

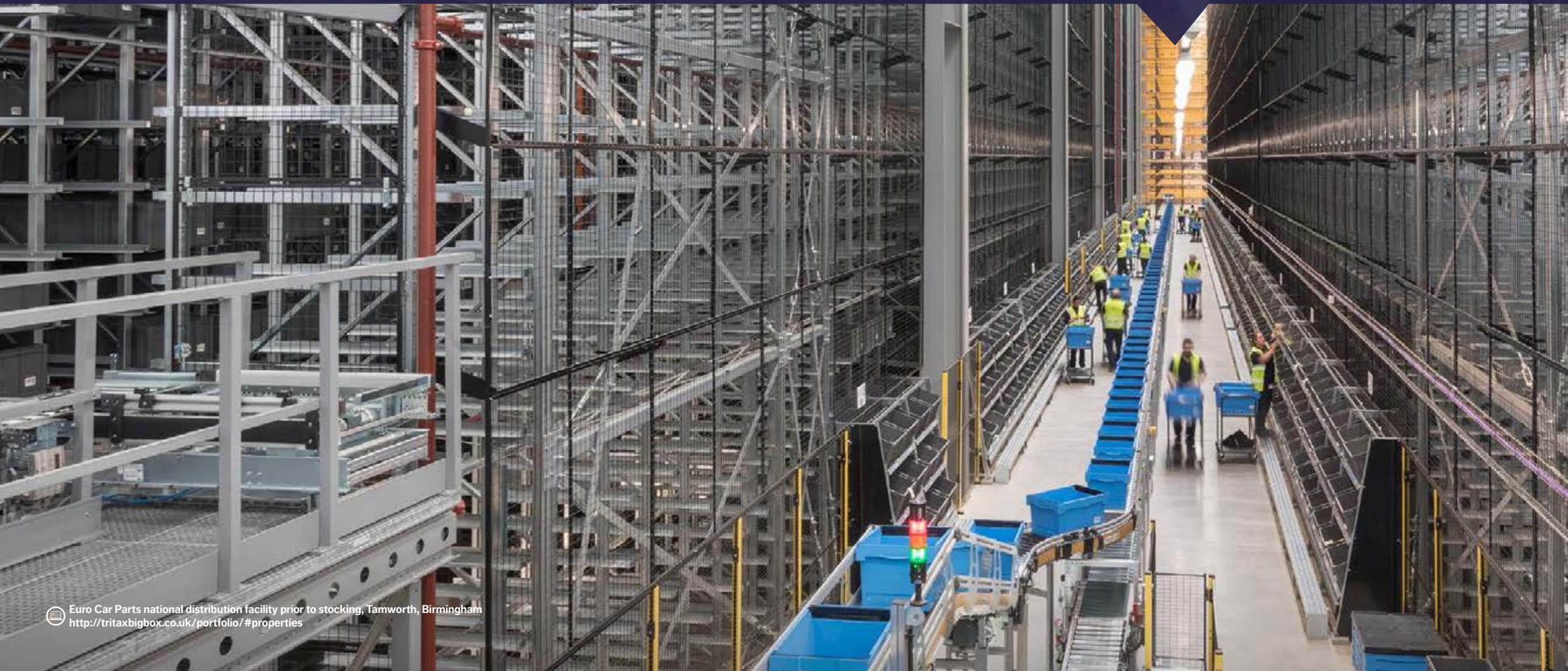


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Tritax Big Box REIT plc Interim Report 2017

Focused on quality and location



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FOR MORE INFORMATION

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

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

Tritax Big Box is the UK's only Real Estate Investment Trust dedicated to investing in very large Big Box logistics assets. These properties are strategically important to their tenants, as they offer efficiency savings and are essential to fulfilling e-commerce sales. Strong demand and limited supply, both occupationally and for investment stock, make Big Box logistics one of the most exciting asset classes in the UK real estate market.

We invest in and actively manage existing built investments, land suitable for Big Box development and pre-let forward funded developments. We have constructed a portfolio that includes some of the most sought after Big Boxes in the UK. Our Customers, with whom we have built mutually beneficial relationships, include some of the biggest names in retail, logistics, consumer products and automotive.

We aim to provide an attractive, secure and growing income for our Shareholders, together with capital appreciation. Our ambition is to be the pre-eminent owner of Big Boxes in the UK and a leading low-risk, income-focused REIT.



HIGHLIGHTS

Financial highlights

DIVIDEND PER SHARE

3.20 pence (six months)

Fully covered dividends declared for the six-month period of 3.20 pence per share, putting the Company on track to hit its full-year target of 6.40 pence¹.

EPRA NAV

133.30 pence (+3.3%)

EPRA net asset value ("NAV") per share increased by 4.30 pence or 3.3% to 133.30 pence as at 30 June 2017 (31 December 2016: 129.00 pence).

TOTAL RETURN

5.78% (six months)

Total return for the period was 5.78%, compared to the FTSE EPRA/NAREIT UK REITs Index total return of 4.09%.

PROFIT BEFORE TAXATION

£80.53 million (six months)

Profit before taxation has increased by 49.9% to £80.53 million (30 June 2016: £53.72 million).

PORTFOLIO VALUE

£2.10 billion²

Portfolio independently valued at £2.10 billion as at 30 June 2017, including all forward funded development commitments.

EPRA COST RATIO

13.7%

EPRA cost ratio continued to fall, to 13.7%, reflecting the benefits of increased scale (31 December 2016: 15.8%).

CONTRACTED RENTAL INCOME

£108.65 million pa

Contracted annual rent roll increased to £108.65 million (31 December 2016: £99.66 million), including all forward funded development commitments.

LOAN TO VALUE

27.0%

Further diversified our sources of borrowing, with a new £90 million, long-term, fixed-rate facility with PGIM. Loan to Value ("LTV") as at 30 June 2017 was 27.0% (31 December 2016: 30.0%).

MARKET CAPITALISATION

£2.0 billion

Market capitalisation of approximately £2.0 billion as at 30 June 2017.

Operational highlights

NEW ASSETS

+3 Big Boxes acquired

Acquired three Big Boxes with an aggregate purchase price of £142.47 million, adding two new Customers to the portfolio.

ASSETS IN PORTFOLIO

38

At the period end, the portfolio comprised 38 assets, covering more than 19.6 million sq ft of logistics space.

EQUITY RAISED

£350 million

Raised £350 million of equity in May 2017, through a substantially oversubscribed share issue.

DEVELOPMENT COMPLETIONS

3 Big Boxes

Three forward funded pre-let developments reached practical completion in the year to date, with a total value of £155 million.

PORTFOLIO

100% let or pre-let

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

AVERAGE ACQUISITION NIY

5.7%

Average net initial yield of the portfolio at acquisition is 5.7%, against our period-end valuation of 4.9%.

WAULT

15.1 years

At 30 June 2017, the weighted average unexpired lease term ("WAULT") was 15.1 years, against our target of at least 12 years.

Post balance sheet highlights

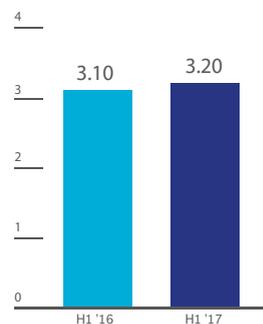
LAND ACQUISITION

£62.5 million

Exchanged conditional contracts to purchase a 124 acre development site at Littlebrook, Dartford for £62.5 million.

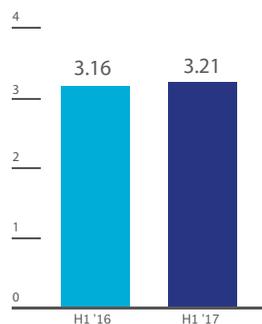
Dividend declared per share (p)

3.20p (+3.2%)



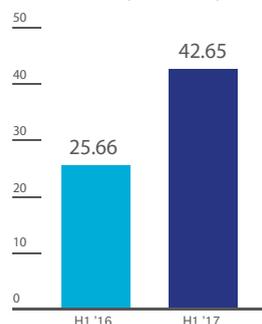
Adjusted earnings per share (p)³

3.21p (+1.6%)



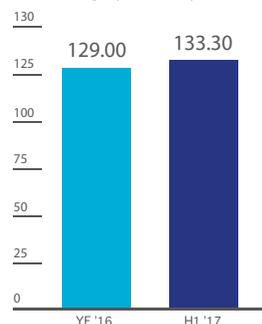
Operating profit before changes in fair value* (£m)

£42.65m (+66.2%)



EPRA NAV per share (p)

133.30p (+3.3%)



Total Shareholder Return (TSR) (p)^{1,2}

■ Tritax Big Box ■ FTSE All-Share REIT Index³



¹ This is a target only, 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 results

² See note 10 for reconciliation

³ See note 7 for reconciliation

* Operating profit before changes in fair value of investment properties

¹ Source: Bloomberg and Capital IQ, 30 June 2017

² Period from 1 January 2017 to 31 July 2017

³ Rebased to Tritax Big Box as of 31 December 2016

HIGHLIGHTS

Six months in brief

The first half of 2017 was another active period during which we continued to implement the Group's investment and financing strategies, positioning it for further success.



17 January
Achieved practical completion of the forward funded development at Knottingley, pre-let to T.K. Maxx (see page 5).



22 February
Acquired a forward funded investment in a new distribution centre at Signia Park, Didcot, Oxfordshire (above), pre-let to Hachette UK Ltd for an investment price of £29.24 million.



1 March
Agreed a new fixed-rate, ten-year term loan facility of £90 million with PGIM Real Estate Finance.

7 March
Declared an interim dividend of 1.55 pence per share, in respect of the three months to 31 December 2016.

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

11 May
Raised gross proceeds of £350 million through the issue of 257,352,941 shares at a price of 136 pence per share.

17 May
Acquired the Unilever distribution facility at Trax Park, Doncaster (below), for £20.9 million.



9 June
Acquired the Morrisons distribution facility at Birch Coppice, Dordon, Birmingham (right) for £92.33 million.



Post period events

13 July
Declared an interim dividend of 1.60 pence per share for the three months ending 30 June 2017.

24 July
Exchanged conditional contracts to purchase a 124 acre development site at Littlebrook, Dartford, for £62.5 million.



T.K. MAXX, KNOTTINGLEY

KEY FACTS

Acquired:	September 2015
Acquisition price:	£59.0 million
Net initial yield:	5.32%
Gross internal area:	c.638,745 sq ft
Eaves height:	c.17 metres
Practical completion:	January 2017
Lease expiry:	January 2037
On/Off market:	Off market



Our Portfolio

Since our IPO in December 2013, we have rapidly built an outstanding portfolio of 38 selectively acquired Big Boxes. Our portfolio is well diversified by size, geography and tenant.

The assets are typically modern, in prime locations and fully let on long leases to institutional-grade tenants with upward-only rent reviews.

