TRITAX BIG BOX

FULL YEAR RESULTS

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Tritax Big Box REIT plc
17 March 2020

THIS ANNOUNCEMENT HAS BEEN DETERMINED TO CONTAIN INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014.

17 March 2020

Tritax Big Box REIT plc

(the "**Group**" or the "**Company**")

FULL YEAR RESULTS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

WELL-POSITIONED TO CONTINUE DELIVERING STRONG, GROWING AND SUSTAINABLE LONG-TERM INCOME

Tritax Big Box REIT plc (ticker: BBOX), the only real estate investment trust giving pure exposure to Big Box logistics assets in the UK, is today reporting its full year results for the Group for the period from 1 January 2019 to 31 December 2019.

Highlights

	31 December 2019	**31 December 2018**	**Increase / Decrease**
Dividend per share	6.85p	6.70p	+2.2%
Contracted annual rent roll	£166.6m	£161.1m	+3.4%
Operating profit[1]	£122.5m	£113.7m	+7.7%
Adjusted earnings per share	6.64p	6.88p	-3.5%
EPRA NAV	151.06p	152.83p	-1.2% (+1.3% excluding transaction related costs)[2]
Total Return	3.3% (5.8% excluding transaction related costs)2	12.1%	-8.8ppt
Portfolio value	£3.94bn	£3.42bn	+15.2%
Weighted average unexpired lease term	14.1yrs	14.4yrs	-0.3yrs
Loan to value (LTV)	30.4%	27.3%	3.1ppt

Sir Richard Jewson KCVO, JP, Chairman of Tritax Big Box REIT plc, commented:

"2019 was an important year in the evolution of the Company - We acquired and integrated a prime logistics platform to complement our high-quality investment portfolio. The core of our business remains unchanged, with 89% of our portfolio comprising of new, modern standing assets, strategically located in prime logistics locations.

The occupational market remained healthy last year. Speculative supply of larger scale logistics buildings markedly decreased and demand outstripped supply for Grade A logistics stock. With a large overhang of probable lettings "under offer", driven by demand for logistics space over 500,000 sq ft, initial prospects for 2020 look good.

Early positivity in the occupational and investment markets may be tempered by Coronavirus (COVID-19), which is already impacting global growth. It is impossible to know the extent to which the virus will develop, but our Investment portfolio is occupied by a diversified, high-quality Customer base, let on long leases. We continue to monitor the situation.

With renewed global economic uncertainty, we think it is more important than ever to stress the quality and longevity of our income stream together with embedded income growth. We remain confident in our ability to continue to deliver secure and growing dividends to Shareholders as part of an attractive total return over the medium term. As such we have increased our dividend target by 2.2% to 7.00p per share for 2020."

Operational highlights: secure and predictable income

- The Investment portfolio comprised 58 assets, which are well diversified by building size, geography and Customer and covers more than 30.9 million sq ft Investment portfolio[3] (31 December 2018: 29.8 million sq ft).
- 53% of contracted rental income provide for contracted fixed or minimum increases at the point of rent review. The blended minimum level of increase is 1.8% per annum.
- Our portfolio was 99% let, or pre-let and income producing during the year as a result of two recently completed speculative

developments.[4]

- 2.4% of total rents are from leases expiring within the next three years, with 50% of leases with more than 15+ years to run
- Estimated rental value ("ERV") for the investment portfolio was £179.1 million, representing a 7.5% reversion.
- Passing rent increased by £0.7 million per annum following seven rent reviews settled in the year, equating to an annual uplift of 2.0% on the rent reviewed.
- Plans for selective Investment asset disposals are already underway for the current year.

Sustainability highlights: a strategic priority

- 87% of the portfolio has an EPC rating of A-C (2018: 76% rated A-C).
- Formulation of strategy with an ambition of becoming net carbon zero across Tritax Symmetry development assets.
- First year of participation within GRESB and disclosures made against EPRA sustainability best practice indicators.

Development highlights: well positioned to deliver attractive secure and growing income

- During the year, the Group acquired an 87% economic interest in db Symmetry (enterprise value for 100%: £370 million[5]).
- Yield on cost target across our Development portfolio of 6% to 8%.
- 4.7 million sq ft of logistics buildings delivered during the year, 93% pre-let or let during construction, adding £22.5 million to gross rental income.
- Planning consent achieved for 2.6 million sq ft across Strategic Land sites.
- 3.2 million sq ft of logistics assets under construction, of which 92% is pre-let.
- Near-term development pipeline of 11.5 million sq ft (45% with planning consent as at 31 December 2019), with gross rental income potential of c.£65 million.

Financial highlights: well diversified and flexible debt platform

- Dividends declared in relation to 2019 totalled 6.85 pence per share, in line with our target and a 2.2% increase on 2018.
- Adjusted earnings per share was 6.64 pence per share for 2019 (2018: 6.88 pence per share).
- EPRA net asset value ("NAV") per share decreased by 1.2% to 151.06 pence at 31 December 2019 (31 December 2018: 152.83 pence). Excluding the one-off transaction costs of the Tritax Symmetry acquisition, the underlying EPRA NAV per Share increased by 1.3%[2].
- £250.0 million of gross equity raised in the year to part finance the Tritax Symmetry acquisition.
- The Loan to Value ("LTV") as at 31 December 2019 was 30% (2018: 27%), with headroom immediately available under existing committed borrowings of £500 million.
- EPRA cost ratio of 15.1% (2018: 13.7%), reflecting the expected short-term impact of the acquisition of Tritax Symmetry.

Post Balance Sheet Highlights

- Progressive dividend target of 7.00 pence per share announced for 2020, a 2.2% increase on 2019 and the Company's sixth successive increase.
- Achieved a resolution to grant planning consent at Wigan for a 1.4 million sq ft scheme and received consent for Darlington Phase 2 (subject to s.106 agreement), for a further 0.6 million sq ft.

Notes

1 Operating profit before changes in fair value of Investment properties and contingent consideration, gain on bargain purchase, impairment of intangible and other property assets and share-based payment charges.

2 Excluding one-off transaction related cost of the Tritax Symmetry acquisition, totalling 3.8 pence per Share.

3 The Group's Investment portfolio comprises let or Pre-let (in the case of Forward Funded Developments) assets as well as any speculative developments that have reached practical completion but remain vacant.

4 Includes all 58 assets (30.9 million sq ft) held at 31 December 2019; excludes Littlebrook, Dartford.

5 Subject to certain adjustments in respect of cash, debt, working capital, tax and other operational liabilities. Note: the Group holds 100% of the ordinary share capital.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is: 213800L6X88MIYPVR714

NOTES:

Tritax Big Box REIT plc is the only listed vehicle dedicated to investing in very large logistics warehouse assets ("**Big Boxes**") in the UK and is committed to delivering attractive and sustainable returns for shareholders. Investing in and actively managing existing built investments, land suitable for Big Box development and developments predominantly delivered through pre-let forward funded basis, the Company focuses on large, well-located, modern Big Box logistics assets, let to institutional-grade tenants on long-term leases (typically at least 12 years in length) with upward-only rent reviews and geographic and tenant diversification throughout the UK. The Company seeks to exploit the significant opportunity in this sub-sector of the UK logistics market owing to strong tenant demand and limited supply of Big Boxes.

The Company is a real estate investment trust to which Part 12 of the UK Corporation Tax Act 2010 applies ("**REIT**"), is listed on the premium segment of the Official List of the UK Financial Conduct Authority and is a constituent of the FTSE 250, FTSE EPRA/NAREIT and MSCI indices.

Further information on Tritax Big Box REIT is available at www.tritaxbigbox.co.uk

9.00am Company presentation for investors and analysts by live conference call and webcast:

Those wishing to access the live conference call and/or webcast are kindly asked to contact Maitland/AMO at tritax-maitland@maitland.co.uk or by telephone on +44 (0) 20 7379 5151

On demand recording later in the day

In addition, later in the day an audio recording of this conference call/webcast and the presentation will also be available on-demand via the Company's website: http://tritaxbigbox.co.uk/investors/#results-centre

The Annual Report and Accounts will today be available on the Company's website at www.tritaxbigbox.co.uk. In accordance with Listing Rule 9.6.1, copies of these documents will also be submitted today to the UK Listing Authority via the National Storage Mechanism and will be available for viewing shortly at www.morningstar.co.uk/uk/NSM.

Hard copies of the Annual Report and Accounts will be sent to Shareholders, along with the notice for Annual General Meeting 2020.

CHAIRMAN'S STATEMENT

A high-quality and resilient business with upside potential

One of the Board's key priorities is to oversee the successful implementation of our strategy and ensure the business is positioned for long-term success. Since IPO, the Company has assembled a high-quality portfolio of logistics assets, let to an impressive Customer base. The occupational market remains favourable. These qualities underpin a resilient and growing income stream, enabling us to pay an attractive and progressive dividend to Shareholders which, for 2019, totalled 6.85 pence per share, which was in line with our target.

Significantly, we also secured much of the Group's potential future pipeline through the acquisition of db Symmetry in February 2019. Investor interest in logistics real estate means that prime investment yields have tightened considerably, and the acquisition of this Strategic Land platform allows us to develop our own logistics real estate assets at an attractive yield on cost. We expect this to support both our earnings growth and progressive dividend policy, with the objective of delivering enhanced returns to Shareholders. We will minimise development risk by primarily undertaking this on a pre-let basis. Subsequent to our acquisition, db Symmetry was rebranded to Tritax Symmetry.

At the end of the year, our high-quality Investment portfolio consisted of 58 assets. These assets represent 89% of our total portfolio value and they continue to deliver the robust rental income that is our core focus. Our portfolio also continues to offer opportunities to create value through asset management. The Manager's ongoing engagement with Customers enables us to understand their business needs and is central to our proactive asset management strategy.

Sustainability is a strategic priority

We recognise the rapidly growing importance of delivering on sustainability matters for a wide range of stakeholders. These include the impact of climate change and creating social value in the communities around our assets. The Group's clear purpose and sustainability approach, enables us to enhance our assets and supports our ability to deliver value beyond the financials.

A favourable market

Our business is well placed, as occupier demand for Big Boxes continues to be fuelled by the growth in online sales and Customers seeking greater efficiencies from their supply chains. Despite the political backdrop, the level of take-up in 2019 was one of the highest on record. This take-up excludes more than 10 million sq ft of space that was reported to be under offer as we entered 2020. This is encouraging for the year ahead.

Benefiting from the Manager's expertise

The Group's success since listing is in no small part due to the dedication and expertise of the Manager. We benefit significantly from the team's energy and sector specific knowledge, as well as their exceptional network of contacts. The Board has a strong and collaborative relationship with the Manager, while maintaining careful oversight of its activities. The Board is also cognisant of its responsibility for the Group's culture. While the Group has no employees, we pay close attention to the Manager's culture and believe that its forward thinking and entrepreneurial approach, combined with its rigour and discipline, is the right fit for delivering our strategy and purpose.

Good progress with developments

Five of our Forward Funded Pre-Let Developments completed during the year, comprising 4.3 million sq ft of state-of-the-art logistics facilities. Three further Pre-let Forward Funded Developments covering 3.0 million sq ft remained under construction at the year end and will practically complete by early 2021. Seven of these have been income producing since the commencement of construction. The development pre-let to Co-Op at Biggleswade commenced works in December 2019 and will become income producing following its targeted completion in early 2021. In total, the Group has now been involved in 17 Pre-let Developments, making us the market leader by value over recent years.

As noted in the Manager's Report, the acquisition of Tritax Symmetry has already delivered benefits through securing planning consents and lettings, and we are set to capture further value in the months and years ahead.

The Group also made progress at Littlebrook in Dartford (branded The Power House), with all demolition completed by the year end and the related site clearance and preparation due to finish prior to the summer of 2020. Significantly, over 98% of materials from the demolition have been reused or recycled. The recent completion of site preparation works for Phases 2 and 3 will extend the flexibility of our building size offer. There has been healthy occupational interest in the scheme, including advanced discussions with a potential occupier on Phase 2 on a subject to planning basis.

Portfolio and valuation
We added four assets to our Investment portfolio during the year, all of which came through the Tritax Symmetry portfolio. At the year end, the portfolio therefore comprised 58 Investment assets plus the development assets at Littlebrook and within the Tritax Symmetry portfolio. The total portfolio value was £3.94 billion (31 December 2018: £3.42 billion) as at the year end.

Financing
Consideration for the Group's 87% economic interest in Tritax Symmetry was £321.5 million. To part fund this, as well as certain developments and potential investments, we raised gross proceeds of £250.0 million through a significantly oversubscribed share issue. We expect to finance our Near-term activity primarily from the sale of selected Investment assets, alongside debt. Funding a proportion of our developments by disposing of Investment assets at yields of 4-6%, while reinvesting the proceeds at a target yield on cost of 6-8%, would allow us to benefit from an attractive yield arbitrage and grow our earnings.

One of the Group's key achievements has been creating its well-diversified and flexible debt platform. Our strong lender relationships enabled us to enter into a new £200 million unsecured, five-year, revolving credit facility during the year. Given the quality of our rental income and assets, we remain conservatively leveraged, with a loan-to-value ratio of 30% at the year end (31 December 2018: 27%). The Group's credit rating with Moody's remains at Baa1.

Financial results
The Group delivered a solid underlying financial performance in 2019. Excluding one-off transaction costs in relation to the Tritax Symmetry acquisition, operating profit before changes in the fair value of investment properties and contingent consideration, and share-based payment charges increased by 7.7% to £122.5 million (2018: £113.7 million). Our low and transparent cost base is reflected in an EPRA cost ratio of 15.1% (2018: 13.7%). Adjusted earnings per share were 6.64 pence (2018: 6.88 pence), which covered our dividend payments totalling 6.85 pence per share by 97%. Dividends declared in respect of 2019 represented, an increase of 2.2% compared to 2018.

The EPRA NAV at the year end was 151.06 pence per share (31 December 2018: 152.83 pence), up from 150.08 pence at the half year. As previously noted, the share issue and associated costs of the Tritax Symmetry transaction resulted in dilution to the EPRA NAV of 3.8 pence per share. Absent of these specific transaction related costs, our total return performance for the year was 5.8%.

Board and governance
On 1 February 2019, Mark Shaw retired from the Board. He made a significant and valuable contribution since his appointment in December 2013 and we are grateful for his guidance. Mark remains Chairman and a Partner of our Manager, and his retirement means we now have a fully independent Board. On 27 March 2019, Jim Prower resigned from the Board after more than five years of service. On behalf of the Board, I thank him for his counsel and expertise. Aubrey Adams replaced Jim as our Senior Independent Director, with effect from the same date.

We appointed two new Non-Executive Directors during 2019. Alastair Hughes joined us on 1 February and Karen Whitworth on 21 October 2019. Both add to the breadth and depth of skills on the Board. Alastair is a chartered surveyor with more than 25 years' experience in the UK and international real estate markets, while Karen has a strong financial and governance background and experience in retail supply chains.

The Board has a rigorous focus on ensuring high standards of corporate governance. During the year, we continued to evolve our practices to ensure compliance with the 2019 edition of the AIC Corporate Governance Code, including affirming the Group's purpose.

Outlook
We anticipate further development activity in 2020, as we look to recycle capital and capture profit from the Tritax Symmetry portfolio and Littlebrook, Dartford. Investment asset sales are expected to largely finance the Tritax Symmetry capital requirements in the near term.

Investors continue to reweight their portfolios away from retail, into industrial logistics and alternatives. We believe this trend will continue in 2020. There are already signs that investment interest has increased, particularly from overseas buyers, having been held back by economic and political uncertainty in 2019. Stable yields and increasing land prices may encourage developers to seek higher rents, in order to maintain their returns.

The occupational market remained healthy last year. Speculative supply of larger scale logistics buildings markedly decreased and demand outstripped supply for Grade A logistics stock. With a large overhang of probable lettings "under offer" initial prospects for 2020 look good.

Early positivity in the occupational and investment markets may well be tempered by Coronavirus (COVID-19), which is already impacting global growth. It is impossible to know the extent to which the virus will develop, but our Investment portfolio is occupied by a diversified, high-quality Customer base, let on long leases. We continue to monitor the situation.

The high-quality of our assets and Customer base provide confidence in our ability to continue delivering secure and growing dividends to Shareholders as part of an attractive total return over the medium term. We have, therefore, increased our dividend target by 2.2%, to 7.00 pence per share for 2020.

Sir Richard Jewson KCVO, JP
Chairman

OUR MARKET

Occupier demand remains robust
During 2019, demand continued to be driven by companies seeking cost savings, economies of scale and the efficiencies derived from consolidating older networks of smaller logistics buildings into fewer, larger modern facilities. The inexorable rise in online sales has also fuelled demand for modern, larger logistics facilities which can be automated, and process returns.

In 2018, logistics property take-up for buildings over 100,000 sq ft was the highest on record at 31.5 million sq ft. Despite Brexit and the UK general election, the equivalent figure in 2019 was 25.4 million sq ft, remaining above the 10-year average of 22.6 million sq ft. Importantly, the level of market demand can be represented by combining "take-up" and "under offer" statistics; for 500,000+ sq ft buildings (as a percentage of total market activity), this has increased in each of the last four years, whereas the equivalent figure for smaller-scale logistics buildings has reduced over the same period.

Pre-let "design and build"' comprised 93% of lettings in the 500,000+ sq ft size category compared to the 100,000-250,000 sq ft band where only 22% were design and build in 2019, suggesting a lower readily available supply for larger buildings.

What this means for us
Structural change is maintaining a healthy level of occupier demand and so long as this continues to outstrip the supply of modern, large-scale logistics assets, the sector is likely to expand, maintain positive rental growth and attract investment interest with good liquidity. It also provides confidence in re-lettings, should any of our assets become vacant, thereby supporting the resilience of our rental income stream.

True Big Box supply remains constrained
Available to let logistics buildings over 100,000 sq ft totalled 27.1 million sq ft in 2019, slightly higher than take-up at 25.4 million sq ft. Speculative supply decreased from 16.2 million sq ft in 2018 to 14.1 million sq ft in 2019.

In 2019, the speculative supply of buildings in the 100,000-250,000 sq ft size range represented 10.6 months of take-up compared to the over 500,000 sq ft category where there was a 50% reduction in speculative supply to just over 1 million sq ft, which is the equivalent to just 1.4 months of 2019 take-up*.

