Barclays Bank PLC, The Royal Bank of Scotland International Limited and Banco Santander, S.A., London Branch. The new facility was for a term of 12 months, with an option to extend by a further six months.

This facility was cancelled upon receipt of the Loan Note proceeds on 28 February 2019 (see below).

On 5 December 2018, the Company announced that it had agreed a private placement of £400 million new senior unsecured loan notes with a number of new institutional investors (the "Loan Notes"). The Loan Notes comprised two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years.

The Loan Notes were priced on 15 November 2018 and the loan note purchase agreement was signed on 4 December 2018. The funds were drawn on 28 February 2019.

The two tranches comprise:

- £250 million at a fixed coupon of 2.86%. maturing in February 2028; and
- £150 million at a fixed coupon of 2.98%. maturing in February 2030.

Santander Investment Securities Inc., and NatWest Markets Plc acted as joint placement agents and Barclays Bank PLC and BNP Paribas Securities Corp. acted as passive agents on the Loan Notes.

A large part of the Group's borrowings are unsecured financing arrangements. The Group has a £350 million revolving credit facility, which provides the Group with a significant level of operational flexibility. The syndicate for the unsecured revolving credit facility comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, ING Bank N.V. London Branch, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch.

On 19 December 2018, the Company announced that it had agreed to extend the termination date of £325 million of the £350 million revolving credit facility from 10 December 2022, to 10 December 2023.

As at 31 December 2018, 73%[1] (2017: 62%) of the Group's debt facility commitments are fixed term, with 27%[1] floating term (2017: 38%). As at 31 December 2018, the weighted average running cost of debt was 2.63% (2017: 2.38%), and the Group's average capped cost of debt was 2.73% (2017: 2.66%).

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

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

	31 December 2018 £m	31 December 2017 £m
Bank borrowings drawn: due in more than one year	**333.87**	222.87
Loan notes drawn: due in more than one year	**495.91**	495.56
Less: unamortised costs on bank borrowings	**(6.09)**	(6.11)
Less: unamortised costs on loan notes	**(3.24)**	(3.39)
Non-current liabilities: borrowings	**820.45**	708.93

Maturity of borrowings

	31 December 2018 £m	31 December 2017 £m
Repayable between 1 and 2 years	**–**	–
Repayable between 2 and 5 years	**121.00**	10.00
Repayable in over 5 years	**708.78**	708.43
	829.78	718.43

Following the financing activity as noted above, the weighted average term to maturity of the Group's debt as at the year end is 8.7 years[1] (31 December 2017: 8.9 years), when excluding the £250 million short-term loan which was cancelled on 28 February 2019. The £350 million syndicated facility has a one-year extension option remaining, exercisable on the second anniversary of the facility. This option requires lender consent, although when looking at the weighted average term to maturity for the Group, assuming this option is exercised, this would increase to 8.9 years[1] (31 December 2017: 9.6 years).

1 Excluding the £250 million RCF which was cancelled on 28 February 2019.

21. Interest rate derivatives

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

The weighted average capped rate, excluding any margin payable, for the Group as at the year end was 1.26% (2017: 1.26%), 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 2.63% (2017: 2.66%). The total premium payable in the year towards securing the interest rate caps was £4.47 million (2017: £1.07 million).

	31 December 2018 £m	31 December 2017 £m
Non-current assets: interest rate derivatives	**5.20**	1.97

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the mark to market values of the derivatives are taken to the Group Statement of Comprehensive Income.

	31 December 2018 £m	31 December 2017 £m
Interest rate derivative valuation brought forward	**1.97**	3.18
Interest rate cap premium paid	**4.47**	1.07
Disposal of interest rate cap	**–**	(0.24)
Changes in fair value of interest rate derivatives	**(1.24)**	(2.04)
	5.20	1.97

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed rate loan arrangements. As at the year-end date the total proportion of debt either hedged via interest rate derivatives or subject to fixed rate loan agreements equated to 98.9%, as shown below.

	31 December 2018 Drawn £m	31 December 2017 Drawn £m
Total borrowings drawn (note 20)	**829.78**	718.43
Notional value of effective interest rate derivatives and fixed rate loans	**828.25**	716.90
Proportion of hedged debt	**99.81%**	99.78%

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

21. Interest rate derivatives (continued)

Fair value hierarchy

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

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Assets measured at fair value:					
Interest rate derivatives	**31 December 2018**	**5.20**	**–**	**5.20**	**–**
Interest rate derivatives	31 December 2017	1.97	–	1.97	–

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

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

22. Financial risk management

Financial instruments

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

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

	Book value 31 December 2018 £m	**Fair value 31 December 2018 £m**	Book value 31 December 2017 £m	Fair value 31 December 2017 £m
Financial assets				
Interest rate derivatives	**5.20**	**5.20**	1.97	1.97
Trade and other receivables[1]	**25.34**	**25.34**	9.31	9.31
Cash held at bank	**48.33**	**48.33**	78.04	78.04
Financial liabilities				
Trade and other payables[2]	**42.44**	**42.44**	22.93	22.93
Borrowings	**829.78**	**854.01**	718.43	712.98

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

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

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

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Borrowings	**31 December 2018**	**682.15**	**520.97**	**161.18**	**–**
Borrowings	31 December 2017	652.11	491.46	160.65	–

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

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

The fair value of the financial liabilities at Level 1 fair value measure were £520.97 million (2017: £491.46) and the financial liabilities at Level 2 fair value measure were £161.18 million (2017: £160.65 million).

Risk management

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

Market risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on the Group Statement of Comprehensive Income and net assets of a 50 basis point shift in interest rates would result in an increase of £0.59 million (2017: £0.30 million) or a decrease of £0.86 million (2017: £0.30 million). The difference between the increase and decrease absolute figure is due to the interest rate caps in place.

Credit risk

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

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

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the Group Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition and on an ongoing annual basis. Please refer to note 17 for details regarding credit risk management of trade receivables.

22. Financial risk management (continued)

Credit risk related to financial instruments and cash deposits

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

Liquidity risk

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

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

	On demand £m	<3 months £m	3-12 months £m	1-5 years £m	>5 years £m	Total £m
31 December 2018						
Borrowings	**–**	**5.58**	**16.73**	**260.41**	**760.96**	**1,043.68**
Trade and other payables	**–**	**42.50**	**–**	**–**	**–**	**42.50**
	–	**48.08**	**16.73**	**260.41**	**760.96**	**1,086.18**
31 December 2017						
Borrowings	–	4.99	14.87	89.38	830.98	940.22
Trade and other payables	–	23.44	–	–	–	23.44
	–	28.43	14.87	89.38	830.98	963.66

Included within the contracted payments is £209.80 million (2017: £217.32 million) of loan interest payable up to the point of maturity across the facilities.