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

Our five largest tenants, by contracted rent roll

Morrisons	9.95%
Tesco	8.00%
Argos	5.73%
Ocado	5.05%
B&Q	4.81%

as at 30 June 2017

* The assets numbered 36 and 37 relate to the conditional exchange of Howdens units II and III at Warth Park, Raunds. They are excluded from the portfolio information on page 7.

† Asset reached practical completion subsequent to the period end

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.

➔ For a full list of tenants see **Manager's Report** p16

£2.10bn

portfolio value

15.1yrs

WAULT against our target of 12 years

5.7% NIY

average net initial purchase yield of the portfolio

£108.7m

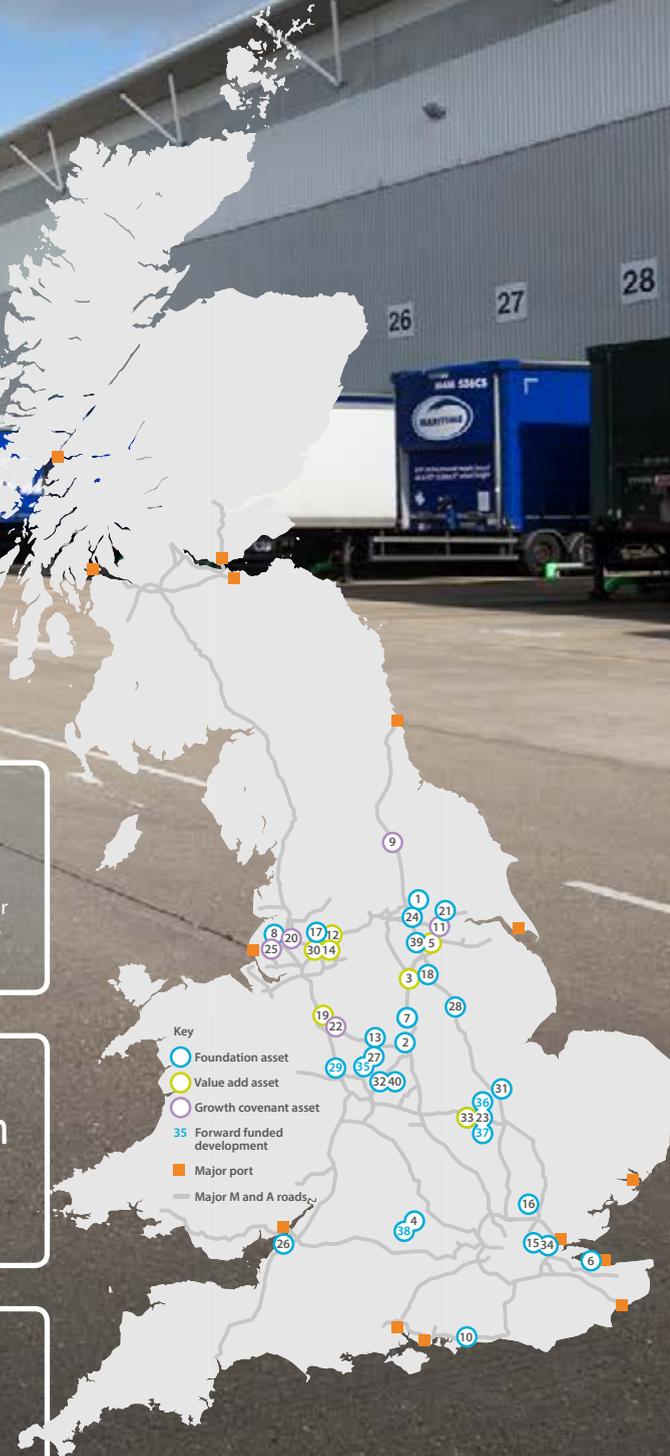
contracted rental income

80%

of portfolio acquired off market

100%

let or pre-let



CHAIRMAN'S STATEMENT

The Group continued to perform strongly in the first half of 2017, as we again delivered our investment objectives in a market which remains compelling for us. We have declared fully covered dividends totalling 3.20 pence per share in respect of the first half, putting us on track to reach our target of 6.40 pence for the full year. Our total return was 5.8% for the six-month period, against our medium-term target of 9% pa.

We acquired three further Foundation assets during the period at a combined price of £142.47 million (excluding purchase costs), as Tritax Management LLP (the "Manager") continued to draw on its outstanding network and market intelligence. This allows us to source investments off-market and, in combination with the Manager's robust capital discipline, create value at the point of acquisition. At 30 June 2017, we had a portfolio of 38 assets which were independently valued at £2.10 billion, with a like-for-like valuation uplift in the six-month period of 2.4%.

The Company's investment policy was amended by Shareholders in 2016 to allow us to acquire land. We control risk by only developing a building on a pre-let basis. Following the period end we exchanged conditional contracts to purchase 124 acres of prime land at Dartford with the intention that this will provide high-quality investments to complement our portfolio over the next few years, at an attractive yield on cost.

Share issuance

We were delighted that Shareholders continued to support our growth plans by subscribing for a further £350 million of equity in May, through a heavily oversubscribed share issue. Our intention is to invest the equity proceeds within approximately six months, which extends to approximately nine months when taking into account any associated gearing. The level of demand for the equity issue in part reflects the increased attractions, in uncertain times, of a prime portfolio which delivers low-risk and growing income from our high-calibre Customers. It also recognises the discipline which our Manager has shown in implementing our investment policy, with purchasing opportunities (including portfolios) having been rejected on the grounds of quality, location and value for money.

The share issue also enabled us to broaden our share register, with selective targeting of new long-term investors in the UK and internationally. Our rising market capitalisation, which stood at approximately £2 billion as at 30 June 2017, has helped increase our liquidity, which averaged approximately £4.7 million per day during the first six months of this year.

Financial results

The Group's financial performance was strong during the period. Operating profit before changes in the fair value of investment properties increased by 66.2% to £42.65 million, compared to the six months ending 30 June 2016, as calculated under IFRS. Our Adjusted earnings per share ("EPS") rose by 1.6% to 3.21 pence, which fully covers our dividends declared in respect of the period. The EPRA net asset value per share was 133.30 pence, up 4.30 pence or 3.3% versus 31 December 2016.

Economies of scale are another benefit of growth. Our EPRA cost ratio was 13.7%, down from 15.8% at 31 December 2016. This low and transparent cost base continues to compare favourably with our peers, offering good value to our Shareholders.

Dividends

The Company switched to quarterly dividend payments from the start of 2017, recognising the value to Shareholders of the certainty of regular cash income. During the period, we declared an interim dividend of 1.60 pence per share in respect of the three months to 31 March 2017. This dividend was paid in May 2017. In July 2017 we declared a second interim dividend of 1.60 pence per share, in respect of the three months to 30 June 2017. This dividend will be paid in August 2017 to Shareholders on the register at 21 July 2017.

Dividends declared in respect of the first half of the year therefore total 3.20 pence per share, putting us on track to meet our target of 6.40 pence for the full year. The dividends declared in respect of the first six months of 2017 are fully covered by Adjusted EPS, which includes licence fees we receive from developers on our forward funded developments and adjusts for other earnings not supported by cash flows.

Loan financing

Debt financing remains available at attractive rates to fund prime commercial property investment assets. We continue to obtain new debt on competitive terms, as we further diversify our sources of funding. In March, we agreed a new ten-year, £90.00 million facility with PGIM Real Estate Finance, secured against a portfolio of four assets. The facility, which has a fixed all-in interest rate of 2.54%, further extends our weighted average loan term to maturity, staggers our debt maturity profile and broadens our range of lenders.

The Group's increased scale is also opening up appealing alternative sources of debt finance. We will look to continue to diversify and add to our lending base through potential new sources across the debt capital markets whilst staggering our debt maturities.

Our Customers

We refer to our tenants as Customers and work hard to develop a collaborative relationship with all of them. They underpin our income stream and their continued success is important to us. We seek to be proactive and responsive in all our dealings and continually strive to work in partnership with our Customers. We want to be the landlord of choice for all our Customers and view this relationship as central to our business.

Board and governance

Stephen Smith resigned as a Non-Executive Director in June 2017. The Board would like to thank Stephen for his contribution to the Company since his appointment at IPO in December 2013. We have begun the process of recruiting a new Non-Executive Director to fill the vacancy. Following Stephen's departure, I was appointed to the Audit Committee on an interim basis, while Susanne Given has taken up the role of Chair of the Management Engagement Committee and has also been appointed to the Nomination Committee.

The Manager

The Board believes that the Manager continues to deliver strong performance, while investing in talent and resource which will further benefit the Group. Of particular note, the Manager appointed Sally Bruer as Head of Research.



Richard Jewson,
Chairman

Sally brings significant experience and expertise which will prove invaluable to the Group and our Customers.

The Manager is the Company's Authorised Investment Fund Manager, under the Alternative Investment Fund Managers Directive ("AIFMD"). This means the Company has delegated authority to the Manager to, among other things, conduct portfolio management and risk management services on its behalf. To comply with the European Securities and Markets Authority's guidance on performing delegated investment management functions under the AIFMD, we have clarified the Company's investment process. As a result, the Manager will make final investment or divestment decisions, with the Board continuing to play an important role by offering advice on potential transactions and monitoring compliance with our investment policy.

Outlook

Over a year on from the EU Referendum vote, our market has strengthened, as evidenced by a continued supply vs demand imbalance both within the occupational and investment markets for "Big Boxes". The fundamentals of our market remain positive and we are well capitalised to make further investments to grow the Company. Competition for high quality investments is ever greater, particularly for the smaller lot sizes, and this has led to further yield compression. Whilst this benefits the valuation of our portfolio, it does mean that finding and executing acquisitions at attractive prices may become more challenging and take longer. We will, however, continue to exercise capital pricing discipline and patience with the objectives of supporting our dividend and delivering value for our Shareholders.

We expect another strong performance in the second half of the year.

Richard Jewson Chairman

10 August 2017

Manager's Report

The first half of 2017 was another active period for the Group. We continued to successfully implement the investment strategy and raised both equity and debt finance to fund controlled growth. The Group is well placed with firepower available to acquire further high-quality assets complementing the stable, long-term average income from our existing portfolio which underpins the Company's progressive dividend.

UNILEVER, DONCASTER

KEY FACTS

Acquired:	May 2017
Acquisition price:	£20.9 million
Net initial yield:	5.61%
Gross internal area:	c.262,885 sq ft
Eaves height:	c.11 and 26 metres
Built:	2002
Lease expiry:	May 2032
On/Off market:	Off market

Delivering strong and growing income

Investment activity during the period reflected our quality-focused and value orientated approach to investment decisions. What this does not show is how our capital discipline has resulted in the rejection of numerous opportunities on the grounds of asset quality, location, tenant calibre and pricing. All investment decisions are taken seeking income security to support the Company's dividend ambitions and a desire to deliver capital value enhancement. The three acquisitions made during the period grew our increasingly diversified portfolio to 38 assets as at 30 June 2017.