Larger buildings are more scarce and occupier investment in automation is greater than for smaller scale logistics facilities, thereby influencing tenant commitment. 2019 data demonstrates that larger buildings secure longer leases: in the 100,000-250,000 sq ft size category the average lease length was 11.8 years, whilst for buildings over 500,000 sq ft the average lease length was 18.3 years.

What this means for us
A limited supply of modern buildings means many occupiers can only meet their requirements for Big Boxes through "built-to-order" development. Despite strong occupier demand there are significant barriers to entry which continue to restrict supply, and this imbalance is expected to benefit our business for some time to come.

* Includes second-hand space.

Rental growth slows
Buoyed by demand for urban buildings, 2018 witnessed regional average rental growth of 5.6% pa for logistics buildings units over 100,000 sq ft. This reduced in 2019 to 1.2%, against which CPI was 1.3%, RPI 2.2%.

Other than in Scotland, market rental growth was stronger in Q1 2019 ahead of the original Brexit date in March, after which the prolonged uncertainty over Brexit and then the general election affected confidence. This was despite overall take-up remaining at healthy levels.

Build costs and land values increased in 2019, simultaneous with a period of static yields. This is likely to apply pressure on developers to increase target rental levels on new leases, in order to achieve the same levels of returns as when yields were compressing.

What this means for us
Our portfolio rental growth outperformed the market in 2019 and we see potential for improved market rental growth in 2020. We are well placed to benefit, but also take comfort that 53% of our income is subject to fixed or minimum level increases at the point of rent review.

Investment
The all-property yield gap versus 10-year Gilts closed the year at nearly 400bps, a wide margin in modern historical context. With inflation and interest rates on a downward trajectory, Gilts are not expected to rise significantly in the near term, and this could signal the potential for further commercial property yield compression.

Industrials topped the 2019 total return chart at 7.6% compared with offices at 6.9% and retail at -6.2%. The all-property return was 2.2% (MSCI).

During 2019, prime UK logistics property investment yields remained stable at their keenest rates on record at 4.5%, according to CBRE. Investment volumes were subdued last year due to political and economic uncertainty. Having legally exited the EU, uncertainty remains over the shape of the UK's trade relationships. Nonetheless, a strong majority Government has increased confidence in early 2020. Institutions continue to reweight portfolios away from retail and into logistics and alternatives with some way to go in this re-weighting exercise. We anticipate increased demand from overseas capital seeking to invest in one of the world's strongest logistics markets. We therefore expect increased investment volumes and stable, if not hardening, prime yields in the coming months of 2020.

What this means for us
The UK logistics market and our investments are sought after and there is potential for further yield-induced value gains. Our capital efficient development platform offers the opportunity for enhanced returns whilst minimising risk through a largely pre-let driven strategy.

MANAGER'S REPORT

Delivering the strategy
2019 was an important year in the evolution of the Company - we acquired a prime logistics land platform to complement our high-quality Investment portfolio and provide opportunity for enhanced future value growth. The core of our business has remained unchanged, with 89% of our portfolio comprising high quality Investment asset.

Our Investment portfolio

Investment assets comprise 89% of our portfolio value. Apart from two small speculatively developed buildings completed in the period, our Investment assets remained fully let throughout 2019.

The extensive geographic network of properties provides in-depth market knowledge combined with our market intelligence has enabled us to acquire high-quality income producing assets at an attractive weighted average purchase yield of 5.5% since inception, compared to a valuation yield of 4.5% as at 31 December 2019.

The Group now owns 58 geographically diverse logistics Investment assets, individually selected based on quality and performance criteria, which collectively comprise a unique portfolio well placed to benefit from changes in consumer habits, technology and operations upsizing. The properties are located where occupiers want to be and provide flexible accommodation with access to appropriate labour pools. The modernity of the Group's real estate is second to none, with 92%[1] having been constructed since the Millennium.

A WAULT of 14.1 years[2] underpins the long-term resilience of our income. Over half of our rental income (53%) provides for a contracted fixed or minimum level of increases at the point of rent review, blended at a minimum annualised rate of 1.8%. Long income is more valuable if it is also high-quality, dependable income. We believe that the Group's tenant line-up is unrivalled among UK REITs. The Investment portfolio contracted annual rental income was £166.6 million as at 31 December 2019, underpinned by 40 institutional quality tenants, the largest of which was Amazon, representing 13.1% of the Company's total contracted rental income.

The independently assessed estimated rental value (ERV) for the Investment portfolio was £179.1 million, representing a 7.5% reversion (the level at which market rents are deemed to exceed the passing rent of the Group's properties). The portfolio ERV grew by 1.1% on a like-for-like basis during the year.

The gain recognised on revaluation of the Group's Investment properties was £54.5 million (2018: £163.0 million). The like-for-like valuation increase for the 54 assets and the land at Littlebrook which were held throughout the year was 1.8% (excluding any additional capital costs incurred on those assets in the year).

We will continue to opportunistically identify Investment assets and Pre-let Forward Funded investments in supply constrained locations at prices that create value at the point of purchase.

Plans are underway for selective disposals of Investment assets with a view to recycling capital efficiently into the Company's Strategic Land platform.

1 By contracted rental income.

2 To the earlier of lease expiry or break option

Relationships and knowledge provide opportunity
A regular engagement programme has forged strong relationships with the Group's diverse and global Customer base, providing invaluable insights through the supply chain. This partnership leverages a deep understanding across various contact points within Customer's businesses, embedding us into Customers' corporate logistics decisions. We pride ourselves on care and attention, which extends beyond the physical properties that we lease. The resulting trust means that our Customers share information which allows us to make recommendations to help them overcome the structural challenges of a fast-changing world and capture the opportunities that this presents.

Where appropriate, we look to implement physical enhancements to better meet Customer requirements, for example, extending the property. This could link with contractual amendments such as adjusting rental levels or extending the unexpired lease term which, in turn, can provide growing rents and longer-term financial security for the Group. Across the Investment portfolio we are actively discussing such initiatives.

- At Amazon, Chesterfield, the Group undertook refurbishment works and modernisation of the asset, which completed in 2019. This improved the building's EPC rating from grade "D" to "C".

- At Tesco, Middleton, the Customer completed a major refurbishment programme, including replacement of mechanical and electrical equipment.

- At New Look, Newcastle Under Lyme, the Customer completed a fit out of the extension, refurbished the on-site cafeteria and re-located call centre staff to the property, to create a dedicated e-commerce service centre.

We cannot directly influence the business operations of our Customers, but we do work with them to maximise the efficiency, resilience and flexibility of their occupational real estate. Although the Group's Investment portfolio is generally modern and rates well for energy efficiency, a significant area of opportunity lies in creating sustainable solutions, both in terms of social welfare (from improvements in working environments) to the implementation of renewable energy (which can be of benefit to Customers, the Group and society more generally). We are working hard in this area and are optimistic as to the opportunities identified.

Sustainability is also at the heart of the development ambitions of Tritax Symmetry which has developed strong relationships with local authorities and communities as a result of its inclusive and consultative approach to job creation. The Customer relationships forged within the Group's Investment portfolio are proving of mutual benefit to Tritax Symmetry; we are now able to offer the in-house development of new logistics facilities - a service not previously possible. This means that we can provide solutions of all size categories ranging from small scale "last journey" logistics buildings to the largest Mega Box hubs.

Lengthening income
Despite the occupational market being impacted by Brexit and the General Election in 2019, we concluded two significant asset management initiatives:

- At the Sainsbury's asset in Leeds, we extended the seven-year unexpired lease term by a further 18 years, creating 25 years unbroken rental income, thereby endorsing the 'Foundation asset' credentials. We also negotiated a change in the rent review basis from five-yearly open market to CPI-linked (2% collar and 4% cap) compounded annually, in order to provide increased income growth certainty for the Group. The significant commitment by Sainsbury's demonstrates the strategic importance of this asset in its supply chain network for the north of England.

- At the Whirlpool asset in Raunds, we concluded a five-year extension to the lease, creating a six-year unexpired term. Additionally, we negotiated a strengthening of the tenant financial covenant through the addition of a guarantee from Whirlpool Corporation. As part of the transaction, we agreed to fund certain improvements to the property including energy efficient LED lighting and upgraded employee welfare facilities.

Growing income
Logistics property rent reviews take place typically every five years. The timing of each is such that we conduct a number of rent reviews each year. The Investment portfolio also benefits from several leases with annual rent increases, either on a fixed uplift basis or linked to RPI or CPI.

We settled seven rent reviews during 2019, adding £0.7 million (2018: £0.9m) to the Group's annual passing rent, representing an average annual increase of 2.0%.

Annual inflation indexed rent reviews:

- **Morrisons, Tamworth**
  Linked to CPI, resulting in an uplift to the annual passing rent of £0.1 million or 1.8%.

- **Morrisons, Sittingbourne**
  Linked to RPI with a cap of 2% per annum, resulting in a 2% increase in passing rent, equating to £0.12 million per annum.

- **Royal Mail, Daventry**
  Linked to RPI with a cap of 3% per annum, resulting in a 2.88% increase in passing rent, equating to £0.08 million per annum.

- **Industrial Tool Services, Harlow**
  Linked to RPI with a cap of 2% per annum, resulting in a 2% increase in passing rent, equating to £0.02 million per annum.

Annual fixed rent reviews:

- **Argos, Burton-on-Trent**
  Fixed at 3% per annum, resulting in an uplift in annual passing rent of £0.13 million per annum.

Five-yearly inflation indexed rent reviews:

- **Brakes, Harlow:**
  Linked to RPI with a cap of 5%, resulting in a 13.01% increase in passing rent, equating to £0.24 million per annum.

Open market rent reviews per annum:

- **Next, Doncaster**
  This open market review, dated March 2018, was settled at a nil increase.

At the year end, the Group had six open market rent reviews that were outstanding. These reviews are either under direct negotiation or form part of wider negotiations relating to potential extensions of lease length.

By December 2022, 87% of our portfolio rents are due for rent review. In 2020 ten of our properties are subject to rent review with a further 21 and 17 rent reviews in 2021 and 2022 respectively. We have purposefully weighted away from open market rent reviews in favour of more reliable fixed and collared reviews, providing us with a higher degree of embedded rental growth; in December 2015 fixed and index linked reviews comprised 42% of rent, compared to 31 December 2019 when fixed and collared rent reviews comprised 53% of our income.

Our balanced Investment portfolio by rent review type

Open market rent reviews: 33%
These track the rents achieved on new lettings and rent reviews of comparable properties in the market.

RPI/CPI-linked: 50%
These provide some inflation protection. All are subject to caps, the highest at 5% pa. Over £61 million of the Group's inflation-linked income is also collared, which means it benefits from minimum uplifts.

Of the 24 inflation-linked leases, 20 are reviewed five- yearly, while four provide annual rental increases.

Fixed uplift rent review: 11%
Fixed rent reviews provide certainty of income growth, at either 3.0% pa (four leases) or 2% pa (one lease). By income, 65% of these leases have five yearly reviews and 35% are reviewed annually.

Hybrid: 6%
Hybrid rent reviews can be an amalgamation of the above, for instance to the higher of open market rents or RPI (subject to a cap and collar). Such arrangements provide the Group with the potential of enhanced income growth.

Post period end activity
Following the period end, two key asset management initiatives completed:

Removal of lease break
M&S, Stoke
The Board of M&S accepted our proposal to remove the May 2021 break option, thereby extending the unexpired term certain to May 2026. The terms also agreed the forward settlement of the May 2021 rent review, increasing the rent from £5.25 per sq ft to £5.50 per sq ft (equating to an increase of £0.1 million per annum). This completed in February 2020.

Open Market rent review
L'Oreal, Trafford

Last year we extended this lease by five years to 8 August 2024. The lease provided for a rebasing of the rent at the end of the original lease term at August 2019, with the unusual provision that the rent could increase or decrease. Following negotiation, settlement was achieved at £6.18 psf (reduced from the previous level of £8.47 per sq ft). The annual 3% per annum fixed review basis continues for the remainder of the term. This completed in February 2020.

Delivering Pre-let Forward Funded Developments
These state-of-the-art buildings are accretive to our WAULT and portfolio modernity. The Group has now facilitated the completion of 14 Pre-let Forward Funded Developments, totalling over 8.9 million sq ft. We believe that this makes the Group the leading forward funder of pre-let developments in the UK market over the last five years, by square foot.

During 2019, we enhanced our Investment portfolio with the practical completion of the following five Pre-let Forward Funded Developments. (see below). In aggregate these pre-let developments delivered 4.3 million sq ft of high-quality, sustainable logistics space with an average WAULT of 18 years.

- Eddie Stobart, Corby, in February 2019
- Amazon, Haydock, in July 2019
- Amazon, Darlington, in August 2019
- Bosch, Corby, in September 2019
- Howdens II, Raunds, in November 2019

Using our knowledge and expertise to Forward Fund Pre-let Developments provides the opportunity to acquire new, high specification, sustainable, institutional calibre facilities. It also allows us to acquire prime assets at a discount to the price of a completed and income producing logistics investment.

Our active development pipeline
With a low risk approach to development, we aim to convert development profit into earnings growth

Through the acquisition of Tritax Symmetry, we have gained the expertise of an experienced land acquisition, planning and development team which, alongside our existing development knowledge, provides a talented group with the capability of maximising value from the Group's Strategic Development land. We also continue to work with third-party developers with strong reputations of performance in their field.

The Group now owns or controls via option agreements development land in the UK with a target gross floor area in excess of c.39 million sq ft. This land platform provides the opportunity of creating our own sustainable investments. In doing so, we can control the real estate quality, calibre of tenant, lease terms and timing of delivery.

Such an arrangement will enable us to capture development profit, which embedded within the resultant investments, enhances the Group's yield on cost. We are targeting an average yield on cost of 6-8% across the Group's Strategic Land assets, well above the current Portfolio valuation yield of 4.5% at the year end, and this profit arbitrage will be reinvested to accelerate the growth in earnings, underpinning our progressive dividend policy.

We take a risk-averse approach to development by delivering assets on a predominately pre-let basis. The Group's investment policy restricts speculative development exposure to 5% of GAV, but we have practically worked to a lower level which was 0.5% as at 31 December 2019.

At the year-end, after only 10 months, we had made good progress with the Group's enhanced Strategic Land platform. The Current development pipeline is progressing well, and upon completion these assets will increase the passing rent by £15.2 million pa. Our integrated team, which includes the full Tritax Symmetry team, is proactively engaging with the Group's 40 existing Customers and promoting our Near-term pipeline to other occupiers in the market that currently have active logistics real estate requirements.

Current development pipeline
The Current Development Pipeline comprises both pre-let and speculative developments which are likely to reach practical completion within 12-18 months. Such assets are either in the course of construction or are the subject of a construction commitment.

At the year end, the Group had three pre-let developments under construction including: Howdens III (Unit 6B) at Raunds; Amazon at Durham; and Co-Op in Biggleswade. There has been a short delay to practical completion of Howdens III at Raunds, however, there is no financial impact on the Group and it continues to receive the full developer's licence fee until the rent commencement.

As part of the Tritax Symmetry acquisition, the Group acquired a pre-let to the Co-Op in Biggleswade, which became unconditional in May 2019 following the receipt of detailed planning consent. Construction on the project commenced towards the end of 2019.

These three developments, totalling 3.0 million sq ft, are anticipated to reach practical completion by early 2021.

In addition, the Group inherited five small scale buildings totalling 560,000 sq ft as part of the Tritax Symmetry acquisition, where construction had commenced without a tenant in place. There were two buildings, Units 2 and 3 at Aston Clinton totalling 165,000 sq ft, that remained under construction as at the year end.

As illustrated below, the estimated cost of completion across the five development assets that remain under construction is approximately £129.9 million. Upon completion these assets will increase the rent passing rent by £15.2 million pa.

The remaining expected costs to complete, across these assets, is as follows:

	Estimated costs to complete- total	**Estimated cost to complete- period**

	£m	H1 2020	H2 2020	H1 2021	H2 2021	Total sq ft	Contractual rent / ERV
		£m	£m	£m	£m	million	£m
Pre-Let							
Amazon, Durham*	69.8	52.5	17.3	-	-	2.0	7.6
Howdens III (Unit 6B)*	17.0	17.0	-	-	-	0.3	1.7
Biggleswade	42.1	4.6	22.8	14.7		0.7	4.7
	128.9	**74.1**	**40.1**	**14.7**	**-**	**3.0**	**14.0**
Speculative							
Aston Clinton, Unit 2	0.3	0.3	-	-	-	0.1	0.4
Aston Clinton, Unit 3	0.7	0.7	-	-	-	0.1	0.8
	1.0	1.0	-	-	-	0.2	1.2
Total	**129.9**	**75.1**	**40.1**	**14.7**	**-**	**3.2**	**15.2**

* Licence fee currently being received during the construction period.

Post period-end development activity
Following the period-end, Tritax Symmetry practically completed two speculative developments at Aston Clinton of 0.1 million sq ft and 0.06 million sq ft respectively. They are currently vacant but have attracted good occupational interest.

Near-term development pipeline
Strong progress has been made with the Group's Near-term development pipeline. This comprises land on which, as at 31 December 2019, we have either received planning consent or where planning applications have been submitted. Notably, this excludes assets which fall within the Current development pipeline. In terms of time frame, sites within the Near-term pipeline are those likely to commence development within a period of 1-3 years.

The Near term development pipeline consists of 11.5 million sq ft, across nine separate development sites. Of this, 5.3 million sq ft relates to land that has the benefit of planning consent and 6.2 million sq ft relates to sites where a planning application has been submitted but a decision has yet to be made by the local authority. Included within the Near-term development pipeline are Phases 1 and 2 at Littlebrook, Dartford.

Of the land which has received planning consent, 1.1 million sq ft is owned by the Group and 4.2 million sq ft is controlled by way of option agreements. This consented land comprises seven separate development sites, all at various stages of site preparation, from land that is owned and ready for construction (with utility services installed), to land held under option where infrastructure works have yet to commence.

Key achievements in the year include the outline planning consent received in April 2019 for 2.3 million sq ft at Kettering and in July 2019 a further 0.3 million sq ft at Bicester.

Prior to the year-end, planning applications had been submitted in respect of four sites and in each case the initial dialogue with the local planning authority has been positive.