23. Capital management

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

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

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

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

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 27.3% (2017: 26.8%).

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 2018 Number	31 December 2018 £m	31 December 2017 Number	31 December 2017 £m
Issued and fully paid at 1 pence each	**1,474,233,401**	**14.74**	1,363,598,083	13.64
Balance at beginning of year – £0.01 Ordinary Shares	**1,363,598,083**	**13.64**	1,105,159,529	11.05
Shares issued in relation to further Equity issuance	**109,364,308**	**1.09**	257,352,941	2.58
Shares issued in relation to management contract	**1,271,010**	**0.01**	1,085,613	0.01
Balance at end of year	**1,474,233,401**	**14.74**	1,363,598,083	13.64

On 29 March 2018, 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 594,559 Ordinary Shares at an issue price per Ordinary Share of 139.90 pence.

On 18 April 2018, the Company announced that it intended to proceed with a proposed Placing of new Ordinary Shares at a price of 142.25 pence per share to raise £155.6 million. As a result, a total of 109,364,308 Ordinary Shares were issued at a price of 142.25 pence per Ordinary Share.

On 8 October 2018, 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 676,451 Ordinary Shares at an issue price per Ordinary Share of 143.815 pence.

25. Share premium

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

	31 December 2018 £m	31 December 2017 £m
Balance at the beginning of year	**932.37**	589.39
Transfer to capital reduction reserve (see note 26)	**(932.37)**	–
Share premium on Ordinary Shares issued in relation to further Equity Issuance	**154.47**	347.42
Share issue expenses in relation to further Equity issuance	**(2.63)**	(5.83)
Share premium on Ordinary Shares issued to management	**1.79**	1.39
	153.63	932.37

26. Capital reduction reserve

	31 December 2018 £m	31 December 2017 £m
Balance at beginning of year	**467.93**	546.38
Transfer from share premium	**932.37**	–
Fourth interim dividend for the period ended 31 December 2017	**(21.82)**	(17.13)
First interim dividend for the year ended 31 December 2018	**(24.68)**	(17.69)
Second interim dividend for the year ended 31 December 2018	**(24.68)**	(21.81)
Third interim dividend for the year ended 31 December 2018	**(24.69)**	(21.82)
Balance at end of year	**1,304.43**	467.93

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

27. Retained earnings

	31 December 2018 £m	31 December 2017 £m
Balance at beginning of year	**515.52**	267.72
Retained profit for the year	**252.57**	247.80
Balance at end of year	**768.09**	515.52

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

28. Net asset value (NAV) per share

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

	31 December 2018 £m	31 December 2017 £m
Net assets per Group Statement of Financial Position	**2,240.89**	1,929.46
EPRA NAV (see Additional Information)	**2,253.09**	1,940.42
Ordinary Shares:		
Issued share capital (number)	**1,474,233,401**	1,363,598,083
Basic net asset value per share	**152.00p**	141.50p
Dilutive shares in issue (number)	**–**	590,881
Diluted net asset value per share	**152.00p**	141.44p
Basic EPRA NAV per share	**152.83p**	142.30p
Dilutive shares in issue (number)	**–**	590,881
Diluted EPRA NAV per share	**152.83p**	142.24p

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

29. Operating leases

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

	<1 year £m	2-5 years £m	>5 years £m	Total £m
31 December 2018	**129.02**	**504.36**	**1,201.92**	**1,835.30**
31 December 2017	119.50	484.28	1,239.05	1,842.83

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

For Additional Information – Notes to the EPRA and Other Key Performance Indicators, see pages 158-160

30. Transactions with related parties

For the year ended 31 December 2018, all Directors and the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8.

The total amount outstanding at the year end relating to the Investment Management Agreement was £3.96 million (2017: £3.29 million).

The total expense recognised in the Statement of Comprehensive Income relating to share based payments under the Investment Management Agreement was £2.02 million (2017: £1.56 million), of which £1.05 million (2017: £0.84 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. Throughout the year SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £0.34 million (2017: £0.68 million) in respect of agency services for the year; this represents a total of 7% (2017: 20%) of agency fees paid by the Group during the year. There were £0.34 million (2017: £nil) 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 did not vote at any meeting of the Board relating to contractual terms to be agreed between the Company, the Manager and SG Commercial, nor with respect to any investment decision where SG Commercial is acting as agent in any capacity.

During the year the Directors received the following dividends; Richard Jewson: £5,113 (2017: £4,588), Jim Prower: £1,574 (2017: £1,508), Aubrey Adams: £6,625 (2017: £nil), Susanne Given: £nil (2017: £nil), Mark Shaw: £63,870 (2017: £37,351) and Richard Laing £2,212 (2017: £nil).

During the year the four controlling Members of the Manager received the following dividends; Mark Shaw as above, Colin Godfrey: £58,552 (2017: £37,700), James Dunlop: £55,176 (2017: £35,688) and Henry Franklin: £41,256 (2017: £28,289).

For Management Engagement Committee Report, see pages 94-97
For Directors' Remuneration Report, see pages 99-100

31. Reconciliation of liabilities to cash flows from financing activities

	Borrowings £	Derivative financial instruments £	Loan notes £	Total £
Balance on the 1 January 2018	**216.76**	**(1.97)**	**492.17**	**706.96**
Cash flows from financing activities:				
Bank borrowings advanced	**180.28**	**–**	**–**	**180.28**
Bank borrowings repaid	**(69.28)**	**–**	**–**	**(69.28)**
Interest rate cap premium paid	**–**	**(4.48)**	**–**	**(4.48)**
Loan arrangement fees paid	**(0.80)**	**–**	**(0.39)**	**(1.19)**
Non-cash movements:				
Change in creditors for loan arrangement fees payable	**0.16**	**–**	**0.21**	**0.37**
Amortisation of loan arrangement fees	**0.66**	**–**	**0.69**	**1.35**
Fair value movement	**–**	**1.24**	**–**	**1.24**
Balance on the 31 December 2018	**327.78**	**(5.21)**	**492.68**	**815.25**
Balance on the 1 January 2017	533.50	(3.17)	–	530.33
Cash flows from financing activities:				
Bank borrowings advanced	164.00	–	–	164.00
Bank borrowings repaid	(482.66)		–	(482.66)
Amounts received on the issue of loan notes	–	–	495.54	495.54
Interest rate cap premium paid	–	(0.83)	–	(0.83)
Loan arrangement fees paid	(4.66)	–	(3.19)	(7.85)
Non-cash movements:				
Change in creditors for loan arrangement fees payable	(0.04)	–	(0.21)	(0.25)
Amortisation of loan arrangement fees	1.87	–	0.03	1.90
Fair value movement	–	2.03	–	2.03
Amortisation of loan arrangement fees on the repayment of loans	4.75	–	–	4.75
Balance on the 31 December 2017	216.76	(1.97)	492.17	706.96