The Group's portfolio is diversified by building size, geography and Customer. Our assets are let to 31 different Customers, two of which were added during the period. These include some of the world's biggest names in logistics, consumer products and automotive and they own some of the best known and well respected brands in omni-channel retail. We have a high calibre customer base, with 82% being members of major stock market indices in the UK, Europe and USA, providing a financially robust rental income to support Shareholder dividends.

As at 30 June 2017 our portfolio was 100% let and income producing. At the period end, the portfolio's Weighted Average Unexpired Lease Term (WAULT) stood at 15.1 years and



Colin Godfrey,
Fund Manager

remains ahead of the Group's target of 12 years. Only 5% of the rent roll expires within the next five years and 49% of our rent roll does not expire for at least 15 years, providing the Group with excellent long-term income security.

The spread of the rent review profile over the next few years supports the Group's ability to deliver income growth. In 2017, 21.8% of the rent roll is subject to a review. As at 30 June 2017, the Group's contracted rental income had increased to £108.65 million pa compared to the portfolio Estimated Rental Value (ERV) of £114.81 million pa assessed by the Group's independent valuer, CBRE. This means that the market rents for comparable properties are estimated to be approximately 5.7% higher, offering the opportunity to capture rental growth through forthcoming rent reviews.

We build a risk-balanced portfolio by allocating funds to the three investment pillars which we describe as Foundation, Growth Covenant and Value Add. Our core income is typically provided by the portfolio's lower-risk Foundation assets. We balance this against some higher yielding or shorter leased Value Add assets which may offer opportunity for value growth, together with Growth Covenant Customers which we believe offer opportunity to strengthen financially and thereby enhance investment value.

Our portfolio by investment pillar (by valuation)

Core lower risk income

Foundation assets 78%

Sainsbury's	T.K. Maxx
M&S	Howdens
Tesco, Didcot	Brake Bros, Bristol
Morrisons, Sittingbourne	Argos, Burton-upon-Trent
DHL, Skelmersdale	Dixons Carphone
DHL, Langley Mill	Gestamp
Rolls-Royce Motor Cars	Amazon
Kuehne+Nagel	Euro Car Parts
Argos, Heywood	Co-op
B&Q	Screwfix
Ocado	Hachette
Brake Bros, Harlow	Unilever
Tesco, Goole	Morrisons, Birmingham

Potential opportunities to enhance value

Value Add assets 12%

Tesco, Chesterfield
Next
Tesco, Middleton
L'Oréal
New Look
Kellogg's
Whirlpool

Growth Covenant assets 10%

Wolseley
The Range
Nice-Pak
Dunelm
Matalan

MANAGER'S REPORT

Our market drivers

Improving operational efficiency

Big Boxes offer previously unavailable flexibility, economies of scale and low cost of use. They are often the nucleus for distribution at a national level and increasingly at a regional level and can be the most important component of an occupier's supply chain. Many companies use Big Boxes to centralise previously dispersed distribution into fewer, larger facilities, helping to optimise staff and stock management and expand product ranges.

Demand for Big Boxes comes from three main sources: conventional and online retailers, third-party logistics companies ("3PLs"), and other companies such as manufacturers. These organisations are responding to structural changes in their markets, weaker economic growth and increased competition. Import costs have increased for UK businesses following the devaluation of Sterling. Companies are seeking ways of absorbing this imported inflation whilst protecting profits and minimising the impact on customers. Big Boxes can help deliver operational efficiencies and cost savings to absorb this cost price inflation, thereby protecting profits and enabling occupiers to remain price competitive.

Growth in e-commerce

The growth in e-commerce is unrelenting. According to the ONS, online sales in the UK increased by 15.9% in the year to June 2017, and now make up 16.2% of total retail sales. The convenience and value from buying online, coupled with reduced delivery times, mean that this trend has much further to go. Forecasts from eMarketer suggest that e-commerce is expected to grow to 23% of UK retail sales by 2020. Big Boxes are central to fulfilling these online sales.

Online retailers are also looking to improve their handling of returns, to ensure that goods are available for redistribution as quickly and efficiently as possible. Increasingly they are looking to add dedicated returns points to their Big Boxes, creating asset management opportunities for landlords and increasing occupier demand for buildings.

This omni-channel framework is becoming increasingly complicated and requires ever-more sophisticated buildings and systems to efficiently handle and distribute the myriad of orders. This favours modern and therefore more efficient buildings which tend to benefit from improved energy ratings, higher power availability, greater size (including height) and flexibility – features of our portfolio properties.



Compelling market fundamentals

Strong occupational demand vs constrained supply

Occupational demand for Big Boxes continues to outstrip supply. Across the UK there is currently only one¹ used and no new buildings of more than 500,000 sq ft that are vacant and available to let. Developers are also not typically building Big Boxes greater than 400,000 sq ft on a speculative basis[†]. This means that occupiers seeking a Big Box can usually only obtain one by agreeing a pre-let on a forward funded development. New sites are being brought forward and planning permissions are being granted for some developments but in a controlled way. The overall result is that supply remains constrained, with new Big Box logistics assets being built to meet demand rather than exceed it.

Competition for alternative land uses, particularly housing, have served to increase land prices following the recession, as have the rising cost of importing building materials and labour. Following several years of strong rental uplifts the imbalance between occupational supply and demand continues to be favourable for landlords although there are signs that the rate of UK logistics rental growth could be slowing to a more sustainable level.

Investment value growth

The structural change in UK retailing, caused by the growth in e-commerce and the desire to reduce costs and improve

efficiency, has heightened occupier demand, which has in turn increased investment demand for UK Big Boxes. Investors are also drawn by the attractions of modern assets producing secure and growing rental incomes from well respected tenants with strong balance sheets. Both UK and international investors are active in the market, with the latter typically looking for larger lot sizes and assets that offer capital preservation.

After the significant hardening of logistics yields over the last couple of years, the rate of yield compression had to slow, but we have been a little surprised by the extent to which values have continued to rise in the first half of 2017. The fundamentals of the market remain favourable; institutional property funds are re-weighting sector allocations in favour of industrial and logistics assets and overseas investment into the UK remains strong despite the prospect of Brexit. We therefore expect further value growth in the second half of 2017, continuing into 2018 but at a slower rate, partly due to lower-end yield resistance and also as a result of rental growth continuing but at more sustainable levels.

Although yields have hardened, investors can still source attractive assets at prices that represent good value. Property yields remain well above the cost of debt, maintaining a positive yield gap and a sizeable premium to ten-year gilts.

In the current environment, the frictional costs of buying and selling property are an important consideration for investors. With typical purchase costs of around 6.8% and selling costs of at least 1.7%, the total cost of selling an asset and reinvesting the proceeds can be 8.5% or more. This favours an investment approach of buying the best-quality assets and holding them for the long term, using asset management to create value internally rather than recycling investments too frequently. Our Customers favour landlords with whom they can create a longer-term relationship, particularly when there is common interest in several buildings in different locations, since this can present the opportunity to work together for mutual benefit, providing Customers with operational flexibility and the Company with the potential for value enhancement.

Prime logistics headline rents and annual growth 12 months to 30 June 2017			
LOCATION	PRIME RENT (PER SQ FT)	ANNUAL GROWTH	
London/M25*	£14.00	5.6%	
Rest of South East	£8.85	4.1%	
South West	£6.50	4.0%	
East Midlands	£6.50	0.0%	
West Midlands	£6.50	0.0%	
North West	£6.50	9.2%	
Yorkshire & North East*	£5.75	7.5%	

Source: CBRE (100,000 sq ft units and above)

* Annual growth is average of centres provided for regions

† It is understood that IDI Gazeley intends to speculatively build a c.573,000 sq ft speculative building in Magna Park, Milton Keynes

¹ Excluding the Company's property at Chesterfield

MANAGER'S REPORT

Implementing our investment policy

During the six months to 30 June 2017, the Group continued to acquire properties in line with its investment policy, targeting assets which offer value to Shareholders. The three investments purchased are all high-quality Big Boxes and further diversify the portfolio by Customer. The Big Box assets we target typically:

- have a geared yield range of approximately 5-7%;
- are let or pre-let, as we will not invest in speculative developments and will only forward fund developments where a tenant is already contracted;
- have institutional-grade tenants, with sound businesses and good growth potential;
- are in the right locations in the UK, with good transport connections and workforce availability;
- are of the right size and age, and possibly with expansion potential, to meet the requirements of major occupiers;
- have leases to institutional standards, with regular upward only rent reviews and unexpired lease length on purchase of at least 12 years, to provide long-term and secure income flows; and
- are strategically important to the tenant, as may be evidenced by extensive investment in fitting out the unit or proximity to the tenant's market and/or other key assets.

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

The investment policy also allows the Group to invest in land, either on its own or in joint venture with a developer or a prospective tenant. This will allow us to assemble suitable sites for pre-let forward funded developments. We will not develop speculatively and will only proceed with constructing a new logistics facility after it has been pre-let to an appropriate tenant. Aggregate land purchases are limited to 10% of the Group's net asset value, calculated at the point of investment.

Built and income-producing investments

Unilever, Doncaster, South Yorkshire

Acquired:	17 May 2017
Acquisition price:	£20.9 million
Net initial yield:	5.61%
Gross internal area:	c.262,885 sq ft
Eaves height:	c.11 and 26 metres
Built:	2002
Lease expiry:	May 2032
On/off market:	Off market

- Purpose-built for Unilever, one of the world's leading suppliers of food, home and personal care products. This well-specified facility is highly automated and benefits from significant capital investment.
- Acquired with a new 15-year lease, subject to five yearly upward only rent reviews, indexed to the RPI with a 1.5% pa collar and 3.5% pa cap, annually compounded.
- Strategically located on Trax Park, a core distribution location close to the M18, A1(M) and M1, with good access to the ports of Hull and Grimsby, and adjacent to Doncaster Rail Freight Terminal. This well-established location for regional and national distribution centres, has attracted major occupiers including Amazon, Wincanton, XPO Logistics, B&Q and Tesco, in addition to the Group's facilities let to Next and The Range.



Morrisons, Birmingham, West Midlands

Acquired:	9 June 2017
Acquisition price:	£92.3 million
Net initial yield:	5.25%
Gross internal area:	c.814,329 sq ft
Eaves height:	c.16 metres
Built:	2012
Lease expiry:	May 2038
On/off market:	Off market

- Purpose-built for Ocado (the sub-tenant), the UK's leading pure play e-commerce food retailer. Ocado and Morrisons have made significant capital investment into the facility by way of high level of automation. The unit provides multiple mezzanine floors and as such has a low site density of c.23% allowing for potential future expansion.
- The facility is leased directly to Morrison Supermarkets Plc since it operates as a joint venture with Ocado which provides Morrisons with an online service. Acquired with c.21 years unexpired term subject to annual upwards only rent reviews to CPI capped at 3.5% pa.
- Located on Birch Coppice Business Park, within the "Golden Triangle" of distribution, allowing road connectivity to c.90% of the UK population within four hours.