	Total sq ft	**Current book value**	**Estimated vost to completion**	**ERV**	**Estimated gross yield on cost**
		£m	**£m**	**£m**	**%**
Land with consent	**5.3**	126.2	296.6	29.6	7.0%
Land with planning submitted	**6.2**	75.1	435.6	35.7	7.0%
	11.5	**201.3**	**732.2**	**65.3**	**7.0%**

Post period-end planning activity
Following the year-end, we achieved a resolution to grant planning consent at Wigan for a 1.4 million sq ft scheme and received consent for Darlington Phase 2 (subject to completion of a s.106 agreement), for a further 0.6 million sq ft. In addition to the Near term development pipeline of 6.2 million sq ft, we have also submitted a detailed application on 0.06 million sq ft at Bicester Phase 2.

Future development pipeline
The remainder of the Group's land bank for future development is predominately controlled under option agreements which are a capital efficient and low risk way of creating value from the planning and development process. The total land under option is targeting the delivery of approximately 27.5 million sq ft, the development of which we expect to be largely pre-let triggered.

	Total sq ft million	**Target gross yield on cost**
Strategic Land options	27.5	6-8%

Post period-end option activity

Following the year-end the Group signed an option over a parcel of land, covering approximately 2.0 million sq ft or 118 acres at Gloucester.

Development Management Agreements
Tritax Symmetry has a number of Development Management Agreements ("DMAs") with third-party funders. These are contracts where Tritax Symmetry will manage the delivery of an asset for a third-party, in return for a fee and/or profit share. The asset will not be owned by the Company during or post construction and therefore is not included within the Group's portfolio of assets.

DMAs are active on three separate schemes with the potential to deliver approximately 1.2 million sq ft. During 2019, one pre-let became unconditional under a DMA contract.

- Goole: A pre-let of 237,150 sq ft to Croda on behalf of LondonMetric Property has started on site and completion of the building is schedule for H2 2020. Croda plan to occupy into the building by the end of 2020.

In addition, there are two schemes where the Company has a continuing economic interest and fees are potentially receivable in the future, but without a capital outlay by the Company. The two schemes at Lutterworth have the potential to deliver approximately 6.4 million sq ft, although these schemes are not included within the Group's portfolio of assets.

Good progress at Littlebrook, Dartford
The Group made further progress with the 114 gross acres of development land at Littlebrook, adjacent to the QE2 Bridge and River Thames. Branded "The Power House" the project has the potential to become one of London's largest Big Box logistics parks in a core "last journey" location on the edge of London and inside the M25. This is a rare asset so close to the heart of London.

Site preparation work has advanced significantly, with all major structures and chimneys now demolished. Remains from the final blowdown in late 2019 are being processed and recycled. The demolition, remediation and site preparation works are proceeding on budget and in accordance with the original timeline which envisages the majority of the site being ready for development in Q2 2020. With demolition and site preparation nearly completed and with infrastructure works due to commence, potential new Customers have clear visibility on what can be delivered.

Infrastructure works will commence in the near term to install the site spine road which will provide access to the land comprising Phases 1, 2 and 3. The Phase 1 plot already benefits from detailed planning consent for a cross-docked logistics building of up to 450,000 sq ft ground floor area and 21 metres in height. The marketing programme has generated some positive occupational interest, but as we conclude the demolition programme and commence site access and infrastructure works, occupiers can now appreciate the potential for an extremely swift build period of 26 weeks from signing an Agreement for Lease.

OUR SUSTAINABLE APPROACH

In 2019, we began to develop a long-term sustainability strategy for the Group. In conjunction with our wide range of stakeholders, we carried out a materiality assessment, which is a defined and recognised process for determining material sustainability issues for the Group to focus on.

This identified three core issues for the Group to build its sustainability strategy around. We will continue to develop our strategy for our three core issues. In the meantime, we are reporting good progress for our established approach embedding sustainability across the five key areas we focus on to create value for our business, our customers and our wider stakeholders.

Our first submission to the Global Real Estate Sustainability Benchmark (GRESB) in 2019, and our first disclosures against the EPRA sustainability best practice indicators, have provided valuable insight into developing this new strategic focus.

Managing down our carbon footprint
We recognise that in order to tackle the effects of climate change, we must take swift responsibility for reducing our carbon impact. As we develop our sustainability strategy, we have set out an ambition to be net zero carbon, and we are currently developing our roadmap and targets to achieve this.

The Company is already net zero carbon for its direct operational impact, procuring 100% renewable energy since 2018, and we are currently mapping our indirect emissions to understand how we can also bring these down to net zero carbon.

During 2019, we joined the UK Green Building Council (UK GBC) and Tritax Symmetry has used the UK GBC's industry methodology to analyse its development activities, with an ambition to achieve net zero carbon construction. The UK GBC's definition of net zero carbon in construction is:

"When the amount of carbon emissions associated with a building's product and construction stages up to practical completion is zero or negative, through the use of offsets or the net export of on-site renewable energy."

A carbon evaluation study, undertaken by a specialist consultancy on behalf of Tritax Symmetry, has assessed that the development of a typical 660,000 sq ft logistics asset generates c.28,000 tonnes of carbon. This study also highlighted the top ten activities that make up 96% of this impact. Tritax Symmetry are now exploring the options for using alternative construction methods, materials and products to bring this carbon impact down to net zero carbon.

Driving sustainable performance from our assets
We seek to enhance the sustainable performance of our assets. We are pleased to report that we are already carbon neutral for our direct operations, where we procure 100% renewable energy through our third-party facilities manager. We develop Sustainability Action Plans (SAPs) for each asset, these are informed by our SRAs. The SAPs identify opportunities where we can promote and, where we have the opportunity, implement initiatives to:

1. improve energy efficiency and reduce energy consumption;
2. increase provision of on-site renewable energy generation;
3. reduce water use through rainwater harvesting and low flow fixtures; and
4. encourage waste management and recycling facilities.

In line with our objective to reduce the carbon impacts of our assets and protect value in the long term, during 2019 we focused on improving the energy efficiency of our assets and engaging with our Customers to identify the potential for installing renewable energy generation.

Monitoring and improving of the assets' EPC ratings is central to measuring the energy performance of the Group's portfolio. We are actively managing the Group's assets to remove all "D" and "E" grade EPCs from the portfolio. Through our asset management work and careful acquisition processes we have achieved EPC of Grades A to C for 87% of the portfolio (by floor area). Our active initiatives have reduced the share of "E" grade EPCs to just 1%.

We seek to fund the installation of renewable energy initiatives in order to reduce carbon emissions from our Customers' operations and to secure cost savings for them. This also adds value to our assets and generate financial returns for our Shareholders. We progressed two new renewable energy projects in 2019. We installed solar PV at DSG Newark delivering an additional capacity of 791 kWp and increasing our total renewable energy production to 15,479 mWh. In addition, we worked with Tesco in Goole to install a biomass generator to provide combined heat and power (CHP).

EPCs by Gross Internal Area (Sq ft)

EPC Grade A	39%
EPC Grade B	23%
EPC Grade C	25%
EPC Grade D	12%
EPC Grade E	1%

Solar Photo Voltaics (PV) at Dixons Carphone Newark
We worked with Dixons Carphone to install renewable energy capacity 791 kWp at its site in Newark. We assessed the opportunity for installing renewable energy for our Customer and proceeded based on a target 9.2% return on investment. The scheme has also benefitted the Customer by reducing reliance on fossil fuels and lowering its operating costs.

Since being commissioned in February 2019, the scheme has generated 613 mWh of energy for our Customer. This has resulted in 173 tonnes of carbon being saved from the generation of this renewable energy.

Developing sustainable assets and building to net zero carbon
In 2019 Tritax Symmetry worked towards managing down the Group's carbon footprint and we are now actively exploring the options for using alternative construction methods, materials and products to bring this carbon impact down to net zero, in accordance with the UK GBC definition of net zero carbon in construction.

Tritax Symmetry's Standard Base New Building Specification sets out requirements for new developments. Within this Specification, we require a minimum BREAAM "Very Good" rating and an EPC rating of "A". To achieve a 'Very Good' rating necessitates strong sustainability performance in all aspects of the development, including energy use, transport, responsible sourcing of materials, waste management, land use and inclusion of facilities to enable occupier health and wellbeing. Tritax Symmetry engages third-party project managers, who ensure our sustainability requirements are being followed throughout the construction phase, with regular site audits. It also includes objectives to reduce waste and reuse materials as far as possible.

We actively engage our communities throughout the development process, holding regular meetings to inform them of our plans and to listen to their views. We also regularly engage local schools to raise awareness of careers in construction, with visits to our development sites.

At the Group's development at Littlebrook we have held quarterly meetings with local businesses and invited local residents to view the demolition and ecology survey. The remediation of the site has achieved an impressive rate of 98.8% of materials being recycled. This saved over £9 million in landfill costs and enable over 97,000 tonnes of materials to be recovered and re-used in other projects. From the site recovery and demolition, over two million tonnes of carbon have been saved by ensuring materials recovered can be recycled or re-used.

Looking forward
We have demonstrated good performance in 2019 and identified key steps for next year. In particular, we will:
- understand alternative materials and processes for the identified aspects with the highest embodied carbon - focusing on concrete and steel, working towards net zero carbon in accordance with the UK GBC definition.
- evaluate biodiversity opportunities for upcoming developments and existing assets.
- look at ways to measure social value and work with industry partners to determine a consistent methodology.
- seek to improve EPCs to bring all above "E" Grade.
- engage with Customers to begin monitoring energy, water consumption and waste management data; and we will develop a forum of interested and informed Customers to discuss and share best practice.

FINANCIAL REVIEW

The Group grew its dividend in 2019, declaring dividends totalling 6.85 pence per share, in line with our target and a 2.2% increase on the previous year. We have also, today, announced the 6th successive increase, with a dividend target of 7.00 pence for 2020.

Our total return performance was impacted by the one-off transaction costs incurred upon acquiring the 87% economic interest in db Symmetry (now rebranded Tritax Symmetry). Inclusive of these one-off costs the total return for the year was 3.3%. The Company's total return performance, excluding these one-off transaction costs, and better reflective of underlying performance, was 5.8%.

In February 2019, we successfully raised £250 million of equity proceeds to finance the corporate acquisition of Tritax Symmetry. This is a transaction which we believe materially enhances the future return prospects for the Company. This equity financing was supplemented by a new, unsecured, £200 million revolving credit facility arranged in June 2019, which increases our level of flexible debt commitments.

Presentation of financial information
The consolidated financial statements are prepared under IFRS. The Group's subsidiaries are consolidated at 100% and its

interests in joint ventures are equity accounted for.
The Board continues to see Adjusted EPS as the most relevant measure when assessing dividend distributions. Adjusted EPS is based on EPRA's Best Practices Recommendations, with adjustments made to earnings to exclude items considered to be exceptional, not in the ordinary course of business or supported by cash flows, and include the developer's licence fees the Group receives on Forward Funded Developments.

Financial results

Net rental income
Net rental income for 2019 was £144.3 million (2018: £132.8 million), an increase of £11.5 million or 8.7%. This reflected the benefit of the practical completion and rent commencement on five Pre-let Forward Funded Developments, along with one Tritax Symmetry development completion, which was let during construction. In addition, seven rent reviews were settled in 2019, increasing our contracted annual rent by £0.7 million during the year. The contracted annual rent roll at 31 December 2019 was £166.6 million across 58 assets, increasing from £161.1 million across 54 assets as at 31 December 2018. Included within the contracted annual rent roll was £13.9 million of rent in relation to pre-let assets currently in the course of construction.

The Group incurred one-off costs of £4.2 million in the year, in relation to the acquisition of Tritax Symmetry. Excluding these one-off transactional costs, operating profit before changes in the fair value of Investment properties, share of profits from joint ventures and share-based payments was £126.7 million, an increase of 10.5% (2018: £114.7 million). This reflects the growth in rental and other income, partially offset by higher administrative and other expenses.

Administrative and other expenses
Administrative and other expenses, which includes all operational costs of running the Group, totalled £21.7 million in the period (2018: £18.1 million). Increases to administrative costs predominantly relate to growth in the investment management fee, by £2.2 million, driven by growth in the net asset value of the Company. In addition, the Group's Adjusted earnings for the year were affected by a £0.7 million charge in relation to the Tritax Symmetry ManCo fee (noting that 85% of the Tritax Symmetry ManCo fee is capitalised as costs directly attributable to development projects), and £0.3 million in relation to costs associated with the Tritax Symmetry rebranding.

The Group continues to have a low and transparent operating cost base. This is despite the EPRA Cost Ratio increasing for 2019 to 15.1%, from 13.7% in 2018. The increase relates to operational overheads growing as part of the Tritax Symmetry transaction, which we expect to materially contribute to gross rental income over a period of time. We expect this increase in cost ratio to be short term. It had already reduced during the second half of the year. and we anticipate a further reduction in 2020. The Tritax Symmetry portfolio gives the Group the opportunity to reduce its cost ratio over the medium term to a level that would not otherwise have been possible prior to the acquisition, as gross rental income from the Tritax Symmetry portfolio begins to grow relative to the operating costs.

Share-based payment charge
The structure of the Tritax Symmetry transaction has led to the B and C Shareholders' value being split between i) contingent consideration, which is determined by certain provisions under the shareholder agreement between Tritax Symmetry HoldCo and the Tritax Symmetry Management Shareholders and ii) a share-based payment charge, which is the compensation the B and C Shareholders will receive as a result of their economic right held to their share of future performance of the Tritax Symmetry Development Assets. During the year, £3.3 million (2018: £nil) was charged to the Group Statement of Comprehensive Income in respect of share-based payment charges.

Financing costs
Net financing costs for the year were £34.0 million (2018: £22.9 million), excluding the reduction in the fair value of interest rate derivatives of £5.2 million (2018: £1.2 million). The Group's average debt drawn throughout the period was £1,137.8 million, compared to £781.5 million in the prior year. The drawings in the year included the receipt of proceeds from the £400 million US private placement facility arranged in 2018, which allowed for a three month delayed drawing in February 2019. The average cost of debt remained relatively consistent during the year (see overleaf).

Tax
The Group has continued to comply with its obligations as a UK REIT and is therefore exempt from corporation tax on its property rental business. The tax charge for the year was therefore £nil (2018: £nil).

Profit and earnings
Profit before tax for the year was £141.2 million (2018: £252.6 million). This resulted in basic earnings per share (EPS) of 8.40 pence (2018: 17.54 pence) and basic EPRA EPS of 5.29 pence (2018: 6.37 pence).

Adjusted EPS for the year was 6.64 pence (2018: 6.88 pence). This included adjustments made for items not supported by cashflows and principally includes the addition of licence fee receipts. Adjusted EPS covers the total dividend paid in respect of the year of 6.85 pence per share by 97%. Our earnings per share were affected by the increase in our capital base and number of shares in issue during the year, with the subsequent investment made into the Tritax Symmetry portfolio and early stage development assets. Further information on the calculation of Adjusted EPS can be found in note 13.

Dividends
Dividends in respect of 2019 therefore totalled 6.85 pence per share, an increase of 2.2% on the 6.70 pence per share paid in respect of 2018. This was in line with the Group's target for the year. The Q4 2019 interim dividend, as declared on 27 February 2020, will be paid to Shareholders on 27 March 2020, who were on the register on 6 March 2020. The Company has a policy of operating with a progressive dividend policy and has increased its dividend payments each and every year since IPO. The Company has announced its sixth consecutive increase in dividend target, increasing by 2.2% to 7.00 pence per share for 2020.

In respect of the 2019 financial year, the Group has declared the following interim dividends:

Declared	Amount per share	In respect of three months to	Paid/to be paid
16-May-19	1.7125p	31-Mar-19	17-Jun-19
17-Jul-19	1.7125p	30-Jun-19	15-Aug-19

09-Oct-19	1.7125p	30-Sep-19	14-Nov-19
27-Feb-20	1.7125p	31-Dec-19	27-Mar-20

Portfolio growth

CBRE independently values all of the Group's Investment assets that are leased, pre-leased or have reached practical completion but remain vacant. These Investment property assets are recognised in the Group Statement of Financial Position at fair value. Colliers independently values all optioned land, owned land and assets under construction which are unlet. The value of land options and any other property assets (DMA) are recognised at cost, less amortisation and charges for impairment.

The total Portfolio value at 31 December 2019, including outstanding forward funded commitments and the Group's share of joint ventures, was £3.94 billion. The total portfolio value is allocated as follows:

	£m
Investment property	3,541.2
Other property assets	13.9
Land options (at cost)	226.0
Share of Joint Ventures	30.1
Remaining forward funded development commitments	129.9
Portfolio value	**3,941.1**

The gain recognised on revaluation of the Group's Investment properties was £54.5 million (2018: £163.0 million). The like-for-like valuation increase for the 54 assets and the land at Littlebrook which were held throughout the year was 1.8%, excluding any additional capital costs incurred on those assets in the year. The fair value gain was lower than in 2018, due to the equivalent like-for-like growth being 4.7% in the prior year. The portfolio's average valuation yield across its Investment portfolio at 31 December 2019 remained stable at 4.45% (2018: 4.43%).

At the year end, the Group had total commitments relating to two Pre-let Forward Funded Developments and three Tritax Symmetry developments, totalling £129.9 million (31 December 2018: £366.0 million).

Embedded value within land options

Under IFRS, land options are recognised at cost and subject to impairment review. Any upside between the cost and the fair value of the associated options is not reflected in the Group's EPRA NAV and hence there is an element of embedded value that is expected to be realised in the future.

In theory, as the land options approach the point of receipt of planning consent, any associated risk could be considered to have reduced and in such circumstances the fair value might be expected to increase. Until the Group physically draws the land down from the landowner, this potential uplift in fair value would not be recognised within EPRA NAV and would remain unrealised in respect of any increase in land value.

As an example, the site at Kettering received planning consent during 2019. We are yet to draw the land down from the landowner and therefore the increase in value as a result of receiving planning consent has not yet been realised.

Net assets

The EPRA NAV per share at 31 December 2019 was 151.06 pence (31 December 2018: 152.83 pence), a reduction of 1.77 pence or 1.16%.

This movement in the EPRA NAV includes a reduction of 3.83 pence per share, as a result of the one-off transaction costs associated with the Tritax Symmetry acquisition. These dilutive costs stem from the February 2019 share issue, required to finance the corporate purchase, along with the other transactional costs incurred. These costs were indicated at the time of the 2018 Annual Results in March 2019. Excluding these extraordinary costs, underlying EPRA NAV grew by 1.3% over the year, supported by the net valuation increase gained across the property portfolio and the positive impact from the gain on bargain purchase recognised following the Tritax Symmetry acquisition. We have identified near-term value within the Tritax Symmetry portfolio that will more than offset this one-off transaction cost.