32. Capital commitments

The Group had capital commitments of £371.08 million in relation to its forward funded pre-let development assets, asset management initiatives and commitments under development land, outstanding as at 31 December 2018 (31 December 2017: £28.6 million). All commitments fall due within one year from the date of this report.

33. Subsequent events

On 2 October 2018 the Group agreed a £250 million short-term facility which was a revolving credit facility with a term of 12 months. The purpose of the bridge facility was to provide liquidity whilst the Group arranged longer-term finance. The short-term facility was cancelled on 28 February 2019, upon drawn on the unsecured Loan Notes (see below).

On 5 December 2018, the Company announced that it had agreed to issue £400 million of new unsecured Loan Notes. Please refer to Note 20 for further details. The proceeds from the Loan Notes were drawn in full on 28 February 2019.

On 24 January 2019, the Company announced that it had conditionally agreed to acquire an 87% economic interest in db symmetry. The portfolio of new assets includes both consented and strategic land, offering the Company phased access to a total new land portfolio of over 2,500 acres. The acquisition completed on 19 February 2019.

The consideration for the 87% economic interest in db symmetry (the "Acquisition") was £202.4 million in cash (in respect of 69.1%. of the equity value of db symmetry) and £52.6 million in Consideration Shares (in respect of 17.9%. of the equity value of db symmetry) issued to DV4 Properties and DBS Senior Management following completion of the Acquisition at a price per share equal to the Issue Price. The Company also procured the repayment of £67.7 million of deep discounted bonds owed by db symmetry to DV4 Properties, which have been used to fund land acquisitions, construction, developments and associated costs in relation to the portfolio of new assets to date.

To ensure long-term alignment between DBS Senior Management and the Company, DBS Senior Management has retained a 13% economic interest in db symmetry following completion of the Acquisition which was satisfied by the issuance of B Shares and C Shares in a subsidiary of the Company, representing consideration for the Acquisition of £38.1 million.

In order to fund the Acquisition and further investments in accordance with its Investment Policy, the Company has raised £250 million (before expenses) through a share issue.

On 11 February 2019, the Company announced that it had successfully raised approximately £250 million (before expenses) through the issue of 192,291,313 new Ordinary Shares at the Issue Price of 130 pence per share. The net proceeds of the Issue were used by the Company to fund the Acquisition and further investments in accordance with its Investment Policy. 192,291,313 new Ordinary Shares were issued pursuant to the Open Offer, which was significantly over-subscribed. Valid applications were received for 152,562,386 new Ordinary Shares in respect of Qualifying Shareholders' Open Offer Entitlements which were satisfied in full. Valid applications were also received for 204,679,211 excess shares under the excess application Facility. A scaling back exercise has been undertaken with respect to excess applications received which have been allocated pro rata to qualifying Shareholders' applications under the excess application Facility, in accordance with the terms set out in the Prospectus dated January 2019.

During the year costs of £0.95 million were incurred in relation to this acquisition. See note 8 for further details.

At the date of authorising the accounts the Company is still assessing the initial accounting for the acquisition of db symmetry, as prescribed by IFRS 3 Business Combinations. Accordingly the Company has not disclosed the information that would be impacted by the assessment of various accounting estimates and assumptions.

Company Balance Sheet

Company Registration Number: 08215888

	Note	At 31 December 2018 £m	At 31 December 2017 £m
Non-current assets			
Investment in subsidiaries	5	**1,319.25**	1,028.22
Total non-current assets		**1,319.25**	1,028.22
Current assets			
Trade and other receivables	6	**946.83**	1,075.17
Cash held at bank	7	**9.61**	21.25
Total current assets		**956.44**	1,096.42
Total assets		**2,275.69**	2,124.64
Current liabilities			
Trade and other payables	8	**(10.69)**	(7.85)
Loans from Group companies		**(58.81)**	(52.19)
Total current liabilities		**(69.50)**	(60.04)
Non-current liabilities			
Loan notes	9	**(492.67)**	(492.17)
Total non-current liabilities		**(492.67)**	(492.17)
Total liabilities		**(562.17)**	(552.21)
Total net assets		**1,713.52**	1,572.43
Equity			
Share capital	10	**14.74**	13.64
Share premium reserve	11	**153.63**	932.37
Capital reduction reserve	12	**1,304.43**	467.93
Retained earnings		**240.72**	158.49
Total equity		**1,713.52**	1,572.43
Net asset value per share – basic	13	**116.23p**	115.31p
Net asset value per share – diluted	13	**116.23p**	115.26p
EPRA net asset value per share	13	**116.23p**	115.26p

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 2018 amounted to £82.23 million (31 December 2017: £75.58 million).

These financial statements were approved by the Board of Directors on 6 March 2019 and signed on its behalf by:

Sir Richard Jewson KCVO, JP Chairman

Company Statement of Changes in Equity

	Undistributable reserves		Distributable reserves		
	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2018	**13.64**	**932.37**	**467.93**	**158.49**	**1,572.43**
Total comprehensive income	**–**	**–**	**–**	**82.23**	**82.23**
Issue of Ordinary Shares					
Cancellation of share premium account	–	(932.37)	932.37	–	–
Shares issued in relation to further Equity issue	1.09	154.47	–	–	155.56
Share issue expenses in relation to Equity issue	–	(2.63)	–	–	(2.63)
Shares issued in relation to management contract	0.01	1.79	–	–	1.80
Share based payments	–	–	–	2.02	2.02
Transfer of share based payments to liabilities to reflect settlement		–	–	(2.02)	(2.02)
Dividends paid:					
Fourth interim dividend in respect of period ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.82)	–	(21.82)
First interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.68)	–	(24.68)
Second interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.68)	–	(24.68)
Third interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share	–	–	(24.69)	–	(24.69)
31 December 2018	**14.74**	**153.63**	**1,304.43**	**240.72**	**1,713.52**
1 January 2017	11.05	589.39	546.38	82.91	1,229.73
Total comprehensive income	–	–	–	75.58	75.58
Issue of Ordinary Shares					
Shares issued in relation to further Equity issue (May 2017)	2.58	347.42	–	–	350.00
Share issue expenses in relation to Equity issue (May 2017)	–	(5.83)	–	–	(5.83)
Shares issued in relation to management contract	0.01	1.39	–	–	1.40
Share based payments	–	–	–	1.56	1.56
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.56)	(1.56)
Dividends paid:					
Third interim dividend in respect of period ended 31 December 2016 at 1.55 pence per Ordinary Share	–	–	(17.13)	–	(17.13)
First interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(17.69)	–	(17.69)
Second interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary Share	–	–	(21.81)	–	(21.81)
Third interim dividend in respect of year ended 31 December 2017 at 1.60 pence per Ordinary share	–	–	(21.82)	–	(21.82)
31 December 2017	13.64	932.37	467.93	158.49	1,572.43

Notes to the Company Accounts

1. Accounting policies

Basis of preparation

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

Disclosure exemptions adopted

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

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

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

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

Principal accounting policies

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

Basis of accounting

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

Currency

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

Other income

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

Dividends payable for Shareholders

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

1.1. Financial assets

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

Fair value through profit or loss

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

Amortised cost

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

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

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

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

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

Investments in subsidiaries

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

1. Accounting policies (continued)

Share based payments

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

Significant accounting judgements, estimates and assumptions

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

2. Standards issued and effective from 1 January 2018

The following new standards are effective and have been adopted for the year ended 31 December 2018.

2.1. Standards in issue and effective from 1 January 2018

IFRS 9: Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

Management have reviewed the requirements of IFRS 9. The Group's principal financial assets comprise interest rate derivatives which will continue to be measured at fair value, and trade receivables, which will continue to be measured at amortised cost. The following changes have been identified.

a) The Company adopted the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as loans to group companies (both current and non-current)). This resulted in increased judgement being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provisions. No material impairment provisions were recognised as a result of the adoption of IFRS 9.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The Company's revenue is derived from income from subsidiaries that is outside the scope of IFRS 15 and accordingly the adoption has not had a material impact.

3. Taxation

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
UK corporation tax	**–**	–

The Government announced its intention to further reduce the UK corporation tax rates from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Accordingly, these rates have been applied in the measurement of the Company's tax liability at 31 December 2018.

4. Dividends paid

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Fourth interim dividend in respect of period ended 31 December 2017 at 1.60 pence per Ordinary Share (Third interim for 31 December 2016 at 1.55 pence per Ordinary Share)	**21.82**	17.13
First interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.68**	17.69
Second interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.68**	21.81
Third interim dividend in respect of year ended 31 December 2018 at 1.675 pence per Ordinary Share (31 December 2017: 1.60 pence)	**24.69**	21.82
Total dividends paid	**95.87**	78.45
Total dividends paid for the year	**5.025p**	4.80p
Total dividends unpaid but declared for the year	**1.675p**	1.60p
Total dividends declared for the year	**6.70p**	6.40p

On 17 May 2018, the Company announced the declaration of a first interim dividend in respect of the period from 1 January 2018 to 31 March 2018 of 1.675 pence per Ordinary Share, which was payable on 11 June 2018 to Ordinary Shareholders on the register on 25 May 2018.

On 12 July 2018, the Company announced the declaration of a second interim dividend in respect of the period 1 April 2018 to 30 June 2018 of 1.675 pence per Ordinary Share, which was payable on 9 August 2018 to Shareholders on the register on 20 July 2018.

On 11 October 2018, the Company announced the declaration of a third interim dividend in respect of the period 1 July 2018 to 30 September 2018 of 1.675 pence per Ordinary Share, which was payable on 15 November 2018 to Shareholders on the register on 19 October 2018.

On 6 March 2019, the Company announced the declaration of a fourth interim dividend in respect of the period 1 October 2018 to 31 December 2018 of 1.675 pence per Ordinary Share, which will be payable on or around 28 March 2019 to Shareholders on the register on 15 March 2019.

5. Investments

	Shares £m	Loan £m	Total £m
As at 1 January 2018	**1,028.22**	**–**	**1,028.22**
Increase in investments via share purchase	**291.03**	**–**	**291.03**
As at 31 December 2018	**1,319.25**	**–**	**1,319.25**
As at 1 January 2017	812.67	–	812.67
Increase in investments via share purchase	215.55	–	215.55
As at 31 December 2017	1,028.22	–	1,028.22

5. Investments (continued)

The Company has the following subsidiary undertakings as at 31 December 2018:

	Principal activity	Country of incorporation	Ownership %
TBBR Holdings 1 Limited	Investment Holding Company	Jersey	100%
TBBR Holdings 2 Limited	Investment Holding Company	Jersey	100%
Baljean Properties Limited	Property Investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment Holding Company	Jersey	100%
The Sherburn RDC Unit Trust	Property Investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property Investment	UK	100%
Tritax Acquisition 4 Limited	Property Investment	Jersey	100%
Tritax Acquisition 5 Limited	Property Investment	Jersey	100%
Sonoma Ventures Limited	Property Investment	BVI	100%
Tritax Ripon Limited	Property Investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 8 Limited	Property Investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 9 Limited	Property Investment	Jersey	100%
Tritax Acquisition 10 Limited	Property Investment	Jersey	100%
Tritax Acquisition 11 Limited	Property Investment	Jersey	100%
Tritax Acquisition 12 Limited	Property Investment	Jersey	100%
Tritax Acquisition 13 Limited	Property Investment	Jersey	100%
Tritax Acquisition 14 Limited	Property Investment	Jersey	100%
Tritax Worksop Limited	Property Investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment Holding Company	UK	100%
Tritax Acquisition 16 Limited	Property Investment	Jersey	100%
Tritax Acquisition 17 Limited	Property Investment	Jersey	100%
Tritax Acquisition 18 Limited	Property Investment	Jersey	100%
Tritax Harlow Limited	Property Investment	Guernsey	100%
Tritax Lymedale Limited	Property Investment	Guernsey	100%
Tritax Acquisition 21 Limited	Property Investment	Jersey	100%
Tritax Acquisition 22 Limited	Property Investment	Jersey	100%
Tritax Acquisition 23 Limited	Property Investment	Jersey	100%
Tritax Acquisition 24 Limited	Property Investment	Jersey	100%
Tritax Knowsley Limited	Property Investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property Investment	BVI	100%
Tritax Acquisition 28 Limited	Property Investment	Jersey	100%
Tritax Peterborough Limited	Property Investment	Jersey	100%
Tritax Littlebrook 2 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property Investment	Jersey	100%
Tritax Atherstone (UK) Limited	Property Investment	UK	100%
Tritax Stoke DC1&2 Limited	Investment Holding Company	Jersey	100%
Tritax Stoke DC3 Limited	Investment Holding Company	Jersey	100%
Tritax Holdings CL Debt Limited	Investment Holding Company	Jersey	100%
Tritax Portbury Limited	Property Investment	Jersey	100%
Tritax Newark Limited	Property Investment	Jersey	100%
Tritax Carlisle Limited	Investment Holding Company	Jersey	100%
Tritax Worksop 18 Limited	Property Investment	Jersey	100%
Tritax Edinburgh Way Harlow (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Stoke Management Limited	Management Company	UK	100%
Tritax Holdings PGIM Debt Limited	Investment Holding Company	Jersey	100%
Tritax Merlin 310 Trafford Park Limited	Property Investment	Jersey	100%
Tritax West Thurrock Limited	Property Investment	Jersey	100%
Tritax Tamworth Limited	Property Investment	Jersey	100%
Tritax Acquisition 34 Limited	Property Investment	Jersey	100%
Tritax Acquisition 35 Limited	Property Investment	Jersey	100%
Tritax Acquisition 36 Limited	Property Investment	Jersey	100%
Tritax Acquisition 37 Limited	Property Investment	Jersey	100%

	Principal activity	Country of incorporation	Ownership %
Tritax Acquisition 38 Limited	Property Investment	Jersey	100%
Tritax Acquisition 39 Limited	Property Investment	Jersey	100%
Tritax Acquisition 40 Limited	Property Investment	Jersey	100%
Tritax Acquisition 41 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 1 Limited	Property Investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property Investment	Jersey	100%
Tritax Atherstone Limited	Investment Holding Company	Jersey	100%
Tritax Acquisition 42 Limited	Property Investment	Jersey	100%
Tritax Luxembourg DC1&2 Limited	Property Investment	Luxembourg	100%
Tritax Luxembourg DC3 Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 43 Limited	Property Investment	Jersey	100%
Tritax Carlisle UK Limited	Investment Holding Company	UK	100%
Tritax Edinburgh Way Harlow Limited	Property Investment	Jersey	100%
Tritax Crewe Limited	Investment Holding Company	Jersey	100%
Tritax Crewe (Luxembourg) Limited	Property Investment	Luxembourg	100%
Tritax Acquisition 44 Limited	Property Investment	Jersey	100%
Tritax Acquisition 45 Limited	Property Investment	Jersey	100%
Tritax Acquisition 46 Limited	Property Investment	Jersey	100%
Tritax Acquisition 47 Limited	Property Investment	Jersey	100%
Tritax Acquisition 48 Limited	Property Investment	Jersey	100%
Tritax Symmetry Limited	Investment Holding Company	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: Standbrook House, 2-5 Old Bond Street, London W1S 4PD

Luxembourg entities: 9 Allée Scheffer, Luxembourg, L-2520.

6. Trade and other receivables

	31 December 2018 £m	31 December 2017 £m
Amounts receivable from Group companies	**943.60**	1,073.90
Prepayments	**2.09**	0.14
Other receivables	**1.14**	1.13
	946.83	1,075.17

All amounts fall due for repayment within one year.

7. Cash held at bank

	31 December 2018 £m	31 December 2017 £m
Cash held at bank	**9.61**	21.25
	9.61	21.25

8. Trade and other payables

	31 December 2018 £m	31 December 2017 £m
Trade and other payables	**3.25**	3.84
Accruals	**7.44**	4.01
	10.69	7.85

9. Loan notes

Bonds

	31 December 2018 £m	31 December 2017 £m
2.625% Bonds 2026	**249.12**	249.01
3.125% Bonds 2031	**246.79**	246.55
Less: unamortised costs on loan notes	**(3.24)**	(3.39)
Non-current liabilities: net borrowings	**492.67**	492.17

Maturity of borrowings

	31 December 2018 £m	31 December 2017 £m
Repayable between 1 and 2 years	**–**	–
Repayable between 2 and 5 years	**–**	–
Repayable in over 5 years	**495.91**	495.56
	495.91	495.56

On 2 October 2018, the Company announced it had entered into a new £250 million senior, short-term, unsecured banking facility with a syndicate of its relationship lenders comprising Barclays Bank PLC, The Royal Bank of Scotland International Limited and Banco Santander, S.A., London Branch. The new facility was for a term of 12 months, with an option to extend by a further six months.

On 5 December 2018, the Company announced that it had agreed a private placement of £400 million new senior unsecured loan notes with a number of new institutional investors (the "Loan Notes"). The Loan Notes comprise two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years.

The Loan Notes were priced on 15 November 2018 and the loan note purchase agreement was signed on 4 December 2018. The funds were drawn on 28 February 2019.

The two tranches comprise:

- £250 million at a fixed coupon of 2.86%. maturing in February 2028; and
- £150 million at a fixed coupon of 2.98%. maturing in February 2030.

Santander Investment Securities Inc., and NatWest Markets Plc acted as joint placement agents and Barclays Bank PLC and BNP Paribas Securities Corp. acted as passive agents on the Loan Notes.

10. Share capital

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

	31 December 2018 Number	**31 December 2018 £m**	31 December 2017 Number	31 December 2017 £m
Issued and fully paid at 1 pence each	**1,474,233,401**	**14.74**	1,363,598,083	13.64
At beginning of year – £0.01 Ordinary Shares	**1,363,598,083**	**13.64**	1,105,159,529	11.05
Shares issued in relation to further equity issuance	**109,364,308**	**1.09**	257,352,941	2.58
Shares issued in relation to management contract	**1,271,010**	**0.01**	1,085,613	0.01
Balance at end of year	**1,474,233,401**	**14.74**	1,363,598,083	13.64

On 29 March 2018, 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 594,559 Ordinary Shares at an issue price per Ordinary Share of 139.90 pence.