Pre-let forward funded development

Hachette, Didcot, Oxfordshire

Acquired:	22 February 2017
Acquisition price:	£29.2 million
Net initial yield:	5.8%
Gross internal area:	c.242,067 sq ft
Eaves height:	20 metres
Built:	Completed 21 July 2017
Lease expiry:	July 2032
On/off market:	Selectively marketed

- Acquired the land and exchanged contracts to provide forward funding for the development of a new national and global distribution centre pre-let to Hachette, a leading publishing company.
- Purpose-built to a high specification, with significant capital investment from the tenant, including high levels of automation.
- Situated in a core South East logistics location, with good road and rail connectivity via the A34, the M4 and M40 motorways and Didcot Parkway Rail Station. This location has attracted major occupiers including Screwfix, XPO Logistics and BetterBathrooms, as well as Tesco (occupying the Tesco Didcot Big Box).
- Since the period end the property has reached practical completion and been let to Hachette on a new 15 year lease, subject to five yearly upward only open market rent reviews. During the construction phase, the Company received an income return from the developer equivalent to the agreed rent.



MANAGER'S REPORT

Summary of portfolio at 30 June 2017						
TENANT	LOCATION	MONTH OF ACQUISITION	NET PURCHASE PRICE (£M)	PURCHASE NIY (%)	SIZE (SQ FT) †	NEXT RENT REVIEW DATE
Sainsbury's Supermarket Ltd	Leeds	December 2013	48.75	6.65	571,522	May 2018
Marks & Spencer plc	Castle Donington	December 2013	82.58	5.20	906,240	December 2021
Tesco Stores Ltd	Chesterfield	March 2014	28.64	6.60	501,751	May 2015 ^o
Tesco Stores Ltd	Didcot	April 2014	27.20	6.90	288,295	August 2019
Next Group plc	Doncaster	June 2014	60.00	6.07	755,055	March 2018
Wm Morrison Supermarkets Ltd	Sittingbourne	June 2014	97.80	5.20	919,443	June 2018
DHL Supply Chain Ltd	Langley Mill	August 2014	17.53	6.50	255,680	August 2019
DHL Supply Chain Ltd	Skelmersdale	August 2014	28.87	6.50	470,385	August 2019
Wolseley UK Ltd	Ripon	August 2014	12.24	6.73	221,763	September 2016 ^o
Rolls-Royce Motor Cars Ltd	Bognor Regis	October 2014	36.98	6.25	410,095	September 2020
CDS (Superstores International) Ltd (trading as The Range)	Thorne	November 2014	48.50	6.10	750,431	October 2017
Tesco Stores Ltd	Middleton	December 2014	22.45	8.25	302,111	December 2017
Kuehne+Nagel Ltd*	Derby	December 2014	29.27	6.00	343,248	April 2017 ^o
L'Oréal (UK) Ltd	Manchester	December 2014	25.83	7.13	315,118	August 2017
Argos Ltd	Heywood	April 2015	34.10	5.31	495,441	March 2018
B&Q plc	Worksop	April 2015	89.75	5.13	880,175	November 2021
New Look Retailers Ltd	Newcastle-under-Lyme	May 2015	30.05	5.90	398,618	April 2017 ^o
Nice-Pak International Ltd	Wigan	May 2015	28.66	6.42	399,519	May 2021
Ocado Holdings Limited†	Erith	May 2015	101.73	5.25	563,912	April 2021
Brake Bros Ltd	Harlow	June 2015	37.18	5.00	276,213	July 2019
Tesco Stores Ltd	Goole	June 2015	47.10	5.67	711,933	October 2017
Dunelm (Soft Furnishings) Ltd	Stoke-on-Trent	June 2015	43.43	5.47	526,953	February 2021
TJX UK (trading as T.K. MAXX)	Knottingley	September 2015	59.00	5.32	640,759	January 2022
Howden Joinery Group plc	Raunds	October 2015	67.00	5.03	658,971	July 2021
Matalan Retail Ltd	Knowsley	December 2015	42.38	6.27	578,127	October 2021
Brake Bros Ltd	Bristol	March 2016	25.20	5.15	250,763	March 2021
Argos Ltd**	Burton-on-Trent	March 2016	74.65	5.55	653,670	February 2018
DSG Retail Ltd (trading as Dixons Carphone)	Newark	May 2016	77.30	5.86	725,799	March 2021
Gestamp Tallent Ltd	Wolverhampton	August 2016	56.30	5.14	545,998	July 2021
Kellogg Company of Great Britain Limited	Manchester	August 2016	23.50	5.93	311,602	N/A
Amazon UK Services Ltd ^Ω	Peterborough	August 2016	42.90	5.60	549,788	April 2020
Euro Car Parts	Birmingham	October 2016	80.14	5.04	780,977	January 2021
Whirlpool UK Appliances Ltd	Raunds	October 2016	35.35	6.60	473,263	N/A
The Co-operative Group Ltd	Thurrock	October 2016	56.50	5.53	322,684	December 2020
Screwfix Direct Ltd	Fradley	December 2016	52.70	5.50	561,767	October 2022‡
Hachette UK Ltd	Didcot	February 2017	29.24	5.82	242,067	July 2022
Unilever UK Ltd	Doncaster	May 2017	20.90	5.61	262,885	May 2022
Wm Morrison Supermarkets Ltd	Birmingham	June 2017	92.33	5.25	814,329	May 2018
Total for assets completed at 30 June 2017			1,814.03	5.68	19,637,350	
Howdens Joinery Group plc	Raunds	December 2016	69.90	5.10	657,000	September 2023‡
Howdens Joinery Group plc	Raunds	December 2016	31.92	5.10	300,000	September 2023‡

* Guaranteed by Hays Plc
† Guaranteed by Ocado Group plc
◊ Rent review remains unsettled

** Guaranteed by Experian Finance plc
‡ Estimate based on target practical completion date of forward funded asset
Ω Guaranteed by Amazon EU Sarl

†† CBRE measured gross internal floor area

Conditionally exchanged

Post period end acquisitions

Littlebrook, Dartford

Development land acquisition

In May 2016, Shareholders approved an amendment to the Company's investment policy to permit the purchase of land and options over land, with the intention of subsequently entering into forward funded pre-let Big Box developments. Speculative development of buildings remains excluded from the investment policy.

Following, an extensive 12 month UK wide search for suitable land opportunities and having rejected numerous sites, in July the Company exchanged conditional contracts to purchase c.124 acres of prime development land at Littlebrook, Dartford.

Situated in a core south-east location within the M25, adjacent to the Dartford Thames River Crossing, this site provides the opportunity for the efficient distribution of goods across the densely-populated areas of London and the Home Counties.

The entire site is capable of supporting the potential development of up to 1.7 million sq ft of logistics distribution buildings, including several potential Big Box logistics facilities of over 400,000 sq ft, together with some smaller urban logistics facilities.

Part of the site currently benefits from existing B8 use (storage and distribution)

planning consent for c.517,000 sq ft. The Company intends to apply for planning consent on the remaining land and prepare the entire site at an estimated cost of c.£25 million. The construction of the new buildings will only commence on a pre-let basis, and is anticipated to start by Autumn 2018.

Working alongside one of the UK's leading specialist logistics developers, Bericote Properties, the Company aims to deliver on a pre-let basis one of London's largest Big Box logistics parks inside the M25 motorway and intends to retain the developed investment properties to further enhance its existing investment portfolio.



LITTLEBROOK, DARTFORD

KEY FACTS

Acquired:	24 July 2017
Acquisition price:	£62.5 million
Site area:	124 acres

MANAGER'S REPORT

Value enhancing pre-let developments

Forward funded pre-let developments allow the Group to capture much of the benefit of development (ie new buildings and attractive yield on cost) without the risk of developing a building which is not income producing (speculative development). At the start of the period, the Group had three developments under construction:

- T.K. Maxx, in Knottingley, which reached practical completion in January 2017;
- Gestamp, in Wolverhampton, which reached practical completion in July 2017, after the period end; and
- Screwfix, in Fradley, which is on track for practical completion in October 2017.

During the period, the Group acquired one further pre-let forward funded development at Didcot, let to Hachette UK Ltd. This reached practical completion in July 2017, after the end of the reporting period. All of our pre-let developments have completed

broadly on time and to budget and have recorded attractive valuation gains.

In December 2016, the Group conditionally exchanged contracts to forward fund two developments pre-let to Howdens. The planning consents were subject to a period of judicial review, during which a local objection was lodged. This will delay the anticipated programme, perhaps by a few months.

Of the three forward funded development assets reaching practical completion in the year to date, the average signed lease term was 20 years and the period end valuation was 7.4% higher than our original investment price (net of purchase costs).

In July the Company made its first land purchase of 124 acres at Littlebrook, Dartford, with the objective of providing new logistics investments to complement the existing portfolio.

Creating value throughout the lifecycle of our assets

Our asset management initiatives are designed to grow and improve the quality of income from the Group's well located, modern assets. These initiatives leverage our expertise and relationships in the Big Box logistics sector and can include negotiating rent reviews, agreeing new lettings, extending the length of existing leases and physical enhancements to the assets.

The portfolio is categorised by our three investment pillars. While many of our assets present the opportunity to add value, this is particularly true of our Value Add assets. These are typically let to Customers with strong covenants, but offer the potential through asset management to turn them into Foundation Assets (see page 11).

Our proactive, Customer-led approach ensures we regularly meet and communicate with a range of contacts within each Customer's business. This enables us to improve our understanding of their evolving requirements and structure proposals that benefit both our Customers and the Company.

RPI/CPI linked: 18%

RPI/CPI linked rent reviews peg growth to inflation to provide inflation protection subject to caps. All but two of these in our portfolio are the more attractive RPI linked variant.

Hybrid: 9%

Hybrid rent reviews can be an amalgam of the above, for instance to the higher of open market rents or RPI (potentially subject to a cap and collar).