The total return, equating to the growth in EPRA NAV plus dividends paid, was 3.3% for 2019. Again, excluding the one-off transaction related costs noted above, the total return measures 5.8%.

Financial liquidity

Equity capital

On 11 February 2019, the Company raised gross proceeds of c.£250.0 million, through the issue of 192,291,313 Ordinary Shares at a price of 130 pence each. Whilst the equity was fully underwritten ahead of launch, the open offer was significantly oversubscribed and therefore no utilisation of the underwrite was necessary.

These gross proceeds were used to part fund the acquisition of Tritax Symmetry, along with the issue of 40,450,234 new Ordinary Shares on 22 February 2019, also at a price of 130 pence, as further part consideration to the vendors.

Debt capital

Towards the end of 2018, the Company put in place longer-term finance by issuing its first unsecured loan notes in the US private placement market, across two separate tranches totalling £400 million. The funds were drawn on 28 February 2019, at which point the Company's existing £250 million, 12-month RCF was cancelled in full.

In June 2019, the Company entered into a new, unsecured £200 million RCF, providing further evidence of the strength of its banking relationships and lender support for its strategy. The facility will give the Group flexibility to help it to pursue the next phase of its growth, allowing it to commit further capital into land and pre-let developments and investments in an efficient manner. The syndicate for the new RCF comprises Banco Santander, S.A., London Branch; Barclays Bank PLC; BNP Paribas, London Branch; The Royal Bank of Scotland International Limited, London Branch; Wells Fargo Bank, N.A., London Branch; and HSBC UK Bank plc. The new RCF has an initial maturity of five years, which can be extended to a maximum of seven years with lenders' consent. It also contains an uncommitted £100 million accordion option. The current margin is 1.10% over LIBOR.

At 31 December 2019, the Group had the following borrowings:

Lender	Maturity	Loan commitment £m	Amount drawn at 31 December 2019 £m
Loan notes			

2.625% Bonds 2026	Dec-26	250.0	249.2
2.86% Loan notes 2028	Feb-28	250.0	250.0
2.98% Loan notes 2030	Feb-30	150.0	150.0
3.125% Bonds 2031	Dec-31	250.0	247.1
Bank borrowings			
RCF (syndicate of seven banks)	Dec 2023/2024	350.0	50.0
RCF (syndicate of six banks)	Jun-24	200.0	-
Helaba	Jul-25	50.9	50.9
PGIM Real Estate Finance	Mar-27	90.0	90.0
Canada Life	Apr-29	72.0	72.0
Total		**1,662.9**	**1,159.2**

Of the Group's debt commitments, 63.9% is at fixed term interest rates. The Group's hedging strategy for its variable rate debt is to use interest rate caps which run coterminous with the respective loan. These allow the Group to benefit from current historically low interest rates, while minimising the effect of a significant increase in interest rates in the future. Combined with the fixed-rate debt, the Group's derivative instruments hedge 99.9% of its drawn debt.

As a consequence of the fixed-rate debt and hedging policy, the Group has a capped cost of debt of 2.68% (31 December 2018: 2.73%). The all-in running cost of borrowing at the year end was 2.52% (31 December 2018: 2.63%).

At 31 December 2019, the Group's debt had an average maturity of 7.5 years (31 December 2018: 8.7 years).

Loan to value (LTV)
The Company has a conservative leverage policy, with a medium-term LTV target of 35% and a maximum of 40%. At the year end, the LTV was 30% (31 December 2018: 27%) with headroom immediately available under existing committed borrowings of £500 million.

The Group also has capital commitments under its development contracts totalling £129.9 million (see note 33).

Net debt
Over the year our net debt increased by £356.3 million, to £1,137.8 million. The principal elements behind this increase are set out in our cash flow statement.

Net operating cash flow including licence fees received was £109.1 million, offset by dividends paid of £115.5 million. Capital expenditure across the Group's Investment and Development portfolio was £286.6 million during the year. There were no disposals during the year.

	31-Dec-19	31-Dec-18
Net debt	£1,137.8m	£781.5m
Group LTV	30.40%	27.30%
Weighted average cost of debt	2.52%	2.63%

Business combination - Tritax Symmetry
The Group's acquisition of an 87% economic interest in Tritax Symmetry has been accounted for as a business combination in the Group consolidated financial statements, in accordance with IFRS 3. As at the date of acquisition, the Group therefore recognised the fair value of the identifiable assets acquired and liabilities assumed from the transaction. Along with the identifiable assets and liabilities, the Group has secured the services of the Tritax Symmetry development management team via an exclusive, unassignable development management agreement.

Gain on bargain purchase
A gain on bargain purchase (or negative goodwill) has arisen on acquisition due to the fair value of the consideration for Tritax Symmetry being lower than the aggregate of the fair value of the net assets acquired. The gain on bargain purchase of £7.8 million has been recognised in full in the Statement of Comprehensive Income during the year. See note 22 for further details.

B and C Shares
The B and C Shares issued to Tritax Symmetry Management Shareholders are treated as a combination of:

- contingent consideration for the acquisition of a 13% economic interest in the development assets of the Symmetry Portfolio; and
- a 13% economic right held to their share of future performance of the Tritax Symmetry Development Assets, over and above the completion NAV on the completion of the transaction.

The treatment is split as such due to certain vesting conditions attached to the B and C Shares, over the first five years of the development management agreement.

As a result, any value derived by the Tritax Symmetry Management Shareholders through holding the B and C Shares, over and above that which would have been derived regardless of vesting conditions, capped at the completion NAV, is considered remuneration for additional value created post-transaction. This is accounted for separately and appears as a share-based payment expense, under IFRS 2.

The Company has the current intention to settle the B and C Share obligation in cash. The value due to the B and C Shareholders for post-combination services is accounted for as a cash-settled share-based payment and recognised as a liability in the Group Statement of Financial Position. The liability is fair valued at each reporting date, with a corresponding share-based payment charge recognised in the Statement of Comprehensive Income over the vesting period. The 13% economic interest is not a minority interest, due to the B and C Shareholders not receiving normal voting rights or the right to secure income distributions. Notes 22 and 23 of the financial statements give further details.

Investment in joint ventures
As part of the Tritax Symmetry acquisition, the Group acquired a 50% interest in two sites at Middlewich and Northampton relating to land and land options. These two sites are equity accounted for and appear as a single line item in the Statement of Comprehensive Income and Statement of Financial Position.

Other property assets
The Tritax Symmetry portfolio included a number of other property assets where there is the potential to generate income and profits without a legal ownership of the land, usually through development management agreements and land promotion agreements. These other property assets are recognised at cost, less amortisation and any charges for impairment.

Going concern
The Group has a strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenant levels. It is considered reasonable that the Group can expect to continue to have access to the capital markets in the future, alongside other sources of financing.

As a result, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (which is considered to be a period of at least 12-months from the date of approval of the financial statements).

Credit rating
The Company has a Baa1 long-term credit rating and stable outlook from Moody's, which was reaffirmed in October 2019.

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

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

KEY PERFORMANCE INDICATORS

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

KPI and definition	Relevance to strategy	Performance	Result
1. Total return (TR)	TR measures the ultimate outcome of our strategy, which is to deliver value to our Shareholders through our portfolio and to deliver a secure and growing income stream.	3.3% for the year to 31 December 2019 (2018: 12.1%).	The underlying Total return performance was 5.8% when excluding one-off transactional costs incurred in the year.
2. Dividend[1]	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our TR.	6.85p per share for the year to 31 December 2019 (2018: 6.70 pence per share)	Achieved our 2019 target of 6.85 pence. Our target dividend for 2020 has been increased to 7.00 pence.
3. EPRA NAV per share[2]	The EPRA NAV reflects our ability to grow the portfolio and to add value to it throughout the lifecycle of our assets.	151.06p at 31 December 2019 (31 December 2018: 152.83 pence).	Decrease in EPRA NAV per share over the year of 1.77 pence (1.2%). Excluding the one-off transactional costs incurred, the EPRA NAV per share increased by 2.06 pence or 1.3%.
4. Loan to value ratio (LTV)	The LTV measures the prudence of our financing strategy, balancing the potential amplification of returns and portfolio diversification that come with using debt against the need to successfully manage risk.	30.4% at 31 December 2019 (31 December 2018: 27.3%).	Within our medium-term LTV target of up to 40%.
5. Adjusted earnings per share	The Adjusted EPS reflects our ability to generate earnings from our portfolio, which ultimately underpins our dividend payments.	6.64p per share for the year to 31 December 2019 (2018: 6.88 pence). See note 13	Adjusted EPS supports the total dividend for the year.
6. Total expense ratio (TER)	This is a key measure of our operational performance. Keeping costs low supports our ability to pay dividends.	0.87% for the year to 31 December 2019 (2018: 0.87%).	Our TER is expected to reduce as the Company grows and we successfully deliver the development pipeline.
7. Weighted average unexpired lease term (WAULT)	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the	14.1 years at 31 December 2019 (31 December 2018:	Remaining above our 12-year target.

	security of our income stream.	14.4 years).	
8. GRESB score[3]	GRESB reflects the sustainability of our assets and how well we are managing ESG risks and opportunities. Sustainable assets protect us against climate change and help our Customers operate efficiently.	55/100 One-star rating (2018: No rating)	We have firm plans to improve our score and achieve two stars in 2020 and up to five stars over the long term.

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

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

3 Global Real Estate Sustainability Benchmark (GRESB)

EPRA PERFORMANCE INDICATORS

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

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

KPI and definition	Purpose	Performance
1. EPRA Earnings (Diluted) See note 13	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.	£89.4m/5.29p per share for the year to 31 December 2019 (2018: £91.8 million/6.37 pence per share).
2. EPRA NAV (Diluted) See note 28	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company, with a long-term investment strategy	£2,578.6m/151.06p per share as at 31 December 2019 (31 December 2018: £2,253.1 million/152.83 pence per share).
3. EPRA Triple Net Asset Value (NNNAV)	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£2,508.2m/146.94p per share as at 31 December 2019 (31 December 2018: £2,257.7 million/153.14p per share).
4.1 EPRA Net Initial Yield **(NIY)**	This measure should make it easier for investors to judge for themselves how the valuations of portfolios compare.	4.34% at 31 December 2019 (31 December 2018: 4.37%).
4.2 EPRA 'Topped-Up' **(NIY)**	This measure should make it easier for investors to judge for themselves how the valuations of portfolios compare.	4.60% at 31 December 2019 (31 December 2018: 4.68%).
5. EPRA Vacancy	A "pure" (%) measure of Investment property space that is vacant, based on ERV.	1.2% as at 31 December 2019 (31 December 2018: 0.0%).
6. EPRA Cost Ratio	A key measure to enable meaningful measurement of the changes in a company's operating costs.	15.1% for the year to 31 December 2019 (2018: 13.7%). Both the 2019 and 2018 ratios include and exclude vacancy costs.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Risk appetite
We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility. During the year the Company increased its exposure to land and options over land. We have a limit within our Investment Policy which we adhere to and for which the Board has overall responsibility, which allows our exposure to land and unlet development to be up to 15% of gross asset value, of which up to 5% can be invested in speculative development.

Principal risks and uncertainties
Further details of our principal risks and uncertainties are set out below. They have the potential to materially affect our business. Some risks are currently unknown, while others that we currently regard as immaterial, and have therefore not included here, may turn out to be material in the future. The principal risks are the same as detailed in the 2018 Annual Report, with the key changes relating to the increase in land following the acquisition of Tritax Symmetry in February 2019.

Emerging risks
As well as the Principal risks, the Directors have identified a number of emerging risks, encompassing those that are presently either immaterial due to appropriate mitigation, or do not pose a material threat to the Company in the short term. This could, however, change depending on how these risks evolve over time. These risks could impact the Company's performance and cover a range of subjects which include but are not restricted to climate change, sustainability and technological advancement. Furthermore, and more recently, the Board has identified the added risk that the developing worldwide health concerns over Coronavirus (COVID-19) could cause a slow down to the global economy. The full effects of this are currently unknown, but this has the potential to become a significant risk over a period of time.

The Board considers these net risks have increased since last year

1. Tenant default

5. Execution of Development business plan

6. The exposure to land and land options

The Board considers these net risks to be broadly unchanged from last year

2. Portfolio strategy

4. Performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail

7. Variable rate debt

9. Debt covenant compliance

10. We rely on the continuance of the Manager

11. UK REIT status

12. Disruptive Brexit

The Board considers these net risks have decreased since last year

3. Competition for investment in properties in the Big Box sector

8. Debt financing

Property Risks

1. Tenant default - the risk around one or more of our tenants defaulting

Net probability
Moderate

Impact
Medium - The default of one or more of our tenants would immediately reduce revenue from the relevant asset(s). If the tenant cannot remedy the default and we have to evict the tenant, there may be a continuing reduction in revenues until we are able to find a suitable replacement tenant, which may affect our ability to pay dividends to Shareholders. This may also affect our ability to meet our debt servicing covenants. Similarly, a default of one or more tenants will impact on the NAV of the Company and will result in an increase in LTV (also refer to covenant compliance risk below).

Mitigation
The Investment Policy limits our exposure to any one tenant to 20% of gross assets or, where tenants are members of the FTSE, up to 30% each for two such tenants. This prevents significant exposure to a single Customer. To mitigate geographical shifts in tenants' focus, we invest in assets in a range of locations. Before investing, we undertake thorough due diligence, particularly over the strength of the underlying covenant and the group of the covenants. We typically select assets with strong property fundamentals (good location, modern design, sound fabric), which should be attractive to other tenants if the current tenant fails. We continually monitor and keep the strength of our tenant covenant's under review. We typically focus on assets let to tenants of good financial covenant strength at the time of purchase and assets that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) is 13.1% as at 31 December 2019.

2. Portfolio strategy - The ability of the Company to execute on its strategy and deliver performance

Net probability
Slight

Impact
Medium - An adverse change in the performance of our property portfolio may lead to lower returns for Shareholders or a breach of our banking covenants. Market conditions may lead to a reduction in the revenues we earn from our property assets, which may affect our ability to pay dividends to Shareholders. A severe fall in values may result in a fall in our NAV as well as a need to sell assets to repay our loan commitments.

Mitigation
The Group is focused on a single sector of the commercial property market, which is benefiting from structural change in consumer shopping habits following the continued impact of e-commerce on the retail market. The property portfolio is 99% let, with long weighted average unexpired lease terms and a largely institutional-grade tenant base. All the leases contain upward-only rent reviews, which are either fixed, RPI/CPI linked or at open market value. These factors help support our asset values and overall portfolio performance. We undertake ongoing reviews of asset performance along with a review over the balance of our portfolio, split between Foundation, Value Add, Growth and Land. We monitor covenant, location and building type and its suitability to meet a tenant's evolving requirements. We constantly monitor our covenant headroom on LTV and interest cover. This headroom is currently substantial. The Company has an LTV policy of borrowing up to 40% against gross asset values.

3. Competition for investment in the Big Box sector

Net probability
Negligible

Impact
Low - Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources, thereby partly restricting the ability to grow our NAV and further diversify the portfolio.

Mitigation
We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors and developers in the sector, giving us the best possible opportunity to secure future acquisitions. We are not exclusively reliant on acquisitions to grow the portfolio. Since the Tritax Symmetry acquisition, we now own and control one of the largest development land banks in the UK. This acquisition significantly reduces the risk that competition will impact our ability to grow as we will seek to develop our own assets. Our leases contain upward-only rent review clauses and we have a number of current asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio.

4. Performance of the UK retail sector

Net probability
Moderate

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

Mitigation
The diversity of our institutional-grade tenant base means the impact of default for any one of our tenants is low (other than Amazon, where our contracted rental income exposure is 13.1%). In addition to our due diligence on tenants before an acquisition or letting, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance and position of our tenants. We have increasingly been diversifying our tenant exposure to various sub-sectors of the retail sector, i.e. online, food, homeware, fashion, other. Whilst retailers are vacating units on the high-street, this is partly as a result of increasing e-commerce spending. This is, generally speaking, positive for our assets and in many instances the logistics supply chain is integral to a tenant's online strategy whilst also supplying direct to stores.

5. Execution of development business plan - there may be a higher degree of risk within our Development portfolio

Net probability
Slight

Impact
Medium - Our development activities are likely to involve a higher degree of risk than is associated with standing assets. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/ contractor default and general financing risk. For Forward Funded Developments we are reliant on third-party developers to undertake and complete development. We are also reliant on the Tritax Symmetry management team in respect of execution of the development strategy on land within our control. If any of the risks associated with our developments materialise, this could affect the value of these assets or result in a delay to lease commencement. Following the acquisition of Tritax Symmetry we are reliant on the development expertise of the Tritax Symmetry management team for the performance of the Tritax Symmetry portfolio.

Mitigation
At the year end, only three of the Company's assets were pre-let and in the course of development, whilst another two assets are under speculative development from within the Tritax Symmetry portfolio. These assets represent a small element of our total portfolio by floor area 0.5%. Any risk of investment into forward-funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost over-runs. Our appetite for speculative development is low and we have a limit of 5% of GAV exposed to speculative developments within our Investment Policy. Having acquired the development expertise of Tritax Symmetry from February 2019, the risk of cost overruns is mitigated by our experienced development team which includes a thorough procurement and tender process on all contracts. Tritax Symmetry senior management are incentivised through holding of B and C shares in Tritax Symmetry Limited and therefore their interests are, in many respects, aligned with that of the Company. We undertake thorough covenant analysis and ongoing review of our contractors and secure guarantees in relation to construction contracts where possible.

Land Risks

6. Land exposure - The exposure to land or options over land may involve a higher degree of risk than that associated with existing and built investments or development activities

Net probability

Moderate

Impact
Low - The failure to obtain planning consent could lead to a planning appeal with associated costs and/or to the land being held or sold prior to any development. The value of the land may be reduced due to the refusal of planning consent and the costs incurred to that date could be significant and may be irrecoverable. This would reduce the Company NAV. This also applies to options over land, whilst any costs in respect of the option or associated planning and appeal costs may have to be written off. If the Company fails to attract a suitable pre-let it is unlikely to proceed with the development of a larger scale big box. This would impact on the potential future development profit and revenues the Company could make from the land and failure to secure a pre-let may have a negative effect on the valuation. The Company may choose to develop smaller scale buildings on a speculative basis if it makes sense to do so. The land may be subject to an environmental risk which requires significant investment to remediate prior to commencing the development works. The costs associated with developing land may fluctuate over the course of the development due to market conditions.