On 18 April 2018, the Company announced that it intended to proceed with a proposed Placing of new Ordinary Shares at a price of 142.25 pence per share to raise £155.6 million. As a result, a total of 109,364,308 Ordinary Shares were issued at a price of 142.25 pence per Ordinary Share.

On 8 October 2018, 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 676,451 Ordinary Shares at an issue price per Ordinary Share of 143.815 pence.

11. Share premium

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

	31 December 2018 £m	31 December 2017 £m
Balance at beginning of year	**932.37**	589.39
Transfer to capital reduction reserve (see note 26 of Group accounts)	**(932.37)**	–
Share premium on Ordinary Shares issued in relation to further equity issuance	**154.47**	347.42
Share issue expenses in relation to further equity issuance	**(2.63)**	(5.83)
Share premium on Ordinary Shares issued to management	**1.79**	1.39
Balance at end of year	**153.63**	932.37

12. Capital reduction reserve

	31 December 2018 £m	31 December 2017 £m
Balance at beginning of year	**467.93**	546.38
Transfer from share premium	**932.37**	–
Fourth interim dividend for the period ended 31 December 2017	**(21.82)**	(17.13)
First interim dividend for the year ended 31 December 2018	**(24.68)**	(17.69)
Second interim dividend for the year ended 31 December 2018	**(24.68)**	(21.81)
Third interim dividend for the year ended 31 December 2018	**(24.69)**	(21.82)
Balance at end of year	**1,304.43**	467.93

Please refer to note 4.

13. Net asset value (NAV) per share

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

	31 December 2018 £m	31 December 2017 £m
Net assets per Company Balance Sheet	**1,713.52**	1,572.43
EPRA NAV	**1,713.52**	1,572.43
Ordinary Shares:		
Issued share capital (number)	**1,474,233,401**	1,363,598,083
Net asset value per Share – Basic	**116.23p**	115.31p
Potentially issuable dilutive shares (number)	**–**	590.881
Net asset value per Share – Diluted	**116.23p**	115.26p
EPRA net asset value per Share – Diluted	**116.23p**	115.26p

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

14. 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 refer to note 30 of the Group accounts.

15. Directors' remuneration

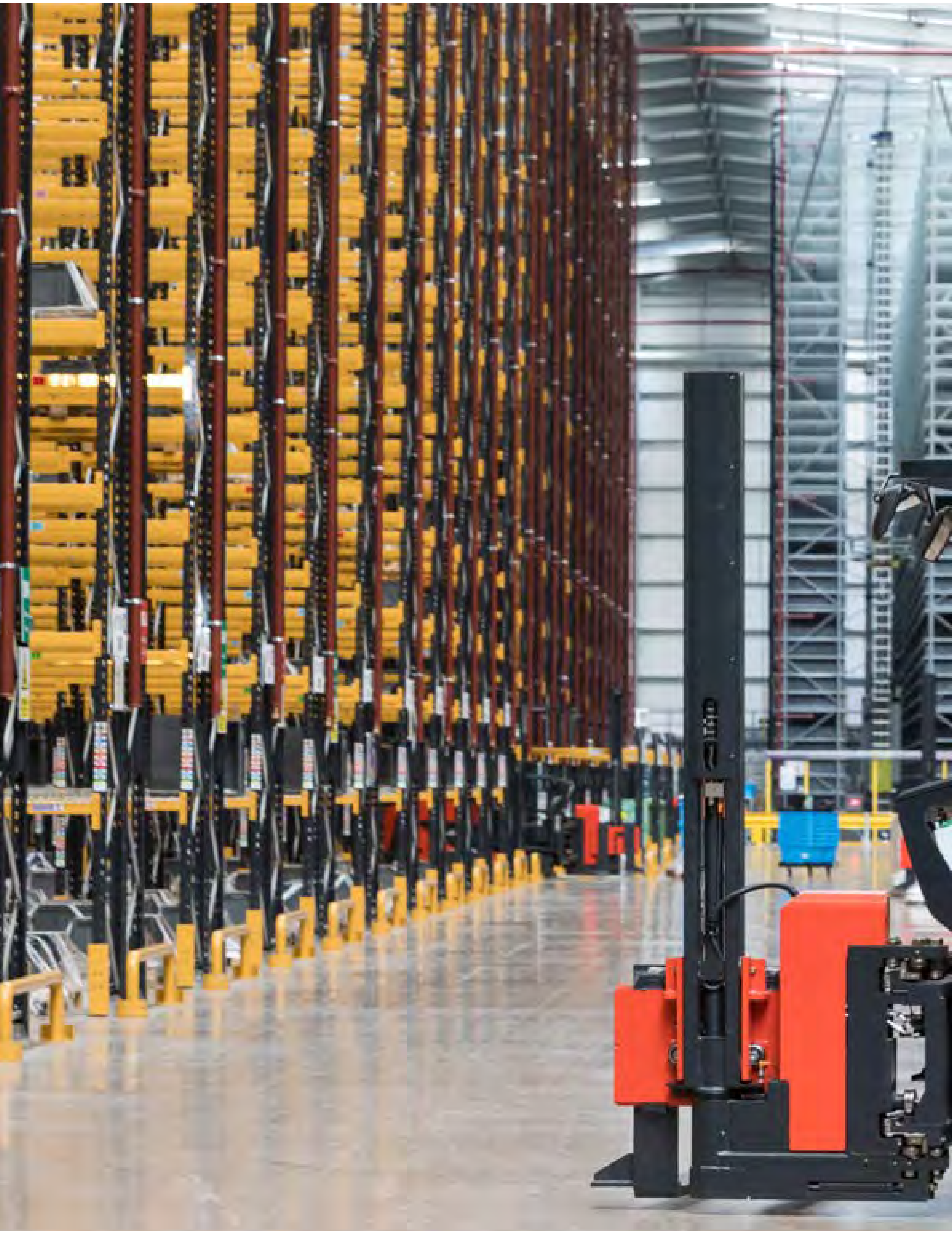
	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Directors' fees	**0.28**	0.24
Employer's National Insurance	**0.03**	0.03
	0.31	0.27

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.

16. Subsequent events

Please refer to note 33 of the Group accounts.