Since the start of the year, we have settled five rent reviews across 3.1 million sq ft of the portfolio, adding £1.1 million to the annual rent roll. This equates to an annual equivalent increase to the passing rental income across these five assets of 2.53%. The five assets were:

- **The Co-operative Group, Thurrock:** The Company owns a warehouse and adjacent trailer park let to the Co-operative Group under two separate leases. The warehouse is reviewed five-yearly to the greater of passing rent, open-market rent or £2,597,604 pa, plus 10% ancillary income for fit out. The rent was settled in June 2017 at £2,857,364 pa, reflecting an increase of £269,361 pa or 10.41%. The next rent review on the trailer park lease will be in May 2018.
- **Argos, Burton-on-Trent:** The 3% pa annual rent increase was reviewed in February 2017, reflecting an uplift to passing rent of £124,107 pa.
- **Marks & Spencer, Castle Donnington:** A five-yearly open-market rent review (increasing by a minimum of 1.5% and maximum of 2.5% pa compound), was settled in April 2017 at the maximum increase of 2.5% pa, resulting in an uplift to the passing rent of £555,075 pa or 13.1%.
- **Morrison's, Sittingbourne:** An annual rent review linked to RPI (capped at 2.00%) was reviewed in June 2017, at an uplift of 2.00% pa, resulting in an increase of £111,275 pa to the passing rent.
- **L'Oréal (UK) Limited, Trafford Park:** The 3% pa annual rent review was reviewed post the period end in August 2017, resulting in an uplift to the passing rent of £61,975 pa.

Capturing reliable and balanced income growth

Rent reviews typically take place every five years, sequenced so that we benefit from a number each year, but the Group also benefits from some desirable annual reviews. The balanced spread of the rent review profile over the next few years supports the potential for the Group to deliver income growth each year.

In 2017, 21.8% of the rent roll is subject to a review. At the period end, the breakdown of rent reviews by type, calculated as a percentage of contracted rental income, was:

Open market rent reviews: 39%

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 in the Big Box logistics market.

Fixed and minimum uplift rent reviews: 34%

Fixed rent reviews, typically in the region of 2-3% pa provide certainty of income growth. This is true of minimum uplift (collar) rent reviews which also offer the potential to capture higher inflation-linked rental growth subject to a cap.

Pre-let forward funded portfolio

£577 million committed into forward funded developments

Each asset income producing during construction¹

No speculative development

Active pipeline of further pre-let forward funded opportunities



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

MANAGER'S REPORT

Three rent reviews remain under negotiation from 2016, which are: Tesco at Chesterfield, Wolseley at Ripon and Kellogg's at Trafford Park. During the period, we also began the rent reviews for the assets let to Kuehne+Nagel at Derby, and New Look at Newcastle-under-Lyme. Consequently, there are now five outstanding reviews within the portfolio from which we hope to capture further income growth. Most of these ongoing reviews are to open market rental values. Once an open market rent review is agreed, the tenant is responsible for paying back-rent from the review date, together with interest thereon. In addition to the above, we have three rent reviews due in the second half of 2017. One of the rent reviews is to a fixed uplift of 2.00% compounded five yearly, and two are subject to open market rental values.

Improving property and enhancing value

When acquiring assets for the Group, one of our key considerations is the potential to implement physical improvements that can protect and enhance capital value and grow income. We typically acquire assets that are well configured with low site cover to allow for future occupational flexibility, since we understand that a Customer may need to extend an existing building or alter the layout of a facility as occupational requirements evolve.

Physical enhancements, such as constructing an extension or improving the specification of a building, can allow us to commit capital expenditure in return for a higher rent and/or an extension to the lease term, thereby protecting longevity of income and/or increasing capital values.

In October 2014, the Group acquired the forward funded development of a 313,220 sq ft technology and logistics centre at Bognor Regis, pre-let to Rolls-Royce Motor Cars Ltd ("RRMC"), for an investment price of £37.0 million. This warehouse and distribution centre is strategically situated for RRMC, eight miles from its historic home, headquarters and principal UK assembly plant at Goodwood, West Sussex. Built on an 18.95-acre site, this facility had the potential for future expansion on site.

In August 2016, just 11 months after practical completion of the construction of the original two buildings, we agreed to fund enhancement works extending both buildings. This expansion coincided with the launch of the new Rolls-Royce Cullinan.

Construction began in April 2017, to increase the overall floor area by 96,875 sq ft to 410,075 sq ft, with the extensions expected to be occupied in October 2017.

The capital commitment to this project totalled £8.9 million reflecting a yield on cost of 8% against the increased rent of £704,281 pa. Rent reviews remain at 3% pa fixed (realised five yearly), applying to the enlarged floor area. In addition, we added a further year to each lease term extending the unexpired lease term to c.9.5 years. This initiative demonstrates the asset's strategic importance and the Customer's commitment to this asset. Following our latest valuation, this asset management initiative has delivered a capital profit of £2.1 million.

Looking forward

We see a number of interesting value enhancing opportunities on the horizon for our portfolio. The timescale to deliver these opportunities will vary but in the second half of 2017 we expect to see the results of several initiatives we began in this and previous years. These include physical enhancements to the assets, which help our Customers to improve their efficiency and reduce their operating costs, as well as initiatives that help our Customers to meet their environmental and social responsibility obligations, such as renewal energy generation.

More specifically:

- **Tesco, Chesterfield:** Settlement of outstanding rent review and the potential subletting by Tesco for the remaining c.3 year lease term;
- **Tesco, Stakehill, Manchester:** Refurbishment of the property by Tesco and potential subletting for the c.7 year unexpired lease term;
- **Kellogg's, Trafford Park, Manchester:** Lease expiry in c.1 year providing potential for a lease term extension or re-letting.

Portfolio growth and financial results

At 30 June 2017, the total value of the portfolio, including forward funded development commitments, was £2.10 billion across 38 assets (31 December 2016: £1.89 billion across 35 assets). We invested a total of £142.47 million (net of purchase costs) in three assets during the period.

The gain recognised on revaluation of the Group's investment property portfolio was £46.04 million. The portfolio's average valuation yield at 30 June 2017 was 4.87%. On a like-for-like basis, compared with assets held at 31 December 2016, values increased by 2.44% for the six months, excluding any additional capital costs incurred in the period.

At the period end, the Group had total commitments to forward funded developments under construction of £49.25 million (31 December 2016: £82.40 million). In addition, the Group had conditionally exchanged contracts on an investment totalling £101.8 million in relation in the two forward funded developments pre-let to Howdens, which may suffer a delay as a consequence of an objection lodged during the judicial review period.

Financial results

Operating profit before changes in the fair value of investment properties, as reported under IFRS, grew by 66.2% to £42.65 million (30 June 2016: £25.66 million). The increase reflects:

- continued growth of the portfolio, with the contracted rent roll increasing to £108.65 million across 38 assets (30 June 2016: £78.59 million across 28 assets);
- the portfolio's strong rental income, which equates to a yield based on book cost of 5.68%; and
- the Group's low and predominantly fixed cost base, with the EPRA cost ratio reducing to 13.7% for the first half of the year (year ending 31 December 2016: 15.8%). This continues to compare favourably with the Group's peers and reflects the reduction in the management fee payable under the Investment Management Agreement as approved by Shareholders, which took effect from 20 December 2016.

Administrative and other expenses, which include management fees and other costs of running the Group, were £6.79 million (30 June 2016: £5.41 million).

A gain of £46.04 million (30 June 2016: £40.09 million) on revaluation of the Group's investment properties was recognised in the period. This was calculated after accounting for all costs associated with asset purchases during the six months.

Net financing costs (excluding capitalised interest) for the period were £7.22 million (30 June 2016: £4.87 million), excluding the reduction in the fair value of interest rate derivatives of £0.94 million (30 June 2016: £7.17 million). The increase in net financing costs reflects the growth in the business and the subsequent increase in average debt drawn during the period. Further information on financing and hedging is provided below.

Tax

The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business. The tax charge for the period was therefore £nil (30 June 2016: £nil).

Profit and earnings

Total profit before tax for the period was £80.53 million (30 June 2016: £53.72 million), which resulted in basic EPS of 6.87 pence (30 June 2016: 6.73 pence).

The Group's EPRA EPS for the period was 3.02 pence (30 June 2016: 2.60 pence).

The Group's Adjusted EPS continued to increase, reaching 3.21 pence for the period (30 June 2016: 3.16 pence). This was, however, impacted following our May 2017 equity issue. We expect the level of dividend cover to increase as we start to deploy this equity through the second half of the year. 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. We see Adjusted EPS as the most relevant measure when assessing dividend distributions. Further information can be found in note 7.

MANAGER'S REPORT

The EPRA NAV per share at 30 June 2017 was 133.30 pence (31 December 2016: 129.00 pence), representing a 3.3% increase in the six months. This was driven by a combination of purchasing well and achieving gains across each of the three assets acquired in the period, an income stream growing organically through rent reviews, gains following asset management activity at our site in Bognor let to Rolls-Royce and further yield compression across the portfolio.

Loan financing and hedging

The Group's primary debt facility is provided by a syndicate of four lenders: Barclays Bank PLC, Helaba Landesbank Hessen-Thüringen Girozentrale ("Helaba"), Wells Fargo Bank, N.A. and ING Real Estate Finance (UK) B.V. The facility comprises a £450 million term loan and a £100 million revolving credit facility, including a £10 million overdraft component. It was secured against a portfolio of 24 assets as at 30 June 2017, with a cross-collateralised framework and a guarantee from the Company. The Group also has three facilities with Helaba, secured on three assets, and a loan from Canada Life, secured on a portfolio of three assets.

Our debt financing strategy for the Group has focused on diversifying its lending relationships, extending loan maturities, increasing the number of maturity points and locking into current low interest rates which extend the average debt term. In March 2017, we agreed a £90 million facility with a new lender, PGIM Real Estate Finance. The ten-year loan has a maturity date

of March 2027 and has a fixed rate payable of 2.54% pa. The loan is secured against four assets.

At the period end, the Group therefore had total long-term bank borrowing commitments of £781.5 million, of which £681.5 million had been drawn (31 December 2016: commitments of £691.51 million, with £541.51 million drawn), with debt available to draw down of £100.00 million. This resulted in an LTV ratio of 27.0% (31 December 2016: 30.0%). The Group continues to operate within an LTV target of up to 40%, which we believe is appropriate given the quality of the Group's properties and Customers, the long WAULT and the portfolio's low-risk nature. By way of further guidance, the Group expects to be operating at an LTV level of approximately 35% for the time being, on a fully invested basis, after taking into account forward funded development commitments.

The Group's hedging strategy is designed to allow it to benefit from current low interest rates, while minimising the effect of a significant rise in underlying interest rates across its variable rate debt. At the period end, 21% of the Group's debt commitments were held under fixed-rate debt facilities. The Group held derivative instruments that either fix or cap the interest rates, on 99.7% of its drawn variable rate debt. These instruments comprise one interest rate swap and a number of interest rate caps, each running coterminous with the respective loan.

The Group's loans have a current blended margin payable of 1.43% pa above three-month Libor or the referenced gilt. At 30 June 2017, the weighted average interest rate payable across the Group's debt commitments, which is the total cost of fixed-rate debt plus our average variable rate margin above three-month Libor at that date was 1.91% pa (31 December 2016: 1.80% pa). The interest rate derivatives give the Group a level of interest rate protection, with a weighted average all-in capped rate of borrowing of 2.78% pa as at the period end (31 December 2016: 2.82% pa) across its hedged debt.