Mitigation
The purchase of land and funding of speculative development is subject to a maximum level of 15% of GAV, at the time of purchase. Within this total the Company can only undertake limited speculative development of buildings, subject to a maximum level of 5% of GAV. It can also undertake land preparation works but the Company will continue, in most cases to seek a pre-let prior to commencing the vertical construction of a larger scale big box. Following the acquisition of Tritax Symmetry, this has provided the Company with access to one of the UK's largest Strategic Land portfolios held via direct land holdings and options over land. The Tritax Symmetry assets have been subject to due diligence, but prior to the exercise of land draw down under an option agreement, the Company will carry out extensive due diligence to limit exposure to environmental risks and other hazards. The Company also undertakes due diligence over the surrounding power and highways infrastructure, the surrounding environment and the state of the market to assess the viability of the scheme ahead of acquiring the options over land. The Company takes expert advice from local planning specialists over the likelihood of timing of achieving planning consent.

Financial Risks

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

Net probability
Slight

Impact
Low - Interest on some of our debt facilities is payable based on a margin over Libor. Any adverse movements in Libor could impact our profitability and ability to pay dividends to Shareholders.

Mitigation
The Company has entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to Libor rises and have terms coterminous with the loans. We aim, where reasonable, to minimise the level of unhedged debt with Libor exposure, by taking out hedging instruments with a view to keeping the drawn levels of variable rate debt approximately 90%+ hedged. As at 31 December 2019, 64% of the Group's drawn borrowings were fixed rate loans.

8. Debt financing and liquidity - A lack of debt funding at appropriate rates may restrict our ability to grow and deliver attractive returns

Net probability

Negligible

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

Mitigation
The Group has diversified sources of long-term unsecured borrowings in the form of £500 million in public Bonds and £400 million in unsecured private Loan Notes. We also have £550 million of flexible bank finance available split across two revolving credit facilities. This helps keep lending terms competitive. This access to multiple debt markets should enable the Group to raise future liquidity in a more efficient and effective manner via an unsecured platform at competitive rates. The Board keeps our liquidity and gearing levels under review. We have headroom of £500 million of undrawn debt commitments, within our credit facilities at 31 December 2019.

9. Debt covenant compliance - We must be able to operate within our banking covenants

Net probability
Slight

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

Mitigation
We continually monitor our banking covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. We have an LTV policy of up to 40%, with LTV and Gearing covenants substantially higher than this. We enter into interest rate caps to mitigate the risk of interest rate rises. We operate with a predominantly fixed rate debt platform. This will mitigate the effect on the Group from interest rate rises. We invest in assets let to institutional-grade tenants and we also seek to maintain a long WAULT, which should reduce the volatility in our property values.

Corporate Risk
10. We rely on the continuance of the Manager

Net probability
Slight

Impact
Medium - We continue to rely on the Manager's services and its reputation in the property market. As a result, the Company's performance will, to a large extent, be underpinned by the Manager's abilities in the property market and its ability to asset manage and develop its property portfolio. Termination of the Investment Management Agreement would significantly affect the Company's ability effectively to manage its operations and may have a negative impact on the share price of the Company.

Mitigation
Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 24 months' written notice. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship.

Taxation Risk

11. UK REIT status - We are a UK REIT and have a tax-efficient corporate structure, which is advantageous 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.
Net probability
Slight

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

Mitigation
The Board is ultimately responsible for ensuring we adhere to the UK REIT regime. It monitors the REIT compliance reports provided by:
- the Manager on potential transactions
- the Administrator on asset levels; and
- our Registrar and broker on shareholdings.

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

Political Risk

12. Disruptive Brexit

Net probability
Moderate

Impact
Low - The UK departed from the EU with effect from 31 January 2020. There will now be a transition period from 31 January 2020 to 31 December 2020. Economic volatility is not a new risk for the Group; however, until the terms of Brexit become clearer the exact outcome on the business remains difficult to predict at this stage.

Mitigation
The Group operates with a focus in the UK Big Box market which has a supply shortage against current levels of demand, which, along with the structural shift to online retailing will assist in supporting portfolio performance. We have regular engagement with key occupiers to understand how Brexit is affecting their businesses and whether this is affecting their need for logistics space. If the outcome is a 'hard Brexit', this is likely to put greater barriers in the form of freedom of movement across our borders. This could lead to further distribution space required in the UK to stock more inventory onshore. The Group is currently well positioned with long and secure leases and a diverse blue chip tenant line up, with a focus on tenants with financial strength, which are well positioned to withstand any uncertainty in the UK economy.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m
Gross rental income	6	**144.4**	133.9
Service charge income	6	**4.1**	3.9
Service charge expense	7	**(4.2)**	(5.0)
Net rental income		**144.3**	132.8
Other operating income	6	**4.1**	-
Administrative and other expenses	8	**(21.7)**	(18.1)
Acquisition-related costs	8	**(4.2)**	(1.0)
Operating profit before changes in fair value of investment properties			

and contingent consideration, gain on bargain purchase, impairment of intangible and other property assets and share-based payment charges		**122.5**	113.7
Changes in fair value of investment properties	15	**54.5**	163.0
Gain on bargain purchase	22	**7.8**	-
Share-based payment charge	23	**(3.3)**	-
Impairment of intangible and other property assets		**(0.6)**	-
Changes in fair value of contingent consideration payable	23	**(0.5)**	-
Operating profit		**180.4**	276.7
Finance income	10	**0.4**	0.2
Finance expense	11	**(34.4)**	(23.1)
Changes in fair value of interest rate derivatives	25	**(5.2)**	(1.2)
Profit before taxation		**141.2**	252.6
Taxation	12	**-**	-
Profit and total comprehensive income		**141.2**	252.6
Earnings per share - basic	13	**8.40p**	17.54p
Earnings per share - diluted	13	**8.38p**	17.54p

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**At 31 December 2019 £m**	At 31 December 2018 £m
Non-current assets			
Intangible assets		**2.3**	-
Investment property	15	**3,541.2**	3,038.3
Investment in land options	16	**226.0**	-
Investment in joint ventures	17	**30.1**	-
Other property assets	22	**13.9**	-
Interest rate derivatives	25	**1.3**	5.2
Total non-current assets		**3,814.8**	3,043.5
Current assets			
Rent and other receivables	19	**25.7**	42.3
Cash at bank	20	**21.4**	48.3
Total current assets		**47.1**	90.6
Total assets		**3,861.9**	3,134.1
Current liabilities			
Deferred rental income		**(35.3)**	(30.2)
Trade and other payables	21	**(76.1)**	(42.4)
Tax liabilities	12	**(18.7)**	(0.1)
Total current liabilities		**(130.1)**	(72.7)
Non-current liabilities			
Bank borrowings	24	**(256.2)**	(327.8)
Loan notes	24	**(891.5)**	(492.7)
Amounts due to B and C shareholders	23	**(22.9)**	-
Total non-current liabilities		**(1,170.6)**	(820.5)
Total liabilities		**(1,300.7)**	(893.2)
Total net assets		**2,561.2**	2,240.9
Equity			
Share capital	28	**17.1**	14.8
Share premium reserve	28	**446.7**	153.6
Capital reduction reserve	28	**1,188.1**	1,304.4

Retained earnings	28	**909.3**	768.1
Total equity		**2,561.2**	2,240.9
Net asset value per share - basic	29	**150.04p**	152.00p
Net asset value per share - diluted	29	**150.04p**	152.00p
EPRA net asset value per share - diluted	29	**151.06p**	152.83p

These financial statements were approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

Sir Richard Jewson KCVO, JP

Chairman

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2019		**14.8**	**153.6**	**1,304.4**	**768.1**	**2,240.9**
Net profit for the year		**-**	**-**	**-**	**141.2**	**141.2**
		14.8	**153.6**	**1,304.4**	**909.3**	**2,382.1**
Contributions and distributions:						
Shares issued in relation to equity issue	28	**1.9**	**248.1**	**-**	**-**	**250.0**
Shares issued in relation to equity consideration	28	**0.4**	**51.9**	**-**	**-**	**52.3**
Share issue costs		**-**	**(6.9)**	**-**	**-**	**(6.9)**
Share-based payments		**-**	**-**	**-**	**2.3**	**2.3**
Transfer of share-based payments to liabilities to reflect settlement		**-**	**-**	**-**	**(2.3)**	**(2.3)**
Dividends paid	14	**-**	**-**	**(116.3)**	**-**	**(116.3)**
31 December 2019		**17.1**	**446.7**	**1,188.1**	**909.3**	**2,561.2**
1 January 2018		13.7	932.4	467.9	515.5	1,929.5
Net profit for the year		-	-	-	252.6	252.6
		13.7	932.4	467.9	768.1	2,182.1
Contributions and distributions:						
Cancellation of share premium account	28	-	(932.4)	932.4	-	-
Shares issued in relation to further equity issue	28	1.1	154.4	-	-	155.5
Associated share issue costs		-	(2.6)	-	-	(2.6)
Shares issued in relation to management contract		-	1.8	-	-	1.8
Share-based payments		-	-	-	2.0	2.0
Transfer of share-based payments to liabilities to reflect settlement		-	-	-	(2.0)	(2.0)
Dividends paid	14	-	-	(95.9)	-	(95.9)
31 December 2018		**14.8**	**153.6**	**1,304.4**	**768.1**	**2,240.9**

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profits for the period (attributable to the Shareholders)		**141.2**	252.6
Add: tax charge		**-**	-
Add: changes in fair value of contingent consideration payable		**0.5**	-
Add: finance expense		**34.4**	23.1
Add: changes in fair value of interest rate derivatives		**5.2**	1.2
Add: share-based payment charges		**3.3**	-
Add: impairment of intangible and other property assets		**0.6**	-
Less: changes in fair value of investment properties		**(54.5)**	(163.0)

Less: gain on bargain purchase		**(7.8)**	-
Less: finance income		**(0.4)**	(0.2)
Accretion of tenant lease incentive	15	**(6.1)**	(11.1)
Decrease/(increase) in rent and other receivables		**2.3**	(14.1)
Increase in deferred income		**5.1**	2.6
(Decrease)/increase in trade and other payables		**(7.9)**	3.3
Cash received as part of asset acquisitions		**-**	(0.1)
Cash generated from operations		**115.9**	94.3
Taxation paid	12	**(22.6)**	(0.4)
Net cash flow generated from operating activities		**93.3**	93.9
Investing activities			
Additions to investment properties		**(286.6)**	(283.2)
Additions to land options		**(10.9)**	-
Additions to joint ventures		**(0.1)**	-
Licence fees received		**15.8**	16.5
Interest received		**0.5**	0.2
Amount transferred out of restricted cash deposits		**0.7**	5.2
Acquisition of subsidiary, net of cash acquired	22	**(194.0)**	-
Net cash flow used in investing activities		**(474.6)**	(261.3)
Financing activities			
Proceeds from issue of Ordinary Share Capital		**249.9**	157.4
Cost of share issues		**(6.9)**	(2.6)
Bank borrowings drawn	24	**135.0**	180.3
Bank and other borrowings repaid	24	**(273.7)**	(69.3)
Amounts received on issue of loan notes	24	**400.0**	-
Loan arrangement fees paid		**(4.1)**	(1.2)
Bank interest paid		**(28.2)**	(21.8)
Interest rate cap premium paid	25	**(1.3)**	(4.5)
Dividends paid to equity holders		**(115.5)**	(95.5)
Net cash flow generated from financing activities		**355.2**	142.8
Net decrease in cash and cash equivalents for the year		**(26.1)**	(24.6)
Cash and cash equivalents at start of year	20	**47.3**	71.9
Cash and cash equivalents at end of year	20	**21.2**	47.3

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the results of Tritax Big Box REIT plc ("the Company") and its subsidiaries (together, "The Group") and were approved by the Board for issue on 16 March 2020. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company Information.

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

Accounting policies

2. Basis of preparation

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

The comparative information disclosed relates to the year ended 31 December 2018.

The Group's financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties, interest rate derivatives and amounts due to B and C shareholders of Tritax Symmetry Limited, which have been measured at fair value through the Group profit or loss.

The consolidated financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest 0.1 million (£m), except where otherwise indicated.

The Group has chosen to adopt EPRA (European Public Real Estate Association) best practice guidelines for calculating key metrics such as net asset value and earnings per share (www.epra.com/finance/financial-reporting/guidelines).

2.1. Going concern

During the period the Group raised gross proceeds of £250 million from the issue of new equity and entered into a new £200 million unsecured revolving credit facility. The Group had a cumulative £500 million of undrawn commitments under its senior debt facilities as at the year end, of which £129.9 million was committed under various development contracts. At the year-end date the Group's loan to value ratio stood at 30.4%, with an average maturity term of approximately 7.5 years.

In respect of the loan to value covenant testing, the LTV default position is set at a minimum of 60% across certain Group loan facilities. There is currently significant headroom across all Group loan facilities in respect of financial covenants, while the Group has been compliant with each loan facility during the year and following the year end.

The Directors have assessed the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for at least 12 months from the date of approval of these financial statements. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon Group's ability to continue as a going concern.

3. Significant accounting judgements, estimates and assumptions

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

3.1. Judgements

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

Business combinations

The Group acquires subsidiaries that own property and other property interests. 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 that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. 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. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company.

On 19 February 2019, the Group completed the acquisition of db Symmetry Group Ltd and db Symmetry BVI Limited together with their subsidiary undertakings and joint venture interests ("db Symmetry"), subsequently rebranded to Tritax Symmetry. The Directors have reviewed the terms of the acquisition and determined that a business, as defined by IFRS 3, was acquired. In the context of the Tritax Symmetry acquisition the principal consideration was whether substantive processes were acquired. As part of the acquisition a Development Management Agreement ("DMA") was entered into with Symmetry ManCo allowing for the management team to continue to manage the development activities of Tritax Symmetry. These activities are determined to be substantive processes.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. As it is a balancing figure of the assets and liabilities acquired, it is a judgement, as a result of the fair value of some of the other assets and liabilities acquired also being estimated. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Group profit or loss on the acquisition date as a gain on bargain purchase or negative goodwill. The fair value of assets and liabilities are established using industry-leading third-party professionals, instructed by the Company. Ultimately, the negative goodwill recognised is a judgement applied to various balances recognised within fair value of net assets acquired (see note 22 Business Combination for further details).

Land options

Classification

A number of land options were acquired as part of the Tritax Symmetry acquisition. These were bought for the potential to exercise the option and develop the land into a pipeline of Foundation assets. The Directors have considered whether the land options meet the definition of Investment property and concluded that as the options do not represent a current direct interest in land they cannot be classified as Investment property and carried at fair value. The Directors have concluded that the land options should be classified as a non-financial asset and measured at cost less provision for impairment in accordance with IAS 36.

Measurement

Land options, and other non-financial assets, are initially capitalised at cost and considered for any impairment indication annually. The impairment review includes consideration of the resale value of the option, likelihood of achieving planning consent and current recoverable value as determined by an independent valuer.

B and C Shares

As part of the acquisition of Tritax Symmetry, shares were issued in Tritax Symmetry Limited to the management shareholders of Tritax Symmetry ("Symmetry Management Shareholders") in the form of B and C shares (the "B and C Shares"). The terms of these shares are complex and as a result the Directors have had to make a number of judgements in order to conclude on the appropriate accounting treatment. The significant judgements applied in relation to the B and C Shares were as follows:

1. Subject to remaining in continued employment these shares entitle the holders to 13% of the Adjusted NAV of Tritax Symmetry Limited. Were an individual to leave employment and be deemed a bad leaver, the amount payable is the lower of the value of the shares on the completion date and 50% of Adjusted NAV. The Directors have therefore concluded that the unconditional amount payable to the B and C Shareholders, being 50% of the value of the B and C Shares on acquisition, should be treated as contingent consideration in accordance with IFRS 3. The fair value of the contingent consideration is remeasured at each reporting date. Any additional amounts paid to the B and C Shareholders as a result of

their continued service is accounted for as payment for the provision of post-combination services.

2. The B and C Shares have put options in place at various points in time over an eight-year period from completion, along with a put and call option at the end of eight years from the completion date. The B and C Shares are not considered to represent a present ownership interest in the Group as an element of the amount due to the B and C Shareholders is dependent on them continuing to remain in employment and provide services to the Group. Therefore, the Directors have concluded that the B and C Shares do not represent a non-controlling interest and the amounts owed to the B and C Shareholders should instead be presented as a financial liability.

3. When settled the B and C Shares are settled 25% in cash with the remaining 75% settled in either cash or shares at the discretion of the Company. Both elements are considered to represent share-based payments as the amounts due are based on the Adjusted NAV of the underlying business of Tritax Symmetry Limited. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group. In accordance with IFRS 2 this is accounted for as a cash settled share-based payment. In conformity with the requirements of IFRS 2 for cash settled share-based payments, the share-based payment charge is the fair value of the settlement value of the B and C Shares in Tritax Symmetry Limited, established by a Monte Carlo simulation model and reassessed at each reporting date.

3.2. Estimates

Fair valuation of Investment property

The market value of Investment property is determined by an independent property valuation expert (see note 15) 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 - Global Standards July 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of Investment property are set out in note 15.

4. Summary of significant accounting policies

4.1. Basis of consolidation

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

4.2. Subsidiaries

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

4.3. Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in Big Box assets and land options in the United Kingdom. The Directors consider that these properties have similar economic characteristics in nature and as a result they have been reported as a single reportable operating business. All of the Group's revenue and assets are based in the United Kingdom.

4.4. Investment property and Investment property under construction

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

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to Investment property. For further details see Accounting Policy note 4.15.1.

Investment property is recognised once practical completion is achieved and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, Investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Group profit or loss in the year in which they arise under IAS 40 Investment property.

Long leaseholds are accounted for as Investment property as they meet the criteria for right of use assets.

Investment properties under construction are financed by the Group where the Group enters into contracts to forward-fund the development of a pre-let property. All such contracts specify a fixed amount of consideration. Following the acquisition of Tritax Symmetry the Group enters into construction contracts to develop logistics assets, in the form of pre-let development, with an allowance of up to 5% of GAV in speculative development (with no pre-let secured). Investment properties under construction are initially measured at cost (including the transaction costs), which reflect the Group's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

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

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

4.5. Financial instruments

Fair value hierarchy

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

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

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

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

4.5.1. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to Customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from tenant default (being the failure of a tenant to timely pay rent due) to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise rent and other receivables and cash and cash equivalents in the Group Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

4.5.2. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value; and the amounts due to B and C shareholders. They are carried in the Group Statement of Financial Position at fair value with changes in fair value recognised in the Group profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensure that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

4.6. Forward funded pre-let investments

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

4.6.1. Licence fees receivable

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

4.7. Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group does not have any joint operations.