For note 33, see page 143
For Directors' Remuneration Report, see pages 99-100



Additional Information (unaudited)

Notes to the EPRA and Other Key Performance Indicators

1. EPRA earnings per share

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Total comprehensive income (attributable to Shareholders)	**252.57**	247.80
Adjustments to remove:		
Changes in fair value of investment properties	**(162.98)**	(175.98)
Changes in fair value of interest rate derivatives	**1.24**	2.04
One-off cost of extinguishment of bank loans (note 11 of Group accounts)	**–**	4.75
Costs associated with a business combination	**0.95**	–
Profits to calculate EPRA Earnings per share	**91.78**	78.61
Weighted average number of Ordinary Shares	**1,440,012,547**	1,268,540,113
EPRA earnings per share – basic	**6.37p**	6.20p
Dilutive shares to be issued	**–**	590,881
EPRA earnings per share – diluted	**6.37p**	6.20p

2. EPRA NAV per share

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Net assets at end of period	**2,240.89**	1,929.46
Adjustments to calculate EPRA NAV:		
Changes in fair value of interest rate derivatives – 2018	**1.24**	–
Changes in fair value of interest rate derivatives – 2017	**(0.69)**	(0.69)
Changes in fair value of interest rate derivatives – 2016	**7.08**	7.08
Changes in fair value of interest rate derivatives – 2015	**1.99**	1.99
Changes in fair value of interest rate derivatives – 2014	**2.58**	2.58
EPRA net assets	**2,253.09**	1,940.42
Shares in issue at 31 December 2018	**1,474,233,401**	1,363,598,083
Dilutive shares in issue	**–**	590,881
	1,474,233,401	1,364,188,964
Dilutive EPRA NAV per share	**152.83p**	142.24p

3. EPRA NNNAV

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
EPRA net assets	**2,253.09**	1,940.42
Include:		
Fair value of financial instruments	**12.21**	(10.96)
Fair value of debt[1]	**(20.15)**	9.89
EPRA NNNAV	**2,245.15**	1,939.35
Shares in issue at 31 December 2018	**1,474,233,401**	1,363,598,083
Dilutive shares in issue	**–**	590,881
	1,474,233,401	1,364,188,964
EPRA NNNAV per share	**152.29p**	142.16p

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 2018 £m	Year ended 31 December 2017 £m
Investment property – wholly owned	**3,418.24**	2,607.28
Less: development properties	**(729.97)**	–
Completed property portfolio	**2,688.27**	2,607.28
Allowance for estimated purchasers' costs	**182.26**	176.77
Gross up completed property portfolio valuation (B)	**2,870.53**	2,784.05
Annualised passing rental income	**161.12**	112.56
Less: contracted rental income in respect of development properties	**(31.22)**	–
Property outgoings	**(0.87)**	(0.02)
Less: contracted rent under rent free period	**(3.53)**	–
Annualised net rents (A)	**125.50**	112.54
Contractual increases for fixed uplifts	**8.88**	18.52
Topped up annualised net rents (C)	**134.38**	131.06
EPRA Net Initial Yield (A/B)	**4.37%**	4.04%
EPRA Topped Up Net Initial Yield	**4.68%**	4.71%

5. EPRA vacancy rate

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Annualised estimated rental value of vacant premises	–	–
Portfolio estimated rental value[1]	**169.87**	135.23
EPRA vacancy rate	**0%**	0%

1 Excludes land held for development.

6. EPRA cost ratio

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Property operating costs	**1.07**	0.02
Administration expenses	**18.07**	14.16
Service charge costs recovered through rents but not separately invoiced	**(0.87)**	–
Total costs including and excluding vacant property costs (A)/(B)	**18.27**	14.18
Gross rental income – per IFRS	**133.85**	108.54
Less: Service charge cost components of gross rental income	**(0.87)**	–
Gross rental income (C)	**132.98**	108.54
Total EPRA cost ratio (including and excluding vacant property costs)	**13.7%**	**13.1%**

7. Total return

	Year ended 31 December 2018	Year ended 31 December 2017
Opening EPRA NAV	142.24p	129.00p
Closing EPRA NAV	152.83p	142.24p
Growth in EPRA NAV	10.59p	13.24p
Dividends Paid	6.63p	6.35p
Total growth in EPRA NAV plus dividends paid	17.22p	19.59p
Total return	**12.1%**	**15.2%**

8. Total expense ratio

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Total operating costs	18.27	14.18
Average net assets over the period	2,093.86	1,683.81
Total expense ratio	**0.87%**	**0.84%**

Glossary of Terms

"Adjusted Earnings" post tax earnings attributable to Shareholders, adjusted to include licence fees receivable on forward funded development assets and adjusts for other earnings not supported by cash flows.

"Big Box" a "Big Box" property or asset refers to a specific sub-segment of the logistics sector of the real estate market, relating to very large logistics warehouses (each with typically over 500,000 sq ft of floor area) with the primary function of holding and distributing finished goods, either downstream in the supply chain or direct to consumers, and typically having the following characteristics: generally a modern constructed building with eaves height exceeding 12 metres; let on long leases with institutional-grade tenants; with regular, upward only rental reviews; having a prime geographical position to allow both efficient stocking (generally with close links to sea ports or rail freight hubs) and efficient downstream distribution; and typically with sophisticated automation systems or a highly bespoke fit out.

"Board" the directors of the Company.

"BREEAM" Building Research Establishment's Environmental Assessment Method is a recognised environmental assessment method and rating system for best practice in sustainable building design, construction and operation measuring a building's environmental performance. A BREEAM assessment evaluates a building's specification, design, construction and use, such as energy and water use, the internal environment (health and well-being), pollution, transport, materials, waste, ecology and management processes.

"Bridge Facility" the £250 million single currency revolving credit facility agreement dated 1 October 2018.

"Company" Tritax Big Box REIT plc (company number 8215888).

"Company Secretary" the Manager.

"CPI" consumer price index, a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care as calculated on a monthly basis by the Office of National Statistics.

"CREST" the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertified form.

"CTA 2010" the Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force.

"db symmetry" or "DBS Group" db symmetry Group Ltd and db symmetry BVI Limited, together with their subsidiary undertakings and joint venture interests which are the subject of the Share Purchase Agreement.

"DBS Senior Management" the senior management team of db symmetry, namely, Richard Bowen, Christian Matthews, Henry Chapman and Andrew Dickman.

"Development pipeline" The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

"Directors" the Directors of the Company as of the date of this report being Sir Richard Jewson, Jim Prower, Aubrey Adams, Susanne Given, Richard Laing and Alastair Hughes.

"Development Management Agreement" the development management agreement between Tritax Symmetry and the DBS Management Company.