The Group had a weighted average term to maturity across its debt facilities of 5.0 years as at 30 June 2017, which increases to 5.7 years if the extension option (subject to lender agreement) is assumed to be exercised on our syndicated facility.

The Group complied with all of its debt covenants during the period and subsequent to the period end.

Dividends

From 1 January 2017, the Group moved to quarterly dividend payments. Since that date, the Board has declared the following interim dividends:

- 7 March 2017: 1.55 pence per share, in relation to the three months to 31 December 2016, which was paid on 3 April 2017;
- 24 April 2017: 1.60 pence per share, in relation to the three months to 31 March 2017, which was paid on 22 May 2017; and
- 13 July 2017: 1.60 pence per share, in relation to the three months to 30 June 2017, which will be paid on 10 August to Shareholders on the register at 21 July.

Dividends in respect of the six months ended 30 June 2017 therefore totalled 3.20 pence per share, putting the Group on track to achieve its target of 6.40 pence per share for the full year. The dividends relating to the first half are fully covered by Adjusted earnings per share of 3.21 pence and represent a 3.2% increase on the interim dividends in respect of the first half of 2016.

Outlook

We remain averse to the risks of speculative development, but are advocates of forward funded pre-let development which helps aid our growth and can provide new buildings on long-term leases to financially resilient occupiers. Land, such as our recent purchase at Littlebrook in a prime and unique M25 location, has the potential to further support this avenue which can offer a discounted yield on cost compared with existing and built investments.

Institutions continue to increase allocations to logistics, now perceived as a core sector. Heightened investment demand and asset management have helped enhance the value of our portfolio and we consider that market values may improve further. Whilst our asset valuations have benefitted from compressed yields the tightening investment market means that patience, capital pricing discipline and stock selection will be increasingly important in underpinning our future performance. Nonetheless, investments in the logistics sector remain attractive compared to other asset classes and the Company is well positioned and well capitalised to take advantage with an identified, largely off market, pipeline of opportunities. Looking forwards, maintaining the quality of our investment purchases will be key.

The logistics market continues to dynamically influence the UK economy. We believe that the development of the Big Box logistics market remains in its infancy, with operational efficiencies and e-commerce likely to drive occupational demand for some time to come.

Investors seeking robust values and income protection are drawn by long-term lease commitments and strong market fundamentals, but also the possibility of maintaining the impressive levels of rental growth witnessed during the last couple of years. These positive attributes are expected to continue, underpinning our ambition to deliver attractive and growing, fully covered, dividends. We view the remainder of 2017 and 2018 with optimism.

Tritax Management LLP Manager
10 August 2017

LENDER	ASSET SECURITY	MATURITY	LOAN SIZE £M	AMOUNT DRAWN AT 30 JUNE 2017 £M
Syndicate	Portfolio of 24 assets	October 2020 ¹	550.0	450.00
Helaba	DHL, Langley Mill	November 2019	7.0	7.0
Helaba	DHL, Skelmersdale	November 2019	11.6	11.6
Helaba	Ocado, Erith	July 2023	50.9	50.9
Canada Life	Portfolio of three assets	April 2029	72.0	72.0
PGIM Real Estate Finance	Portfolio of four assets	March 2027	90.0	90.0
Total			781.5	681.5

¹ One year extension option available

A high-specification Big Box let to the UK's leading pure play e-commerce food retailer

Purpose-built for Ocado (the sub-tenant) in 2012, this c.800,000 sq ft asset is strategically located on Birch Coppice Business Park, within the "Golden Triangle" of distribution, allowing road connectivity to c.90% of the UK population within four hours.

Ocado and Morrisons have made significant capital investment into the facility by way of high level of automation. The unit provides multiple mezzanine floors and as such has a low site density of c.23% allowing for potential future expansion.

The facility is leased directly to Morrison Supermarkets Plc since it operates as a joint venture with Ocado which provides Morrisons with an online service. Acquired with c.21 years unexpired term subject to annual upwards only rent reviews to CPI capped at 3.5% pa.

see **Our Properties:** <http://tritaxbigbox.co.uk/portfolio/#properties>

MORRISONS, BIRMINGHAM

KEY FACTS

Acquired:	June 2017
Acquisition price:	£92.3 million
Net initial yield:	5.25%
Gross internal area:	c.814,329 sq ft
Eaves height:	c.16 metres
Built:	2012
Lease expiry:	June 2038
On/Off market:	Off market

KEY PERFORMANCE INDICATORS

KPI AND DEFINITION	PERFORMANCE
<p>1. Total return (TR) TR measures the change in the EPRA net asset value over the period plus dividends paid. We are targeting a TR in excess of 9% pa over the medium term¹.</p>	<p>5.78% for the period to 30 June 2017 (30 June 2016: 5.80%)</p>
<p>2. Dividend Dividends paid to shareholders or declared in relation to the period. Our target for 2017 is a total dividend of 6.40 pence per share².</p>	<p>3.20 pence per share for the six months to 30 June 2017 (30 June 2016: 3.10 pence)</p> <p>We are on track to meet our dividend target of 6.40 pence per share for 2017</p>
<p>3. EPRA NAV per share² The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.</p>	<p>133.30 pence at 30 June 2017 (31 December 2016: 129.00 pence)</p>
<p>4. Loan to value ratio (LTV) The proportion of our gross asset value that is funded by borrowings. Our medium-term LTV target is to operate within levels of up to 40%.</p>	<p>27.0% at 30 June 2017 (31 December 2016: 30.0%)</p>
<p>5. Adjusted earnings per share (EPS) Post-tax Adjusted EPS attributable to Shareholders, which includes the licence fees receivable on our forward funded development assets, and adjusts for other earnings not supported by cash flows. See note 7 for reconciliation.</p>	<p>3.21 pence per share for the six months to 30 June 2017 (30 June 2016: 3.16 pence)</p>
<p>6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.</p>	<p>13.7% for the six months to 30 June 2017 (31 December 2016: 15.8%)</p>
<p>7. Weighted average unexpired lease term (WAULT) The average unexpired lease term of the property portfolio, weighted by annual passing rents. Our target is a WAULT of at least 12 years.</p>	<p>15.1 years at 30 June 2017 (31 December 2016: 16.5 years)</p>

¹ This is a target only 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 results.

² EPRA earnings, EPRA NAV and EPRA EPS are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We use these alternative metrics as they provide a transparent and consistent basis to enable comparison between European property companies.

EPRA PERFORMANCE INDICATORS

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
<p>1. EPRA Earnings (Diluted) Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets).</p>	<p>A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.</p>	<p>£35.43 million/3.02pps for the six months to 30 June 2017 (30 June 2016: £20.79 million/ 2.60 pence per share)</p>
<p>2. EPRA NAV (Diluted) Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.</p>	<p>Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.</p>	<p>£1.82 billion/133.30pps as at 30 June 2017 (31 December 2016: £1.43 billion/ 128.00 pence per share)</p>
<p>3. EPRA NNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and; (iii) deferred taxes.</p>	<p>Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.</p>	<p>£1.81 billion/132.67pps as at 30 June 2017 (31 December 2016: £1.42 billion/ 128.12 pence per share)</p>
<p>4.1 EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.</p>	<p>This measure should make it easier for investors to judge for themselves how the valuation of two portfolios compare.</p>	<p>4.68% as at 30 June 2017 (31 December 2016: 4.70%)</p>
<p>4.2 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).</p>	<p>This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.</p>	<p>5.10% as at 30 June 2017 (31 December 2016: 4.95%)</p>
<p>5. EPRA Vacancy Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.</p>	<p>A "pure" (%) measure of investment property space that is vacant, based on ERV.</p>	<p>0.0% at 30 June 2017 (31 December 2016: 0.00%)</p>
<p>6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.</p>	<p>A key measure to enable meaningful measurement of the changes in a company's operating costs.</p>	<p>13.7% for the six months to 30 June 2017 (30 June 2016: 17.6%)</p> <p>Both the 2017 and 2016 ratios include and exclude vacancy costs</p>

PRINCIPAL RISKS

The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that the principal risks and uncertainties as presented on pages 54-59 of our 2016 Annual Report were unchanged during the period. However, the Board has considered the recent purchase of land and has updated the principal risk within property risks to reflect this.

Property Risk

- The default of one or more of our Customers would reduce revenue and may affect our ability to pay dividends.
- The performance and valuation of the property portfolio could reduce revenue, affecting our ability to pay dividends, or lead to a breach of our banking covenants, due to a change in property valuations.
- Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector.
- Our property performance will depend on the performance of the UK retail sector and the continued growth of online retail.
- Development activities are likely to involve a higher degree of risk than that associated with existing and built investments.
- The purchase of land may involve a higher degree of risk than that associated with existing and built investments or development activities. Land purchases may or may not have existing planning consent; they may also require further financial investment to prepare and ready the site for development. There is also a risk that the site may not attract a tenant to sign a pre-let agreement. The Company cannot undertake any speculative development of buildings although it can undertake land preparation works and therefore a pre-let is a pre-requisite to commencing the construction of buildings.

Financial Risk

- 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 banking covenants and failure to do so could lead to default and our bank funding being recalled.

Corporate Risk

- As an externally managed company, we rely on the Manager's services and its reputation in the property market.

Taxation Risk

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

Political/Economic Risk

- The vote to leave the EU in June 2016 has resulted in political and economic uncertainty that could have a negative effect on the performance of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review on pages 10-23 includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year as disclosed in note 15 and any material changes in the related party transactions disclosed in the 2016 Annual Report.

A list of the Directors is shown on page 48 [↗](#).

Shareholder information is as disclosed on the Tritax Big Box REIT plc website [🌐](#).