Joint ventures are initially recognised in the Group Statement of Financial Position at cost. Subsequently joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group profit or loss.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Provision for impairment in value is made where there is objective evidence that the investment in a joint venture has been impaired.

4.8. Goodwill

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the Group profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Group profit or loss on the acquisition date as a gain on bargain purchase or negative goodwill.

In relation to the purchase of Tritax Symmetry, a gain on bargain purchase has arisen. See note 22, Business combination for further details.

4.9. Intangible assets

As a result of the acquisition of Tritax Symmetry, the DMA is assessed as a favourable contract. It is recognised as an intangible asset on the group Statement of Financial Position and is amortised over the original eight year term of the DMA. The favourable element of the DMA was assessed with reference to a reasonable mark-up that may be expected for these services if the agreement were set up at arms' length, discounted over the eight year period.

4.10. Land options

Land options are classified as non-financial assets as they are non-liquid assets with no active market and they cannot be readily converted into cash. The options are exercisable at a future date subject to receiving planning consent. They are initially carried at cost and are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the option is written down accordingly as a charge to the Group profit or loss. Once the options are exercised and the land is drawn down, they are transferred into Investment property.

4.11. Impairment of assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including intangible assets, investment in joint ventures and land options are subject to annual impairment tests, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash-generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in Group profit or loss. An impairment loss recognised for goodwill is not reversed.

4.12. Business combination

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Under IFRS 3, a business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business will usually consist of inputs, processes and outputs. Therefore the Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where an acquisition is considered to be a business combination the consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Group Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Any excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired is treated as goodwill. Where the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds the fair value of the purchase consideration, the difference is treated as gain on bargain purchase and credited to the Group profit or loss. The results of acquired operations are included in the Group profit or loss from the date on which control is obtained until the date on which control ceases.

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

Where amounts payable for the acquisition of a business are subject to a contingent consideration arrangement in which the payments are automatically forfeited if employment terminates, the amounts are treated as remuneration for post-combination services rather than consideration for the acquisition of a business.

4.13. Share-based payments

The Company has entered into an agreement with the Symmetry Management Shareholders where future amounts payable are based on the Adjusted NAV of the underlying business and subject to certain provisions around continuing employment. 25% of the amounts payable are to be settled in cash with the remaining 75% settled in cash or shares at the discretion of the Company. Where the Company has a present obligation to settle the amounts in cash, either through its stated intention or past practice, the Company accounts for the amounts as cash settled share-based payments. The fair value of the cash settled obligation is recognised over the vesting period and presented as a liability in the Group Statement of Financial Position. The liability is remeasured at each reporting date with the charge to the profit or loss updated over the vesting period.

4.14. Dividends payable to Shareholders

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

4.15. Property income

4.15.1. Rental income

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

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

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

When the Group enters into a forward funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once practical completion has taken place the formal lease is signed, at which point rental income commences to be recognised in the Group profit or loss from the rent commencement date.

4.16. Finance income

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

4.17. Finance costs

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

4.18. Taxation

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

5. New standards issued

5.1. New standard issued and effective from 1 January 2019

IFRS 16 - Leases

This accounting policy has been adopted for the year ended 31 December 2019. The long leasehold properties have immaterial peppercorn rental. The impact of IFRS 16 is considered to be immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

5.2. New standards issued but not yet effective

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces an optional "concentration test". The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition.

Amendments to IAS 1 Presentation of Financial Statements effective for financial years commencing on or after 1 January 2020 are designed to address concerns about existing presentation and disclosure requirements and to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements. The amendments clarify the definition of material and how it should be applied. It is expected that the amendments will not have a significant impact on the entity's financial statements. However, it could potentially impact how materiality judgements are made in practice, by elevating the importance of how the information is organised in the financial statements.

Amendments to IAS 1 on Classification of liabilities as Current or Non-Current are effective for the financial years commencing on or after 1 January 2022 and are to be applied retrospectively. It is expected that the amendments may have an impact on the presentation and classification of liabilities in the Group Statement of Financial Position based on rights that are in existence at the end of the reporting period.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

6. Total property income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Rental income - freehold property	**108.9**	93.7
Rental income - long leasehold property	**29.2**	29.1
Spreading of tenant incentives and guaranteed rental uplifts	**6.1**	11.1
Other income	**0.2**	-
Gross rental income	**144.4**	133.9
Property insurance recoverable	**3.2**	2.9
Service charges recoverable	**0.9**	1.0
Total property insurance and service charge income	**4.1**	3.9
Total property income	**148.5**	137.8

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

The other income included in the Group profit or loss in relation to Tritax Symmetry is £4.1 million. This income was receivable across Development Management Agreements in place during the year.

7. Service charge expenses

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Property insurance expense	**3.4**	3.2
Service charge expense	**0.8**	1.8
Total property expenses	**4.2**	5.0

8. Administrative and other expenses

	Year ended 31 December	Year ended 31 December

	2019 £m	2018 £m
Investment management fees	**17.5**	15.3
Directors' remuneration (note 9)	**0.4**	0.3
Auditor's fees		
Fees payable for the audit of the Company's annual accounts	**0.2**	0.1
Fees payable for the review of the Company's interim accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.1**	0.1
Total Auditor's fee	**0.4**	0.3
Development management fees	**0.7**	-
Corporate administration fees	**0.5**	0.5
Regulatory fees	**0.1**	0.1
Legal and professional fees	**1.1**	1.1
Marketing and promotional fees	**0.4**	0.1
Other administrative costs	**0.6**	0.4
Total administrative and other expenses	**21.7**	18.1
Acquisition-related costs[1]	**4.2**	1.0

1 Acquisition-related costs have been incurred in the year, due to the one-off nature of these costs which have been expensed in accordance with IFRS 3: Business combinations.

The Auditor has also received £0.1 million (2018: £0.1 million) in respect of providing reporting accountant services in connection with the equity issuance occurring during the year.

The Auditor provided audit services in respect of Joint Ventures of £12,500 (2018: £nil).

Fees relating to the share issuances have been treated as share issue expenses and offset against share premium. The fees related to the bond issuance have been treated as part of the arrangement fees for issuing the bond. The fees in relation to the acquisition of assets have been capitalised into the cost of the respective assets.

9. Directors' remuneration

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Directors' fees	**0.3**	0.2
Employer's National Insurance	**0.1**	0.1
	0.4	0.3

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report.

10. Finance income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest received on bank deposits	**0.4**	0.2

11. Finance expense

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on bank borrowings	**6.1**	6.0
Interest payable on loan notes	**24.1**	14.3
Commitment fees payable on bank borrowings	**1.8**	1.4
Swap interest payable	**-**	0.1
Amortisation of loan arrangement fees	**2.4**	1.3
	34.4	23.1

None of the interest payable on financial liabilities and amortisation of loan arrangement fees were capitalised in the current and preceding year.

12. Taxation

a) Tax charge in the Group Statement of Comprehensive Income

Year

	ended 31 December 2019 £m	Year ended 31 December 2018 £m
UK corporation tax	**-**	-

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2019.

b) Factors affecting the tax charge for the year

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

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit on ordinary activities before taxation	**141.2**	252.6
Theoretical tax at UK corporation tax rate of 19.00% (31 December 2018: 19.00%)	**26.8**	48.0
REIT exempt income	**(18.7)**	(17.3)
Non-taxable items	**(11.0)**	(33.0)
Transfer pricing adjustment	**1.8**	1.1
Residual losses	**1.1**	1.2
Total tax charge	**-**	**-**

Non-taxable items include income and gains that are derived from the property rental business and are therefore exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

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

The current year tax liability of £18.7 million relates to appropriation tax charges in relation to the business combination as well as tax payable on non-property profits arising in the year (see note 22). During the year £22.6 million was paid relating to the appropriation tax charges (2018: £nil). In the financial year 2018, £0.4 million was paid in relation to the tax liabilities from acquired SPVs.

13. 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.

In relation to the dilutive shares to be issued in respect of the B and C Shares, the Directors have indicated a current intention to settle these 100% in cash. The calculation of basic and diluted earnings per share is based on the following:

For the year ended 31 December 2019	**Net profit attributable to Ordinary Shareholders £m**	**Weighted* average number of Ordinary Shares[1] '000**	**Earnings per share pence**
Basic EPS	**141.2**	**1,681,525**	**8.40**
Adjustment for dilutive shares:			
Changes in fair value of contingent consideration payable	**0.5**		
Dilutive shares in respect of management fee		**-**	
Dilutive shares in respect of B and C Shareholders[3]		**8,521**	
Diluted EPS[2]	**141.7**	**1,690,046**	**8.38**
Adjustments to remove:			
Changes in fair value of contingent consideration payable	**(0.5)**		
Changes in fair value of Investment property	**(54.5)**		
Changes in fair value of interest rate derivatives	**5.2**		
Costs associated with a business combination	**4.2**		
Gain on bargain purchase and impairment of intangible contract	**(7.2)**		
EPRA EPS	**88.9**	**1,681,525**	**5.29**
Add back: Changes in fair value of contingent consideration payable	**0.5**		
EPRA diluted EPS[2]	**89.4**	**1,690,046**	**5.29**
Adjustments to include:			

Licence fee receivable on Forward Funded Developments	**21.4**		
Fixed rental uplift adjustments	**(4.9)**		
Share-based payments charges	**3.3**		
Amortisation of loan arrangement fees and intangibles (see note 11)	**2.4**		
Adjusted EPS	**111.6**	**1,681,525**	**6.64**
Adjusted diluted EPS	**111.6**	**1,690,046**	**6.60**

1. Based on the weighted average number of Ordinary Shares in issue throughout the year.
2. Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).
3. Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C Shareholders that could potentially be settled as equity. The share-based payments charges are non-dilutive at year end.

For the year ended 31 December 2018	**Net profit attributable to Ordinary Shareholders £m**	**Weighted average number of Ordinary Shares[1] '000**	**Earnings per share pence**
Basic EPS	**252.6**	**1,440,013**	**17.54**
Adjustment for dilutive shares:			
Dilutive shares in respect of management fee		**-**	
Dilutive shares in respect of B and C Shareholders[3]		**-**	
Diluted EPS[2]	**252.6**	**1,440,013**	**17.54**
Adjustments to remove:			
Changes in fair value of Investment property	**(163.0)**		
Changes in fair value of interest rate derivatives	**1.2**		
Costs associated with a business combination	**1.0**		
EPRA EPS	**91.8**	**1,440,013**	**6.37**
EPRA diluted EPS[2]	**91.8**	**1,440,013**	**6.37**
Adjustments to include:			
Licence fee receivable on Forward Funded Developments	**10.3**		
Fixed rental uplift adjustments	**(4.3)**		
Amortisation of loan arrangement fees and intangibles (see note 11)	**1.3**		
Adjusted EPS	**99.1**	**1,440,013**	**6.88**
Adjusted diluted EPS	**99.1**	**1,440,013**	**6.88**

1. Based on the weighted average number of Ordinary Shares in issue throughout the year.
2. Based on the weighted average number of Ordinary Shares in issue throughout the year, plus potentially issuable dilutive shares (see below).
3. Relates to dilutive shares in respect of contingent consideration. This being the 75% of the amounts due to the B and C Shareholders that could potentially be settled as equity. The share-based payments charges are non-dilutive at year end.

Adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. The metric reduces EPRA earnings by other non-cash items credited or charged to the Group 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 fees receivable is calculated by reference to the proportion of the total period of completed construction during the year, multiplied by the total licence fee receivable on a given forward funded asset. Licence fees will convert into rental income once practical completion has occurred and therefore rental income will flow into EPRA and Adjusted earnings from this point.

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

Share-based payment charges relate to the B and C Shareholders. Whilst impacting on earnings, this value is considered capital in nature from the perspective it relates to an equity holding in Tritax Symmetry Limited. It is therefore removed from Adjusted earnings.

14. Dividends paid

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Fourth interim dividend in respect of period ended 31 December 2018 at 1.675 pence per Ordinary Share (fourth interim for 31 December 2017 at 1.60 pence per Ordinary Share)	**28.6**	21.8
First interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	**29.2**	24.7

Second interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	**29.2**	24.7
Third interim dividend in respect of year ended 31 December 2019 at 1.7125 pence per Ordinary Share (31 December 2018: 1.675 pence)	**29.3**	24.7
Total dividends paid	**116.3**	95.9
Total dividends paid for the year	**5.138p**	5.025p
Total dividends unpaid but declared for the year	**1.713p**	1.675p
Total dividends declared for the year	**6.85p**	6.70p

On 27 February 2020, the Company announced the declaration of the fourth interim dividend in respect of the year ended 31 December 2019 of 1.7125 pence per share payable on 27 March 2020. In relation to the total dividends declared for the year of 6.85 pence, 5.14 pence is a property income distribution (PID) and 1.71 pence is an ordinary dividend.

15. Investment property

In accordance with IAS 40: Investment property, the Investment property has been independently valued at fair value by CBRE Limited ("CBRE") and Colliers International Valuation UK LLP ("Colliers"), both accredited independent valuers with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment properties being valued. CBRE value all Investment property with leases attached or assets that have reached practical completion. Colliers value all land holdings and assets under construction with no pre-agreed letting. The valuations have been prepared in accordance with the RICS Valuation - Global Standards July 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS valuation - Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13.

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

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

	Investment Property freehold £m	Investment property long leasehold £m	Investment property under construction £m	Total £m
As at 1 January 2019	**2,053.7**	**635.6**	**349.0**	**3,038.3**
Property additions[1]	**16.1**	**0.7**	**297.1**	**313.9**
Property acquired through business combination (see note 22)	**-**	**-**	**128.4**	**128.4**
Fixed rental uplift and tenant lease incentives[2]	**4.3**	**1.8**	**-**	**6.1**
Transfer of completed property to Investment property	**503.3**	**-**	**(503.3)**	**-**
Change in fair value during the year	**0.6**	**2.7**	**51.2**	**54.5**
As at 31 December 2019	**2,578.0**	**640.8**	**322.4**	**3,541.2**

	Investment Property freehold £m	Investment property long leasehold £m	Investment Property under construction £m	Total £m
As at 1 January 2018	1,924.3	612.4	62.5	2,599.2
Property additions[1]	42.5	-	222.5	265.0
Fixed rental uplift and tenant lease incentives[2]	9.3	1.8	-	11.1
Change in fair value during the year	77.6	21.4	64.0	163.0
As at 31 December 2018	**2,053.7**	**635.6**	**349.0**	**3,038.3**

1. Licence fees deducted from the cost of Investment property under construction totalled £0.6 million in the year (2018: £35.0 million).
2. Included within the carrying value of Investment property is £43.0 million (2018: £37.0 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed or minimum rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured. Also see note 6.

	31 December 2019 £m	31 December 2018 £m
Investment property at fair value per Group Statement of Financial Position	**3,541.2**	3,038.3

License fee receivable	**2.5**	18.3
Capital commitments	**128.1**	361.6
Total Investment property valuation*	**3,671.8**	3,418.2

* Including costs to complete on forward funded development assets.

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements which include the developer's margin. These commitments could also represent commitments made in respect of asset management initiatives and development land. These costs are not provided for in the Group Statement of Financial Position (refer to note 33).

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

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

Fees payable under the DMA totalling £3.7 million (2018: nil) have been capitalised in the year being directly attributable to the ongoing development projects.

The valuation summary is set out in the Strategic Report.

Fair value hierarchy

The Group considers that all of its investment properties fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

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

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

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

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

Valuation techniques

The yield methodology approach is used when valuing the Group's properties which uses market rental values capitalised with a market capitalisation rate. This is sense-checked against the market comparable method (or market comparable approach) where a property's fair value is estimated based on comparable transactions in the market.

For Investment property under construction and the majority of land held for development, properties are valued using a residual method approach. Under this approach, the valuer initially assesses the investment value (using the above methodology for completed properties). Then, the total estimated costs to complete (including notional finance costs and developer's profit) are deducted from the value to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (such as the potential cost overruns and letting risks). Land values are sense-checked against the rate per acre derived from actual market transactions.

The key unobservable inputs made in determining fair values are as follows:

Unobservable input: estimated rental value (ERV)

The rent per square foot at which space could be let in the market conditions prevailing at the date of valuation (range: £3.80 - £10.75 per annum).

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

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 3.67% - 6.22%).

Sensitivities of measurement of significant unobservable inputs

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

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £m	+5% in passing rent £m	+0.25% in initial yield £m	-0.25% net initial yield £m

(Decrease)/increase in the fair value of investment properties as at 31 December 2019	**(175.6)**	**175.6**	**(187.1)**	**209.4**
(Decrease)/increase in the fair value of investment properties as at 31 December 2018	(170.9)	170.9	(183.2)	205.3

16. Investment in land options

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Opening balance	**-**	-
Land options acquired in business combination	**217.4**	-
Costs capitalised in the year	**16.8**	-
Transferred to Investment property	**(2.7)**	-
Disposals	**(5.5)**	-
Closing balance	**226.0**	-

The average maturity date across land options held is approximately nine years term remaining.

17. Investment in joint ventures

As at 31 December 2019 the Group has two joint ventures which have been equity accounted for. There were no equity accounted joint ventures prior to the acquisition of Tritax Symmetry in February 2019.

The Group has the following joint ventures as at 31 December 2019:

	Principal activity	**Country of incorporation**	**Ownership**	**Joint venture partner**
HBB (J16) LLP	Property development	UK	50%	HB Midway Limited
Magnitude Land LLP (previously known as DBS Pochin LLP)	Property investment	UK	50%	Pochin Midpoint Limited

The registered office for the above joint ventures is: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA.