"EPRA" European Public Real Estate Association.

"EPRA Earnings" Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets).

"EPRA NAV" or "EPRA Net Asset Value" the Basic Net Asset Value adjusted to meet EPRA Best Practices Recommendations Guidelines (2016) requirements by excluding the impact of any fair value adjustments to debt and related derivatives and other adjustments and reflecting the diluted number of Ordinary Shares in issue.

"EPRA Triple Net Asset Value (NNNAV)" EPRA NAV adjusted to include the fair values of financial instruments, debt and, deferred taxes.

"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.

"EPRA 'Topped-Up' NIY" This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).

"EPRA Vacancy" Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio.

"EPRA Cost Ratio" Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

"Estimated cost to completion" Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

"Estimated rental value (ERV)" The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

"Existing Shares" Ordinary Shares existing at the Record Date.

"FATCA" the U.S. Foreign Account Tax Compliance Act.

"FCA" the United Kingdom Financial Conduct Authority (or any successor entity or entities).

"Forward Funded Developments" a pre-let forward funded development of a Big Box.

"Foundation Asset" provide the core, low-risk income that underpins our business. They are usually let on long leases to Customers with excellent covenant strength. Then 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.

"FTSE Tenant" any tenant which is, or whose parent company is, at the time of investment, included in the FTSE 350 or within the top 350 companies included in any non-UK index which is, in the reasonable opinion of the Board, comparable to FTSE.

"FRI Lease" – Full Repairing and Insuring Lease. The tenant is responsible for all repairs and decoration to the property, inside and out. And the building insurance premium is recoverable from the tenant.

"Gearing" Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provision.

"GIA" Under the RICS Code of Measuring Practice (6th Edition) the Gross Internal Area (GIA) is the basis of measurement for valuation of industrial buildings (including ancillary offices) and warehouses. The area of a building measured to the internal face of the perimeter walls at each floor level (including the thickness of any internal walls).

"Gross rental income" Contracted rental income recognised in the period, in the income statement, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight-line basis over the lease term.

"Growth Covenant Asset" These are fundamentally sound assets in good locations, let to Customers we perceive to be undervalued at the point of purchase and who have the potential to improve their financial strength, such as young e-retailers or other companies with growth prospects. These assets offer value enhancement through yield compression.

"Institutional-Grade Tenants" tenants of sufficient size and stature that they merit attention by large national or international investors.

"Investment property" Completed land and buildings held for rental income return and/or capital appreciation.

"LIBOR" London Interbank Offered Rate.

"Link" or **"Link Asset Services"** a trading name of Link Market Services Limited (company number 2605568).

"Listing Rules" the listing rules made by the UK Listing Authority under section 73A of FSMA.

"Loan Notes" the loan notes issued by the Company on 4 December 2018.

"Loan to Value (LTV)" The proportion of our gross asset value (including cash) that is funded by borrowings.

"London Stock Exchange" London Stock Exchange plc.

"Manager" Tritax Management LLP (partnership number 0C326500).

"Net equivalent yield" The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

"Net Initial Yield" the annual rent from a property divided by the combined total of its acquisition price and expenses.

"Net rental income" Gross Rental Income less ground rents paid, net service charge expenses and property operating expenses.

"Non-PID Dividend" a dividend received by a shareholder of the principal company that is not a PID.

"Ordinary Shares" Ordinary Shares of £0.01 each in the capital of the Company.

"Passing rent" The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

"PID" or **"Property Income Distribution"** a dividend received by a shareholder of the principal company in respect of profits and gains of the Property Rental Business of the UK resident members of the REIT Group or in respect of the profits or gains of a non-UK resident member of the REIT Group insofar as they derive from their UK Property Rental Business.

"Portfolio" the investment portfolio of the Company.

"Pre-let" A lease signed with an occupier prior to completion of a development.

"REIT" A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications.

"REIT Group" the Company and all of its subsidiary undertakings.

"Rent Roll" see Passing Rent.

"RPI" retail price index, an inflationary indicator that measures the change in the cost of a fixed basket of retail goods as calculated on a monthly basis by the Office of National Statistics.

"SDLT" Stamp Duty Land Tax – the tax imposed by the UK Government on the purchase of land and properties with values over a certain threshold.

"Shareholders" the holders of Ordinary Shares.

"Speculative development" Where a development has commenced prior to a lease agreement being signed in relation to that development.

"sq ft" square foot or square feet, as the context may require.

"Strategic Land" Opportunities identified in strategic land which the Manager believes will enable the Company to secure, typically, pre-let forward funded developments in locations which might otherwise attract lower yields than the Company would want to pay, delivering enhanced returns but controlling risk.

"Topped up net initial yield" Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent-free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

"Total Expense Ratio" or "TER" The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.

"Total Return" net total shareholder return, being the change in EPRA NAV over the relevant period plus dividends paid.

"Total Shareholder Return" A measure of the return based upon share price movement over the period and assuming reinvestment of dividends.

"UK AIFMD Rules" the laws, rules and regulations implementing AIFMD in the UK, including without limitation, the Alternative Investment Fund Managers Regulations 2013 and the Investment Funds sourcebook of the FCA.

"UKLA" or "UK Listing Authority" the FCA acting in its capacity as the UK Listing Authority.

"Value Add Asset" These assets ae typically let to Customers with good 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 customer requirements. These are usually highly re-lettable.

"WAULT" or "Weighted Average Unexpired Lease Term" the average remaining life of the leases within the portfolio. In respect of forward funded developments, the unexpired term from lease start date.

"Yield on Cost" The expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.

Company Information

Company Registration Number: 08215888 Incorporated in the United Kingdom

Directors, Management and Advisers

Directors

Sir Richard Jewson KCVO, JP
Non-Executive Chairman
Aubrey Adams OBE, FCA, FRICS
Non-Executive Director
Susanne Given
Non-Executive Director
Alastair Hughes FRICS
Non-Exective Director
appointed 1 February 2019
Richard Laing FCA
Non-Executive Director
appointed 16 May 2018
Jim Prower FCA
Senior Independent
Non-Executive Director

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Wells Fargo Bank, N.A.
90 Long Acre
London
WC2E 9RA

Financial Calendar

6 March 2019	Announcement of Full Year Results
15 May 2019	Annual General Meeting
30 June 2019	Half Year End
August 2019	Announcement of Half Year Results
31 December 2019	Full Year End

Cautionary Statement

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

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TRITAX BIG BOX

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