For and on behalf of the Board

Richard Jewson Chairman

10 August 2017



INDEPENDENT REVIEW REPORT TO Tritax Big Box REIT plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2017 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Statement of Financial Position, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of and has been approved by the directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of interim financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon

this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP

Chartered Accountants
London, United Kingdom
10 August 2017

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

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Gross rental income		49,441	31,139	74,656
Service charge income		1,431	971	2,248
Service charge expense		(1,439)	(1,039)	(2,323)
Net rental income		49,433	31,071	74,581
Administrative and other expenses		(6,785)	(5,410)	(11,708)
Operating profit before changes in fair value of investment properties		42,648	25,661	62,873
Changes in fair value of investment properties	10	46,036	40,090	47,514
Operating profit		88,684	65,751	110,387
Finance income	4	165	134	216
Finance expense	5	(7,382)	(5,001)	(11,555)
Changes in fair value of interest rate derivatives		(935)	(7,169)	(7,153)
Profit before taxation		80,532	53,715	91,895
Tax credit on profit for the period	6	-	-	-
Total comprehensive income (attributable to the Shareholders)		80,532	53,715	91,895
Earnings per share – basic	7	6.87p	6.73p	10.52p
Earnings per share – diluted	7	6.87p	6.72p	10.51p

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2017 (unaudited) £'000	At 30 June 2016 (unaudited) £'000	At 31 December 2016 (audited) £'000
Non-current assets				
Investment property	10	2,046,944	1,498,583	1,803,111
Interest rate derivatives	12	2,238	3,146	3,173
Total non-current assets		2,049,182	1,501,729	1,806,284
Current assets				
Trade and other receivables		6,977	9,933	9,157
Cash at bank	9	467,335	98,487	170,693
Total current assets		474,312	108,420	179,850
Total assets		2,523,494	1,610,149	1,986,134
Current liabilities				
Deferred rental income		(22,227)	(14,066)	(19,464)
Trade and other payables		(22,916)	(48,814)	(18,635)
Total current liabilities		(45,143)	(62,880)	(38,099)
Non-current liabilities				
Bank borrowings	11	(673,247)	(476,194)	(533,500)
Total non-current liabilities		(673,247)	(476,194)	(533,500)
Total liabilities		(718,390)	(539,074)	(571,599)
Total net assets		1,805,104	1,071,075	1,414,535
Equity				
Share capital	13	13,630	8,395	11,051
Share premium reserve	14	931,663	247,714	589,384
Capital reduction reserve		511,556	585,423	546,377
Retained earnings		348,255	229,543	267,723
Total equity		1,805,104	1,071,075	1,414,535
Net asset value per share – basic	16	132.43p	127.58p	128.00p
Net asset value per share – diluted	16	132.38p	127.51p	127.93p
EPRA net asset value per share – diluted	16	133.30p	128.91p	129.00p

CONDENSED GROUP CASH FLOW STATEMENT

Note	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)	80,532	53,715	91,895
Less: changes in fair value of investment properties	(46,036)	(40,090)	(47,514)
Add: changes in fair value of interest rate derivatives	935	7,169	7,153
Less: finance income	(165)	(134)	(216)
Add: finance expense	7,382	5,001	11,555
Accretion of tenant lease incentive	(6,245)	(3,844)	(10,230)
(Increase)/decrease in trade and other receivables	(335)	7,679	9,740
Increase in deferred income	2,763	409	5,470
(Decrease)/increase in trade and other payables	(310)	(646)	393
Cash received as part of asset acquisitions	–	6	2,045
Cash generated from operations	38,521	29,265	70,291
Taxation paid	(145)	(57)	(21)
Net cash flow generated from operating activities	38,376	29,208	70,270
Investing activities			
Purchase of investment properties	(188,376)	(270,786)	(600,761)
Licence fees received	3,184	3,336	6,694
Interest received	165	188	257
Amount transferred into restricted cash deposits	(2,122)	(222)	(538)
Amount transferred out of restricted cash deposits	3,897	1,153	4,268
Net cash flow used in investing activities	(183,252)	(266,331)	(590,080)
Financing activities			
Proceeds from issue of Ordinary Share Capital	350,668	200,497	551,078
Cost of share issues	(5,808)	(3,902)	(10,159)
Bank borrowings drawn	140,000	129,420	311,485
Bank borrowings repaid	–	(31,500)	(155,000)
Loan arrangement fees paid	(1,316)	(223)	(2,276)
Bank interest paid	(6,065)	(4,322)	(9,994)
Interest rate cap premium paid	–	(1,680)	(1,691)
Dividends paid to equity holders	(34,186)	(20,335)	(57,796)
Net cash flow generated from financing activities	443,293	267,955	625,647
Net increase in cash and cash equivalents for the period	298,417	30,832	105,837
Cash and cash equivalents at start of period	9	165,045	59,208
Cash and cash equivalents at end of period	9	463,462	165,045

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
Six months ended 30 June 2017 (unaudited)					
1 January 2017	11,051	589,384	546,377	267,723	1,414,535
Total comprehensive income	–	–	–	80,532	80,532
Issue of Ordinary Shares					
Shares issued in relation to equity issue	2,574	347,426	–	–	350,000
Share issue costs	–	(5,810)	–	–	(5,810)
Shares issued in relation to management contract	5	663	–	–	668
Share based payments	–	–	–	727	727
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(727)	(727)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2016 (3.10 pence)	–	–	(17,130)	–	(17,130)
First interim dividend for the period ended 31 December 2017 (1.60 pence)	–	–	(17,691)	–	(17,691)
30 June 2017	13,630	931,663	511,556	348,255	1,805,104
Six months ended 30 June 2016 (unaudited)					
1 January 2016	6,778	52,738	605,758	175,828	841,102
Total comprehensive income	–	–	–	53,715	53,715
Issue of Ordinary Shares					
Shares issued in relation to equity issue	1,613	198,387	–	–	200,000
Share issue costs	–	(3,904)	–	–	(3,904)
Shares issued in relation to management contract	4	493	–	–	497
Share based payments	–	–	–	585	585
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(585)	(585)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2015 (3.00 pence)	–	–	(20,335)	–	(20,335)
30 June 2016	8,395	247,714	585,423	229,543	1,071,075

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Continued

Year ended 31 December 2016 (audited)	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 January 2016	6,778	52,738	605,758	175,828	841,102
Total comprehensive income	-	-	-	91,895	91,895
Issue of Ordinary Shares					
Shares issued in relation to equity issue	4,265	545,735	-	-	550,000
Share issue costs	-	(10,159)	-	-	(10,159)
Shares issued in relation to management contract	8	1,070	-	-	1,078
Share based payments	-	-	-	1,250	1,250
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(1,250)	(1,250)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2015 (3.00 pence)	-	-	(20,335)	-	(20,335)
First interim dividend for the period ended 31 December 2016 (3.10 pence)	-	-	(26,026)	-	(26,026)
Second interim dividend for the period ended 31 December 2016 (1.55 pence)	-	-	(13,020)	-	(13,020)
31 December 2016	11,051	589,384	546,377	267,723	1,414,535

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Company's Auditor, BDO LLP, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 10 August 2017. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative financial information presented herein for the year to 31 December 2016 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year to 31 December 2016 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Basis of preparation

The Group's financial information has been prepared on a historical cost basis, except for investment properties and interest rate derivatives which have been measured at fair value.

Convention

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

Going concern

All of the Group's property assets are either let or pre-let to tenants that have excellent covenant strength and all of the leases are subject to upward only rent reviews. During the period the Group raised £350 million from the issue of new equity and a further £90 million under senior debt facilities. The Group has £100 million of headroom under its senior debt facilities as at the period end. At the period end date the Group's loan to value ratio stood at 27.0%, with an average maturity term of more than 5.0 years. In respect of the loan to value covenant testing, the LTV default position is set at 70% across all Group loan facilities. There is currently significant headroom across all Group loan facilities in respect of financial covenants, the Group has been compliant with each loan facility during the period and post the period end.

The Directors are therefore satisfied that the Group is in a position to continue in operation for the foreseeable future.

2. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

2.1. 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:

Fair valuation of investment property

The market value of investment property is determined by an independent property valuation expert (see note 10) to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation expert uses recognised valuation techniques and the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 (“the Red Book”). Factors reflected include current market conditions, annual rentals, lease lengths and location.

Business combinations

The Group acquires subsidiaries that own property. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or deferred tax arises.

Operating lease contracts – the Group as lessor

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the year ended 31 December 2016 and are expected to be consistently applied during the year ending 31 December 2017.

3.1. Standards in issue but not yet effective

The Directors are currently assessing the impact on the financial statements of the standards listed below, which are not yet effective and have not been early adopted in this financial information. The Directors do not currently expect the adoption of these standards to have a material impact on the Group's financial statements, other than on presentation and disclosure:

IFRS 9: Financial Instruments (effective 1 January 2018)

IFRS 15: Revenue from contracts with customers (effective 1 January 2018) and

IFRS 16: Leases (effective 1 January 2019).

4. FINANCE INCOME

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest received on bank deposits	165	134	216

5. FINANCE EXPENSE

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Interest payable on bank borrowings	6,083	3,867	9,366
Commitment fees payable on bank borrowings	319	361	536
Interest payable under hedging arrangements	55	41	89
Amortisation of loan arrangement fees	925	732	1,564
	7,382	5,001	11,555

Finance costs capitalised in the period totalled £202,000 (30 June 2016: £474,000, 31 December 2016: £690,000) of which £190,000 related to interest and commitment fees payable (30 June 2016: £395,000, 31 December 2016: £581,000) and £12,000 related to amortisation of loan arrangement fees (30 June 2016: £79,000, 31 December 2016: £109,000).

6. TAXATION

Tax charge in the Group Statement of Comprehensive Income

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
UK corporation tax	–	–	–

As a REIT, the Group is exempt from corporation tax on the profits and gains arising from its property investment business, provided it continues to meet certain conditions under the REIT regulations. For the period ended 30 June 2017, the Group did not have any non-qualifying profits subject to corporation tax and accordingly there is no tax charge in the period. All non-qualifying profits and gains will continue to be subject to corporation tax.

NOTES TO THE FINANCIAL STATEMENTS

7. EARNINGS PER SHARE

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Year ended 31 December 2016 (unaudited)
Net attributable to Ordinary Shareholders			
Total comprehensive income (£'000)	80,532	53,715	91,895
Number of Ordinary Shares ¹ – basic earnings	1,172,202,067	798,443,711	873,562,775
Basic earnings per share ¹ (pence)	6.87p	6.73p	10.52p
Adjustment for dilutive shares to be issued	553,658	470,003	533,132
Number of Ordinary Shares – diluted earnings	1,172,755,725	798,913,714	874,095,907
Diluted earnings per share ² (pence)	6.87p	6.72p	10.51p
Adjustments to remove:			
Changes in fair value of investment properties (£'000)	(46,036)	(40,090)	(47,514)
Changes in fair value of interest rate derivatives (£'000)	935	7,169	7,153
EPRA earnings (£'000)	35,431	20,794	51,534
EPRA earnings per share ¹ (pence)	3.02p	2.60p	5.90p
EPRA diluted earnings per share ² (pence)	3.02p	2.60p	5.90p
Adjustments to include:			
EPRA earnings (£'000)	35,431	20,794	51,534
Licence fee receivable on forward funded developments (£'000)	3,854	5,271	7,956
Finance costs capitalised (£'000) (see note 5)	(190)	(474)	(581)
Fixed rental uplift adjustments (£'000)	(2,445)	(1,113)	(3,571)
Amortisation of loan arrangement fees (£'000) (see note 5)	925	732	1,564
Adjusted earnings (£'000)	37,575	25,210	56,902
Adjusted basic earnings per share ¹ (pence)	3.21p	3.16p	6.51p
Adjusted diluted earnings per share ² (pence)	3.21p	3.16p	6.51p

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

2 Based on the weighted average number of Ordinary Shares in issue throughout the period, plus potentially issuable dilutive shares.