Net investment	Total 100% £m	Group's share £m
At beginning of period	-	-
Acquired from business combination acquisition	60.0	30.0
Total comprehensive income	0.1	-
Cash contributed	0.1	0.1
As at 31 December 2019	**60.2**	**30.1**
50% share	**30.1**	

The joint ventures have a 31 December year end (previously 31 January 2019). The aggregate amounts recognised in the Group Statement of Financial Position and Statement of Comprehensive Income are as follows:

Comprehensive income statement

Year ended 31 December 2019	Total 100% £m	Group's share £m
Revenue	0.1	-
Profit before taxation	0.1	-
Taxation	-	-
Total comprehensive income	**0.1**	**-**

Statement of Financial Position

As at 31 December 2019	Total 100% £m	Group's share £m
Investment property	8.5	4.3
Options to acquire land	51.5	25.7
Non-current assets	**60.0**	**30.0**
Other receivables	0.2	0.1
Cash	0.1	0.1
Current assets	**0.3**	**0.2**
Trade and other payables	(0.1)	(0.1)

Current liabilities	**(0.1)**	**(0.1)**
Net assets	**60.2**	**30.1**

The Group's share of contingent liabilities in the joint ventures is £nil (December 2018: £nil).

18. Investments

The Group comprises a number of SPV subsidiaries. All SPV subsidiaries that form these financial statements are noted within the Company financial statement in note 5.

19. Rent and other receivables

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Rent receivables	**7.8**	7.0
Licence fee receivable	**2.5**	18.4
Prepayments, accrued income and other receivables	**3.3**	4.0
VAT	**12.1**	12.9
	25.7	42.3

The carrying value of rent and other receivables classified at amortised cost approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's Customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

20. Cash held at bank

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash and cash equivalents to agree with cash flow	**21.2**	47.3
Restricted cash	**0.2**	1.0
	21.4	48.3

No cash was ring-fenced in the year. In 2018, £0.03 million was included within cash and cash equivalents representing amounts related to future rent-free periods on certain assets within the portfolio or rental top-up amounts, where a cash deduction against the net purchase price was agreed with the vendor.

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

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £21.2 million (2018: £47.3 million) as at the year end, which excludes long-term restricted and ring-fenced cash deposits totalling £0.2 million (2018: £1.0 million). Total cash held at bank as reported in the Group Statement of Financial Position is £21.4 million (2018: £48.3 million).

21. Trade and other payables

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Trade and other payables	**62.6**	32.5
Bank loan interest payable	**5.7**	2.0
Accruals	**7.8**	7.9
	76.1	42.4

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

22. Business combination

On 19 February 2019, the Group acquired an 87% economic interest in Tritax Symmetry, a development group with ownership of a combination of land and land options. Upon acquisition, the portfolio had the potential to add approximately 38 million sq ft of logistics assets to the Group's existing portfolio. The portfolio also allows the Group to develop a pipeline of assets at an attractive yield on cost which is expected to be in the region of 7 - 8%. The structure of the deal, mostly consisting of land options, minimises cash drag and allows the Group to bring each site forward at a time that suits the Group and wider market conditions. The portfolio was acquired for a total consideration of £273.1 million as per the table below.

	Fair value £m
Cash	201.7
Share consideration in the Company	52.3
Contingent consideration of B and C Shares	19.1
Total purchase consideration	273.1

Details of the fair value of the assets and liabilities acquired and the resultant gain on bargain purchase are as follows:

	Fair value £m
Investment property	128.4
Investment in land options	217.4
Investment in joint ventures	30.0
Other property assets	14.3
Intangible assets	2.6
Cash and cash equivalents	7.7
Other items	(9.1)
Deep discounted bonds (fully redeemed after acquisition)	(67.7)
Deferred tax liabilities	(42.7)
Fair value of acquired interest in net assets of subsidiaries	280.9
Gain on bargain purchase	(7.8)
Total purchase consideration	273.1

The acquisition-date fair value of the total consideration transferred is £273.1 million. The gain on bargain purchase is a result of the fair value determined for the assets purchased exceeding the fair value of consideration transferred. The gain on bargain purchase of £7.8 million has been recognised in the Group profit or loss immediately in the year. This gain on bargain purchase arises partly in relation to the accounting treatment of the B and C Shares, which is detailed in note 23. This results in £19.6 million recognised as contingent consideration, and included within liabilities on acquisition in line with IFRS 3 "Business Combinations" with the remaining balance of £3.3 million treated as payments for future services in accordance with IFRS 2 "Share-Based Payment".

Acquisition costs of £4.2 million have been included in the Group profit or loss in the year.

The total loss for Tritax Symmetry since acquisition included in the Group profit or loss is £2.3 million.

Had Tritax Symmetry been part of the Group since 1 January 2019, the combined revenue for the Group at 31 December 2019 would have been £122.7 million; the combined total profit for the Group would have been £140.6 million.

At the point of completion of the acquisition the Group also redeemed in full deep discounted bonds with a value of £67.7 million (see note 24).

The enterprise value was determined as £370 million at the time of the transaction. This was arrived at by taking the total purchase consideration and adding the deep discounted bonds that were fully redeemed and the tax liabilities that the vendor agreed to fund totalling c. £29 million. The Group's 87% economic share therefore totalled £321.5 million.

The B and C Shares issued to Symmetry Management Shareholders are treated as a combination of both contingent consideration for the acquisition of 13% economic interest in the Symmetry Portfolio and a 13% economic right held to their share of future performance of the Tritax Symmetry Development assets. This is as a result of certain vesting conditions attached to the B and C Shares over the first five years of the contract (see note 23 below).

A non-controlling interest has not been recognised at the acquisition date for the 13% economic interest held by the Symmetry Management Shareholders due to the put and call options attached to the shares issued, which are expected to be exercised on or around the eighth anniversary of the acquisition at the latest. The Symmetry Management Shareholders have a put option, on the third to eighth anniversary of the acquisition allowing them to sell 1.5% of their 13% economic interest to the Company at each date. The Company has a call option, to buy any remaining economic interest still due to the Symmetry Management Shareholders on the eighth anniversary.

The acquisition included other property assets of £14.3 million. These assets were amortised by £0.4 million during the year resulting in a net position on the Group Statement of Financial Position of £13.9 million.

23. Amounts due to B and C shareholders

Amounts due to B and C Shareholders comprise the fair value of the contingent consideration element of B and C Shares along with the fair value of the obligation under the cash settled share-based payment element of B and C Shares.

Amounts due to B and C Shareholders are detailed in the table below:

	Contingent consideration	Share-based payment	Fair value £m

Contingent consideration recognised on acquisition	19.1	-	19.1
Fair value movement recognised	0.5	-	0.5
Cash settled share-based payment charge	-	3.3	3.3
Closing balance	19.6	3.3	22.9

The Group considers that the amounts due to the B and C Shareholders fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

1. Contingent consideration

The B and C Shares vest over a five-year period and require the Symmetry Management Shareholders to, amongst other things, remain in the employment of the Symmetry ManCo for the vesting period. The value of the amount due (subject to certain vesting conditions) is the lower of 50% of the adjusted NAV of Tritax Symmetry at the relevant future point in time and the value of the B and C Shares at the original completion date. In accordance with IFRS 3 "Business Combinations" the unconditional amount due under Shareholders agreement is accounted for as contingent consideration.

The adjusted NAV of Tritax Symmetry is the NAV of Tritax Symmetry at the reporting date, adjusted for various matters impacting on the fair value of those land options where planning permission has been obtained but the land has not been acquired.

2. Share-based payment

In accordance with IFRS 3 "Business Combinations" the requirement to remain in continued employment in order to realise the full value of the B and C Shares has resulted in the excess value (over and above the amount recognised as contingent consideration) being accounted for as payments for post combination services which reflect the 13% economic right held to their share of future performance of the Tritax Symmetry Development assets over and above the completion NAV. The amount due to Symmetry Management Shareholders is based on the adjusted NAV of Tritax Symmetry and is settled in cash to the value of 25% with the balance settled in either cash and/or shares in the Company, at the sole discretion of the Company.

The fair value of the B and C Shares has been calculated using a Monte Carlo simulation model, for the cash settled element of the liability. This approach has the benefits of being flexible, not reliant on a single case scenario and removes the inherent difficulties with determining discount rate to assign to a particular class of share as the risk would change every time the NAV moved. The change in volatility assumptions does not lead to a significant change in the resulting fair values of the B and C Shares because there are limited hurdles attached to them and it is assumed that all will be exercised at some point over the eight year horizon. The key unobservable inputs for the Monte-Carlo simulation purposes are the net initial yield of completed developments, future costs of debt and the timing of the completion of the developments.

The Company has the legal option of settling the share-based payment either via cash or equity, with a minimum of 25% being settled in cash. The Directors have a current intention to maximise the cash element of the settlement as they believe this would minimise dilution to existing shareholders. The Directors will endeavour to settle all of the B and C Shares in cash, subject to sufficient funds being available to the Group at the time of settlement without adversely impacting the operations of the Group.

Amounts due to B and C Shareholders are shown as a liability at fair value in the Group Statement of Financial Position. The liability is fair valued at each reporting date with a corresponding charge recognised in the Group profit or loss over the vesting period. For the year ended 31 December 2019, £3.3 million was charged in the Group profit or loss for the share-based payment.

24. Borrowings

As part of the acquisition of Tritax Symmetry the Group acquired £67.7 million of Deep Discounted Bonds, which were immediately redeemed post-acquisition as per note 22.

The Company signed a new private placement of £400 million senior unsecured loan notes (the "Loan Notes") with a number of new institutional investors on 4 December 2018. The Loan Notes comprised of two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years. The funds were drawn on 28 February 2019.

Upon receipt of the Loan Note proceeds above, the Group cancelled the £250 million senior, short-term, unsecured banking facility

with a syndicate of its relationship lenders with effect from 1 March 2019.

A large part of the Group's borrowings are unsecured financing arrangements. On 17 June 2019, the Group announced that it had agreed a new £200 million unsecured revolving credit facility (RCF) with a syndicate of relationship lenders comprising Banco Santander S.A. London Branch, Barclays Bank PLC, BNP Paribas London Branch, HSBC UK Bank plc, The Royal Bank of Scotland International Limited London Branch and Wells Fargo Bank N.A. London Branch. The new facility has an initial maturity of five years and can be extended (subject to consent) by two further years to a maximum of seven years. The new facility also has a £100 million accordion option and has an opening margin of 1.10% per annum over LIBOR.

The Group also has a second RCF of £350 million which provides the Group with a significant level of operational flexibility. The syndicate for the £350 million unsecured RCF comprises Barclays Bank PLC, BNP Paribas London Branch, HSBC Bank plc, Sumimoto Mitsui Banking Corporation, The Royal Bank of Scotland plc, Santander UK plc and Wells Fargo Bank N.A. London Branch. On 17 December 2019 the Group announced that it had agreed to extend the termination date of £300 million of the £350 million RCF from 10 December 2023 to 10 December 2024.

As at 31 December 2019, 64% (2018: 73%) of the Group's debt facility commitments are fixed term, with 36% floating term (2018: 27%). When including interest rate hedging the Group has fixed term or hedged facilities totalling 99% of drawn debt (see note 25).

As at 31 December 2019, the weighted average running cost of debt was 2.52% (2018: 2.63%) and the Group's average capped cost of debt was 2.68% (2018: 2.73%). As at the same date the Group had undrawn debt commitments of £500.0 million.

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

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

Bank borrowings

	Bank borrowings drawn £m	Bank borrowings undrawn £m	Total £m
As at 1 January 2019	**333.9**	**879.0**	**1,212.9**
New bank borrowings agreed in the year	**-**	**200.0**	**200.0**
Bank borrowings drawn in the year under existing facilities	**135.0**	**(135.0)**	**-**
Bank borrowings repaid in the year under existing facilities	**(206.0)**	**206.0**	**-**
Cancellation of bank borrowing facility	**-**	**(250.0)**	**(250.0)**
Loan notes drawn in the year	**-**	**(400.0)**	**(400.0)**
As at 31 December 2019	**262.9**	**500.0**	**762.9**
As at 1 January 2018	222.9	340.0	562.9
New bank borrowings agreed in the year	-	650.0	650.0
Bank borrowings drawn in the year under existing facilities	180.3	(180.3)	-
Bank borrowings repaid in the year under existing facilities	(69.3)	69.3	-
As at 31 December 2018	333.9	879.0	1,212.9

Included in the undrawn borrowings in 2018 is £400.0 million loan notes.

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

Bank borrowings drawn

	31 December 2019 £m	31 December 2018 £m
Bank borrowings drawn: due in more than one year	**262.9**	333.9
Less: unamortised costs on bank borrowings	**(6.7)**	(6.1)
	256.2	327.8

Loan notes

Bonds	**31 December 2019 £m**	31 December 2018 £m
2.625% Bonds 2026	**249.2**	249.1
3.125% Bonds 2031	**247.1**	246.8
2.860% USPP 2028	**250.0**	-
2.980% USPP 2030	**150.0**	-
Less: unamortised costs on loan notes	**(4.8)**	(3.2)
	891.5	492.7

The weighted average term to maturity of the Group's debt as at the year end is 7.5 years (31 December 2018: 8.9 years).

Maturity of borrowings

	31 December 2019 £m	31 December 2018 £m
Repayable between one and two years	**-**	-
Repayable between two and five years	**50.0**	121.0
Repayable in over five years	**1,109.2**	708.8
	1,159.2	829.8

25. Interest rate derivatives

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

The weighted average capped rate, excluding any margin payable, for the Group as at the year end was 1.26% (2018: 1.26%), which effectively caps the level to which Libor can rise to, therefore limiting any effect on the Group of an interest rate rise. The interest rate derivatives mean that the Group's borrowing facilities at the year end have an all-inclusive capped interest rate payable

of 2.52% (2018: 2.63%). The total premium payable in the year towards securing the interest rate caps was £1.3 million (2018: £4.5 million).

	31 December 2019 £m	31 December 2018 £m
Non-current assets: interest rate derivatives	**1.3**	5.2

The interest rate derivatives are valued by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the mark to market values of the derivatives are taken to the Group profit or loss.

	31 December 2019 £m	31 December 2018 £m
Interest rate derivative valuation brought forward	**5.2**	1.9
Interest rate cap premium paid	**1.3**	4.5
Changes in fair value of interest rate derivatives	**(5.2)**	(1.2)
	1.3	5.2

It is the Group's target to hedge at least 90% of the total debt portfolio either using interest rate derivatives or entering fixed rate loan

arrangements. As at the year-end date the total proportion of drawn debt either hedged via interest rate derivatives or subject to fixed

rate loan agreements equated to 99.87%, as shown below.

	31 December 2019 Drawn £m	31 December 2018 Drawn £m
Total borrowings drawn (note 24)	**1,159.2**	829.8
Notional value of effective interest rate derivatives and fixed rate loans	**1,157.6**	828.3
Proportion of hedged debt	**99.87%**	99.81%

Fair value hierarchy

The fair value of Group's interest rate derivatives is recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end. This valuation technique falls within Level 2 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the years, nor have there been any transfers between Level 2 and Level 3 during any of the years.

26. Financial risk management

Financial instruments

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

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

	Book value 31 December 2019 £m	**Fair value 31 December 2019 £m**	Book value 31 December 2018 £m	Fair value 31 December 2018 £m
Financial assets				
Interest rate derivatives	**1.3**	**1.3**	5.2	5.2
Rent and other receivables[1]	**10.3**	**10.3**	25.3	25.3
Cash held at bank	**21.4**	**21.4**	48.3	48.3
Financial liabilities				
Trade and other payables[2]	**76.1**	**76.1**	42.4	42.4
Amounts due to B and C Shareholders	**22.9**	**22.9**	-	-
Borrowings	**1,159.2**	**1,212.2**	829.8	813.0

1. Excludes certain VAT prepayments and other debtors.

2. Excludes tax and VAT liabilities.

Interest rate derivatives and amounts due to B and C Shareholders are the only financial instruments measured at fair value through profit and loss. All other financial assets and all financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

The following table sets out the fair value of those financial liabilities measured at amortised cost where there is a difference between book value and fair value.

	Date of valuation	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Borrowings	**31 December 2019**	**1,110.9**	**943.1**	**167.8**	**-**
Borrowings	31 December 2018	682.2	521.0	161.2	-

The Group has two fixed rate loans totalling £162 million, provided by PGIM (£90 million) and Canada Life (£72 million). The fair value is determined by comparing the discounted future cash flows using the contracted yields with the reference gilts plus the margin implied. The reference Gilts used were the Treasury 1.5% 2026 Gilt and Treasury 4.75% 2030 Gilt respectively, with an implied margin that is unchanged since the date of fixing. The loans are considered to be a Level 2 fair value measurement. For all other bank loans there is considered no other difference between fair value and carrying value.

The fair value of financial liabilities traded on active liquid markets, including the 2.625% Bonds 2026, 3.125% Bonds 2031, 2.860% USPP 2028 and 2.980% USPP 2030, is determined with reference to the quoted market prices. These financial liabilities are considered to be a Level 1 fair value measure.

The fair value of the financial liabilities at Level 1 fair value measure were £943.1 million (2018: £521.0) and the financial liabilities at Level 2 fair value measure were £167.8 million (2018: £161.2 million).

Risk management

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

Market risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on the Group profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.4 million (2018: £0.6 million) or a decrease of £0.5 million (2018: £0.9 million). The difference between the increase and decrease absolute figure is due to the interest rate caps in place.

Credit risk

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

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

Trade receivables

Trade receivables, primarily tenant rentals, are presented in the Group Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition and on an ongoing annual basis. Refer to note 19 for details regarding credit risk management of trade receivables.

Credit risk related to financial instruments and cash deposits

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

Liquidity risk

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

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

	On demand £m	<3 months £m	3-12 months £m	1-5 years £m	>5 years £m	Total £m
31 December 2019						
Borrowings	-	**8.1**	**24.3**	**179.4**	**1,239.6**	**1,451.4**
Amounts due to B and C Shareholders	-	**-**	**-**	**-**	**22.9**	**22.9**
Trade and other payables	-	**76.1**	**-**	**-**	**-**	**76.1**
	-	**84.2**	**24.3**	**179.4**	**1,262.5**	**1,550.4**
31 December 2018						
Borrowings	-	5.6	16.7	260.4	761.0	1,043.7
Trade and other payables	-	42.4	-	-	-	42.4
	-	**48.0**	**16.7**	**260.4**	**761.0**	**1,086.1**

Included within the contracted payments is £286.1 million (2018: £209.8 million) of loan interest payable up to the point of maturity across the facilities.

27. Capital management

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

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

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

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 30.4% (2018: 27.3%).