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

The adjustment for licence fee receivable is calculated by reference to the fraction of the total period of completed construction during the period, multiplied by the total licence fee receivable on a given forward funded asset.

Fixed rental uplift adjustments relate to adjustments to net rental income in relation to leases with fixed or minimum uplifts embedded within their review profiles. The total minimum income recognised over the expected lease term is recognised on a straight line basis.

8. DIVIDENDS PAID

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Fourth interim dividend for the period ended 31 December 2015 – 3.00 pence paid March 2016	–	20,335	20,335
First interim dividend for the period ended 31 December 2016 – 3.10 pence paid August 2016	–	–	26,026
Second interim dividend for the period ended 31 December 2016 – 1.55 pence paid October 2016	–	–	13,020
Third interim dividend for the period ended 31 December 2016 – 1.55 pence paid April 2017	17,130	–	–
First interim dividend for the period ended 31 December 2017 – 1.60 pence paid May 2017	17,691	–	–
Total dividends paid	34,821	20,335	59,381
Total dividends paid in respect of the period	1.60p	0.00p	4.65p
Total dividends unpaid but declared in respect of the period	1.60p	3.10p	1.55p
Total dividends declared – per share	3.20p	3.10p	6.20p

On 7 March 2017 the Company announced the declaration of an interim dividend in respect of the period 1 October 2016 to 31 December 2016 of 1.55 pence per share payable in April 2017.

On 24 April 2017 the Company announced the declaration of an interim dividend in respect of the period 1 January 2017 to 31 March 2017 of 1.60 pence per share payable in May 2017.

On 13 July 2017 the Company announced the declaration of an interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per share payable in August 2017.

9. CASH AND CASH EQUIVALENTS

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Cash and cash equivalents	463,462	90,040	165,045
Restricted cash (note 10)	3,873	8,447	5,648
Cash at bank per Condensed Group Statement of Financial Position	467,335	98,487	170,693

Restricted cash represents amounts relating to future rent-free periods on assets forming the portfolio. Currently the cash is held in accounts at the bank that holds the debt security over the related asset to cover the periods of cash shortfall as set out in the lease. The restricted cash is not readily convertible to cash available on demand.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 property being valued. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 ("the Red Book"). The valuers have sufficient current local and national knowledge of the particular property markets involved, and have the skills and understanding to undertake the valuations competently.

The valuation models prepared in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

In accordance with the Group's accounting policies, it has treated all acquisitions during the period as asset purchases rather than business combinations as they were judged to be acquisitions of properties rather than businesses.

	Investment properties freehold £'000	Investment properties long leasehold £'000	Investment properties under construction £'000	Total £'000
As at 1 January 2017	1,278,128	436,844	88,139	1,803,111
Property additions ¹	26,425	97,806	67,321	191,552
Tenant lease incentives ²	3,270	2,975	–	6,245
Transfer of completed properties at valuation	64,180	–	(64,180)	–
Change in fair value during the period	21,275	15,846	8,915	46,036
As at 30 June 2017 (unaudited)	1,393,278	553,471	100,195	2,046,944
As at 1 January 2016	720,891	260,695	176,268	1,157,854
Property additions ¹	102,732	78,200	115,865	296,797
Tenant lease incentives ²	3,141	701	–	3,842
Transfer of completed properties at valuation	259,524	–	(259,524)	–
Change in fair value during the period	22,629	9,071	8,390	40,090
As at 30 June 2016 (unaudited)	1,108,917	348,667	40,999	1,498,583
As at 1 January 2016	720,891	260,695	176,268	1,157,854
Property additions ¹	268,265	158,881	160,367	587,513
Tenant lease incentives ²	7,752	2,478	–	10,230
Transfer of completed properties at valuation	259,281	–	(259,281)	–
Change in fair value during the period	21,939	14,790	10,785	47,514
As at 31 December 2016 (audited)	1,278,128	436,844	88,139	1,803,111

¹ Property additions are stated net of licence fees deducted from the cost of investment property under construction totalling £0.72 million in the period (31 December 2016: £4.83 million).

² Included within the carrying value of investment property is £19.61 million (31 December 2016: £13.37 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed 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.

The table below reconciles between the fair value of the Investment Property per the Condensed Group Statement of Financial Position and Investment Property per the independent valuation performed in respect of each period end.

The ground rents payable to all head lease holders are nominal, therefore no liability has been recognised in respect of the present value of the future cash flows.

	As at 30 June 2017 (unaudited) £'000	As at 30 June 2016 (unaudited) £'000	As at 31 December 2016 (audited) £'000
Value per independent valuation report	2,100,120	1,529,300	1,893,680
Less:			
Capital commitments (note 17)	(49,245)	(21,004)	(82,401)
Licence fee receivable	(58)	(1,266)	(2,520)
Restricted cash (note 9)	(3,873)	(8,447)	(5,648)
Fair value per Condensed Group Statement of Financial Position	2,046,944	1,498,583	1,803,111

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These costs are not provided for in the statement of financial position, refer to note 17.

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. BANK BORROWINGS

A summary of the bank borrowings drawn in the period are shown below:

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
At the beginning of the period	541,526	385,041	385,041
New bank borrowings agreed and drawn in the period	90,000	–	72,000
Net bank borrowings drawn in the period under existing facilities	50,000	97,920	84,485
Total bank borrowings drawn	681,526	482,961	541,526

The Group had available headroom of £100.0 million under its bank borrowings (30 June 2016: £86.6 million, 31 December 2016: £150.0 million).

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

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Bank borrowings drawn: due after more than one year	681,526	482,961	541,526
Total bank borrowings	681,526	482,961	541,526
Less: unamortised costs	(8,279)	(6,767)	(8,026)
Total bank borrowings per the Condensed Group Statement of Financial Position	673,247	476,194	533,500

12. INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives to mitigate exposure to interest rate risk. The fair value of these contracts is recorded in the Condensed Group Statement of Financial Position and is determined by assessing the probability that interest rates will exceed strike rates and discounting the future cash flows of the interest rate derivatives at the prevailing market rates as at the balance sheet date. There have not been any transfers of assets or liabilities between levels of fair value hierarchy in the period.

Fair value measurements at each reporting date are below:

	Level 1 ¹ £'000	Level 2 ² £'000	Level 3 ³ £'000	Total £'000
Assets				
30 June 2017 interest rate derivatives (unaudited)	–	2,238	–	2,238
30 June 2016 interest rate derivatives (unaudited)	–	3,146	–	3,146
31 December 2016 interest rate derivatives (audited)	–	3,173	–	3,173

1 Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

2 Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (ie as unquoted prices) or indirectly (ie derived from quoted prices).

3 Valuation is based on inputs that are not based on observable market data.

13. SHARE CAPITAL

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Issued and fully paid at 1 pence each	13,630	8,395	11,051
At beginning of period	11,051	6,778	6,778
Share issued in relation to equity issue – February 2016	–	1,613	1,613
Share issued in relation to equity issue – October 2016	–	–	2,652
Share issued in relation to equity issue – May 2017	2,574	–	–
Shares issued in relation to management contract	5	4	8
	13,630	8,395	11,051

The Company had 1,363,040,998 shares of nominal value of 1 pence each in issue at the end of the period (30 June 2016: 839,541,140, 31 December 2016: 1,105,692,661).

On 11 May 2017 the Company announced that 257,352,941 new Ordinary Shares were issued via a Placing, Open Offer and Offer for Subscription at an issue price of 136 pence per Ordinary Share, raising gross proceeds of £350 million.

NOTES TO THE FINANCIAL STATEMENTS

14. SHARE PREMIUM

The share premium relates to amounts subscribed for share capital in excess of nominal value less costs directly attributed to share issuances:

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Balance at the beginning of the period	589,384	52,738	52,738
Share premium on the issue of Ordinary Shares	347,426	198,387	545,735
Share issue costs	(5,810)	(3,904)	(10,159)
Share premium on Ordinary Shares issued to management	663	493	1,070
	931,663	247,714	589,384

15. TRANSACTIONS WITH RELATED PARTIES

The fees calculated and payable for the period to the Investment Manager was as follows:

	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Tritax Management LLP	5,532	4,414	9,502

The total amount outstanding at the period end relating to the Investment Management Agreement was £2.75 million (30 June 2016: £2.32 million, 31 December 2016: £2.44 million).

Throughout the period SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £0.13 million (30 June 2016: £0.40 million, 31 December 2016: £1.55 million) in respect of agency services for the period. 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. There were no fees outstanding at the period end (30 June 2016: £0.04 million, 31 December 2016: £0.04 million).

Mark Shaw, who is both a Director of the Company and a Member of the Manager, does not receive a fee for his role as a Director.

There have been no other related party transactions during the half year to 30 June 2017 that have materially affected the financial position or performance of the Group. All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 December 2016.

16. NET ASSET VALUE PER SHARE (NAV)

Basic NAV per share amounts are calculated by dividing net assets in the Condensed 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 period.

As there are dilutive instruments outstanding, basic and diluted NAV per share are shown below.

Net asset values have been calculated as follows:

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Net assets per Condensed Group Statement of Financial Position	1,805,104	1,071,075	1,414,535
Mark-to-market adjustment of derivatives	12,585	11,742	11,650
EPRA NAV	1,817,689	1,082,817	1,426,185

Ordinary Shares:

Issued share capital (number)	1,363,040,998	839,541,140	1,105,159,529
Basic NAV per share	132.43p	127.58p	128.00p
Basic EPRA NAV per share	133.36p	128.98p	129.05p
Diluted share capital (number)	1,363,594,656	840,011,027	1,105,692,661
Diluted NAV per share	132.38p	127.51p	127.93p
Diluted EPRA NAV per share	133.30p	128.91p	129.00p

17. CAPITAL COMMITMENTS

The Group had capital commitments of £49.2 million in relation to its forward funded investment assets outstanding at 30 June 2017 (30 June 2016: £21.0 million, 31 December 2016: £82.4 million). All commitments fall due within one year from this date.

18. SUBSEQUENT EVENTS

On 13 July 2017 the Company announced the declaration of an interim dividend in respect of the period 1 April 2017 to 30 June 2017 of 1.60 pence per share payable in August 2017.

On 24 July 2017 the Company announced that it had exchanged conditional contracts to purchase a c.124 acre development site at Littlebrook, Dartford for £62.5 million.

19. CONTINGENT LIABILITIES

On 23 December 2016 the Group exchanged contracts, conditional on receiving planning consent, to provide forward funding for the development of two new distribution facilities at Warth Park, Raunds, pre-let in their entirety under two separate leases to Howden Joinery Group Plc. The investment price was £101.8 million.

COMPANY INFORMATION

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Incorporated in the United Kingdom

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Non-Executive Director
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