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

28. Equity reserves

Share capital

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

Issued and fully paid at 1 pence each	**31 December 2019 Number**	**31 December 2019 £m**	31 December 2018 Number	31 December 2018 £m
Balance at beginning of year - £0.01 Ordinary Shares	**1,474,233,401**	**14.8**	1,363,598,083	13.7
Shares issued in relation to further Equity issuance	**192,291,313**	**1.9**	109,364,308	1.1
Shares issued in relation to the consideration for a corporate acquisition	**40,450,234**	**0.4**	-	-
Shares issued in relation to management contract	**-**	**-**	1,271,010	-
Balance at end of year	**1,706,974,948**	**17.1**	1,474,233,401	14.8

On 8 February 2019, the Company announced that 192,291,313 new Ordinary Shares were issued via an Open Offer for Subscription at an issue price of 130.00 pence per Ordinary Share, raising gross proceeds of £250 million.

On 19 February 2019, the Company announced that 40,450,234 new Ordinary Shares were issued as part of the consideration for the acquisition of Tritax Symmetry for an issue price of 130.00 pence per Ordinary Share.

Share premium

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

Capital reduction reserve

On 3 June 2015, the Company by way of Special Resolution, cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £422.6 million was transferred from the share premium account into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve. Movements in the current year relate to dividends paid.

Retained earnings

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

29. Net asset value (NAV) per share

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

	31 December 2019 £m	31 December 2018 £m
Net assets per Group Statement of Financial Position	**2,561.2**	2,240.9
EPRA NAV (see Additional Information)	**2,578.6**	2,253.1
Ordinary Shares:		
Issued share capital (number)	**1,706,974,948**	1,474,233,401
Basic net asset value per share	**150.04p**	152.00p
Dilutive shares in issue (number)	**-**	-
Diluted net asset value per share	**150.04p**	152.00p
Basic EPRA NAV per share	**151.06p**	152.83p
Dilutive shares in issue (number)	**-**	-
Diluted EPRA NAV per share	**151.06p**	152.83p

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

30. Operating leases

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

	<1 year £m	2-5 years £m	>5 years £m	Total £m
31 December 2019	**148.7**	**588.1**	**1,484.3**	**2,221.1**
31 December 2018	129.0	504.4	1,201.9	1,835.3

The Group's investment properties are leased to single tenants, with the exception of one asset which is leased to two separate tenants, some of which have guarantees attached, under the terms of a commercial property lease. Each has upward only rent reviews that are linked to either RPI/CPI, open market or with fixed uplifts. The weighted average unexpired lease term is 14.1 years (2018: 14.4 years).

31. Transactions with related parties

For the year ended 31 December 2019, all Directors and the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. Details of the amount paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8.

The total amount outstanding at the year end relating to the Investment Management Agreement was £4.5 million (2018: £4.0 million).

The total expense recognised in the Group profit or loss relating to share-based payments under the Investment Management Agreement was £2.3 million (2018: £2.0 million), of which £1.2 million (2018: £1.1 million) was outstanding at the year end.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report. No fees were paid to SG Commercial in the year ended 31 December 2019 (2018: £0.3 million) in respect of agency services for the year; this represents a total of 0% (2018: 7%) of agency fees paid by the Group during the year. There were £nil (2018: £0.3 million) fees outstanding as at the year end. The six Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop, Henry Franklin, Petrina Austin and Bjorn Hobart, are also Members of SG Commercial.

Mark Shaw did not vote at any meeting of the Board during his time prior to resignation in February 2019 relating to contractual terms to be agreed between the Company, the Manager and SG Commercial, nor with respect to any investment decision where SG Commercial is acting as agent in any capacity.

During the year the Directors who served during the year received the following dividends: Richard Jewson: £5,944 (2018: £5,113), Jim Prower: £nil (2018: £1,574), Aubrey Adams: £8,334 (2018: £6,625), Susanne Given: £nil (2018: £nil), Alastair Hughes: £2,384 (2018: £nil), Richard Laing: £3,122 (2018: £2,212) and Mark Shaw: £90,225 (2018: £63,870).

During the year the six Members of the Manager received the following dividends: Mark Shaw as above, Colin Godfrey: £90,650 (2018: £58,552), James Dunlop: £86,402 (2018: £55,176), Henry Franklin: £64,415 (2018: £41,256), Petrina Austin: £9,123 (2018: £4,297) and Bjorn Hobart: £10,946 (2018: £7,142).

32. Reconciliation of liabilities to cash flows from financing activities

	Borrowings £m	Derivative financial instruments £m	Loan notes £m	Total £m

Balance on 1 January 2019	**327.9**	**(5.3)**	**492.7**	**815.3**
Cash flows from financing activities:				
Bank borrowings advanced	**135.0**	**-**	**-**	**135.0**
Bank borrowings repaid	**(273.7)**	**-**	**-**	**(273.7)**
Amounts received on the issue of loan notes	**-**	**-**	**400.0**	**400.0**
Interest rate cap premium paid	**-**	**(1.2)**	**-**	**(1.2)**
Loan arrangement fees paid	**(2.1)**	**-**	**(2.0)**	**(4.1)**
Non-cash movements:				
Change in debtors for loan receipts	**(0.1)**	**-**	**-**	**(0.1)**
Change in creditors for loan arrangement fees payable	**-**	**-**	**(0.1)**	**(0.1)**
Amortisation of loan arrangement fees	**1.5**	**-**	**0.9**	**2.4**
Fair value movement	**-**	**5.2**	**-**	**5.2**
Balance on 31 December 2019	**188.5**	**(1.3)**	**891.5**	**1,078.7**
Balance on 1 January 2018	216.8	(2.0)	492.2	707.0
Cash flows from financing activities:				
Bank borrowings advanced	180.3	-	-	180.3
Bank borrowings repaid	(69.3)	-	-	(69.3)
Interest rate cap premium paid	-	(4.5)	-	(4.5)
Loan arrangement fees paid	(0.8)	-	(0.4)	(1.2)
Non-cash movements:				
Change in creditors for loan arrangement fees payable	0.2	-	0.2	0.4
Amortisation of loan arrangement fees	0.7	-	0.7	1.4
Fair value movement	-	1.2	-	1.2
Balance on 31 December 2018	**327.9**	**(5.3)**	**492.7**	**815.3**

33. Capital commitments

The Group had capital commitments of £129.9 million in relation to its forward funded pre-let development assets, asset

management initiatives and commitments under development land, outstanding as at 31 December 2019 (31 December 2018: £371.1 million). All commitments fall due within one year from the date of this report.

34. Subsequent events

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company Registration Number: 08215888

	Note	**At 31 December 2019 £m**	At 31 December 2018 £m
Non-current assets			
Investment in subsidiaries	5	**1,973.9**	1,319.3
Total non-current assets		**1,973.9**	1,319.3
Current assets			
Rent and other receivables	6	**976.5**	946.8
Cash held at bank	7	**3.4**	9.6
Total current assets		**979.9**	956.4
Total assets		**2,953.8**	2,275.7
Current liabilities			
Trade and other payables	8	**(13.7)**	(10.7)
Loans from Group companies		**(58.7)**	(58.8)
Total current liabilities		**(72.4)**	(69.5)
Non-current liabilities			
Loan notes	9	**(891.5)**	(492.7)
Total non-current liabilities		**(891.5)**	(492.7)
Total liabilities		**(963.9)**	(562.2)

Total net assets		**1,989.9**	1,713.5
Equity			
Share capital	10	**17.1**	14.8
Share premium reserve		**446.7**	153.6
Capital reduction reserve		**1,188.1**	1,304.4
Retained earnings		**338.0**	240.7
Total equity		**1,989.9**	1,713.5

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 31 December 2019 amounted to £97.3 million (31 December 2018: £82.2 million).

These financial statements were approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

Sir Richard Jewson KCVO, JP

Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Undistributable reserves		Distributable reserves		
	Note	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2019		**14.8**	**153.6**	**1,304.4**	**240.7**	**1,713.5**
Net profit for the year		**-**	**-**	**-**	**97.3**	**97.3**
		14.8	**153.6**	**1,304.4**	**338.0**	**1,810.8**
Contributions and distributions						
Shares issued in relation to further equity issue	10	**1.9**	**248.1**	**-**	**-**	**250.0**
Shares issued in relation to equity consideration	10	**0.4**	**51.9**	**-**	**-**	**52.3**
Share issue costs		**-**	**(6.9)**	**-**	**-**	**(6.9)**
Share-based payments		**-**	**-**	**-**	**2.3**	**2.3**
Transfer of share-based payments to liabilities to reflect settlement		**-**	**-**	**-**	**(2.3)**	**(2.3)**
Dividends paid	4	**-**	**-**	**(116.3)**	**-**	**(116.3)**
31 December 2019		**17.1**	**446.7**	**1,188.1**	**338.0**	**1,989.9**
1 January 2018		13.7	932.4	467.9	158.5	1,572.5
Net profit for the year		-	-	-	82.2	82.2
		13.7	932.4	467.9	240.7	1,654.7
Contributions and distributions						
Cancellation of share premium account		-	(932.4)	932.4	-	-
Shares issued in relation to further equity issue	10	1.1	154.4	-	-	155.5
Share issue expenses in relation to equity issue		-	(2.6)	-	-	(2.6)
Shares issued in relation to management contract		-	1.8	-	-	1.8
Share-based payments		-	-	-	2.0	2.0
Transfer of share-based payments to liabilities to reflect settlement		-	-	-	(2.0)	(2.0)
Dividends paid	4	-	-	(95.9)	-	(95.9)
31 December 2018		**14.8**	**153.6**	**1,304.4**	**240.7**	**1,713.5**

NOTES TO THE COMPANY ACCOUNTS

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

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

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

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

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

Principal accounting policies

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

Basis of accounting

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

Currency

The Company financial statements are presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest 0.1 million (£m), except where otherwise indicated.

Other income

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

Dividends payable for Shareholders

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

1.1. Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the Company Balance Sheet at fair value with changes in fair value recognised in the profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to Customers (such as trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, 12-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise rent and other receivables and cash and cash equivalents in the Company Balance Sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Investments in subsidiaries

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

Share-based payments

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

Significant accounting judgements, estimates and assumptions

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

2. Standards issued and effective from 1 January 2019

IFRS 16: Leases

The Company does not hold any material operating or leasehold agreements as lessee. The impact of IFRS 16 has been assessed and considered to be immaterial.

3. Taxation

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
UK corporation tax	**-**	-

The UK corporation tax rate for the financial year is 19%. Accordingly, this rate has been applied in the measurement of the Group's tax liability at 31 December 2019.

4. Dividends paid

For detail of dividends paid by the Company during the year, refer to note 14 of the Group's financial statements.

5. Investment in subsidiaries

	Shares £m	Loan £m	Total £m
As at 1 January 2019	**1,319.3**	**-**	**1,319.3**
Increase in investments via share purchase	**654.6**	**-**	**654.6**
As at 31 December 2019	**1,973.9**	**-**	**1,973.9**
As at 1 January 2018	1,028.2	-	1,028.2
Increase in investments via share purchase	291.1	-	291.1
As at 31 December 2018	1,319.3	-	1,319.3

The Company has the following subsidiary undertakings as at 31 December 2019:

	Principal activity	**Country of Incorporation**	**Ownership %**
TBBR Holdings 1 Limited	Investment holding company	Jersey	100%*
TBBR Holdings 2 Limited	Investment holding company	Jersey	100%
Baljean Properties Limited	Property investment	Isle of Man	100%
Tritax Acquisition 2 Limited	Investment holding company	Jersey	100%
Tritax Acquisition 2 (SPV) Limited	Investment holding company	Jersey	100%

The Sherburn RDC Unit Trust	Property investment	Jersey	100%
Tritax REIT Acquisition 3 Limited	Property investment	UK[1]	100%
Tritax Acquisition 4 Limited	Property investment	Jersey	100%
Tritax Acquisition 5 Limited	Property investment	Jersey	100%
Sonoma Ventures Limited	Property investment	BVI	100%
Tritax Ripon Limited	Property investment	Guernsey	100%
Tritax REIT Acquisition 8 Limited	Investment holding company	UK[1]	100%*
Tritax Acquisition 8 Limited	Property investment	Jersey	100%
Tritax REIT Acquisition 9 Limited	Investment holding company	UK[1]	100%*
Tritax Acquisition 9 Limited	Property investment	Jersey	100%
Tritax Acquisition 10 Limited	Property investment	Jersey	100%
Tritax Acquisition 11 Limited	Property investment	Jersey	100%
Tritax Acquisition 12 Limited	Property investment	Jersey	100%
Tritax Acquisition 13 Limited	Property investment	Jersey	100%
Tritax Acquisition 14 Limited	Property investment	Jersey	100%
Tritax Worksop Limited	Property investment	BVI	100%
Tritax REIT Acquisition 16 Limited	Investment holding company	UK[1]	100%*
Tritax Acquisition 16 Limited	Property investment	Jersey	100%
Tritax Acquisition 17 Limited	Property investment	Jersey	100%
Tritax Acquisition 18 Limited	Property investment	Jersey	100%
Tritax Harlow Limited	Property investment	Guernsey	100%
Tritax Lymedale Limited	Property investment	Guernsey	100%
Tritax Acquisition 21 Limited	Property investment	Jersey	100%
Tritax Acquisition 22 Limited	Property investment	Jersey	100%
Tritax Acquisition 23 Limited	Property investment	Jersey	100%
Tritax Acquisition 24 Limited	Property investment	Jersey	100%
Tritax Knowsley Limited	Property investment	Isle of Man	100%
Tritax Burton Upon Trent Limited	Property investment	BVI	100%
Tritax Acquisition 28 Limited	Property investment	Jersey	100%
Tritax Peterborough Limited	Property investment	Jersey	100%
Tritax Littlebrook 2 Limited	Property investment	Jersey	100%
Tritax Littlebrook 4 Limited	Property investment	Jersey	100%
Tritax Atherstone (UK) Limited	Property investment	UK[1]	100%
Tritax Stoke DC1&2 Limited	Investment holding company	Jersey	100%*
Tritax Stoke DC3 Limited	Investment holding company	Jersey	100%*
Tritax Holdings CL Debt Limited	Investment holding company	Jersey	100%*
Tritax Portbury Limited	Property investment	Jersey	100%
Tritax Newark Limited	Property investment	Jersey	100%
Tritax Carlisle Limited	Investment holding company	Jersey	100%*
Tritax Worksop 18 Limited	Property investment	Jersey	100%*
Tritax Stoke Management Limited	Management company	UK[1]	100%
Tritax Holdings PGIM Debt Limited	Investment holding company	Jersey	100%*
Tritax Merlin 310 Trafford Park Limited	Property investment	Jersey	100%*
Tritax West Thurrock Limited	Property investment	Jersey	100%
Tritax Tamworth Limited	Property investment	Jersey	100%
Tritax Acquisition 34 Limited	Property investment	Jersey	100%
Tritax Acquisition 35 Limited	Property investment	Jersey	100%
Tritax Acquisition 36 Limited	Property investment	Jersey	100%*
Tritax Acquisition 37 Limited	Property investment	Jersey	100%*
Tritax Acquisition 38 Limited	Property investment	Jersey	100%*
Tritax Acquisition 39 Limited	Property investment	Jersey	100%*
Tritax Acquisition 40 Limited	Property investment	Jersey	100%*
Tritax Acquisition 41 Limited	Property investment	Jersey	100%*
Tritax Littlebrook 1 Limited	Property investment	Jersey	100%
Tritax Littlebrook 3 Limited	Property investment	Jersey	100%
Tritax Atherstone Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 42 Limited	Property investment	Jersey	100%*

Tritax Acquisition 43 Limited	Property investment	Jersey	100%*
Tritax Carlisle UK Limited	Investment holding company	UK[1]	100%
Tritax Edinburgh Way Harlow Limited	Property investment	Jersey	100%*
Tritax Crewe Limited	Investment holding company	Jersey	100%*
Tritax Acquisition 44 Limited	Property investment	Jersey	100%*
Tritax Acquisition 45 Limited	Property investment	Jersey	100%*
Tritax Acquisition 46 Limited	Property investment	Jersey	100%*
Tritax Acquisition 47 Limited	Property investment	Jersey	100%*
Tritax Acquisition 48 Limited	Property investment	Jersey	100%*
Tritax Symmetry Limited#	Investment holding company	Jersey	100%*
db Symmetry Group Ltd#	Investment holding company	UK[2]	100%
db Symmetry Ltd#	Investment holding company	UK[2]	100%
Tritax Symmetry (BVI) Ltd (formerly known as db Symmetry (BVI) Ltd)	Investment holding company	British Virgin Island	100%
Tritax Symmetry Holdings (Biggleswade) Co Ltd (formerly known as db Symmetry Holdings (Biggleswade) Co Ltd)#	Investment holding company	British Virgin Island	100%
Tritax Symmetry Properties (Biggleswade) Co Ltd (formerly known as db Symmetry Properties (Biggleswade) Co Ltd)#	Property investment	British Virgin Island	100%
Tritax Symmetry Holdings (Blyth) Co Ltd (formerly known as db Symmetry Holdings (Blyth) Co Ltd)#	Investment holding company	British Virgin Island	100%
Tritax Symmetry Properties (Blyth) Co. Ltd (formerly known as db Symmetry Properties (Blyth) Co. Ltd)#	Property investment	British Virgin Island	100%
Tritax Symmetry Holdings (Middlewich) Co. Ltd (formerly known as db Symmetry Holdings (Middlewich) Co. Ltd)#	Investment holding company	British Virgin Island	100%
Tritax Symmetry Properties (Middlewich) Co. Ltd (formerly known as db Symmetry Properties (Middlewich) Co. Ltd)#	Investment holding company	British Virgin Island	100%
Tritax Symmetry Development (Blyth) UK Ltd (formerly known as db Symmetry Development (Blyth) UK Ltd)#	Property investment	UK[2]	100%
Tritax Symmetry Development (Biggleswade) UK Ltd (formerly known as db Symmetry Development (Biggleswade) UK Ltd)#	Property investment	UK[2]	100%
Tritax Symmetry Ardley Limited (formerly known as db Symmetry Ardley Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry Bicester 2 Limited (formerly known as db Symmetry Bicester Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry Flore Ltd (formerly known as db Symmetry Flore Jersey Limited)#	Property investment	Jersey	100%
Tritax Symmetry Rugby South Ltd (formerly known as db Symmetry Rugby South Jersey Limited)#	Property investment	Jersey	100%
Tritax Symmetry St Helens Ltd (formerly known as db Symmetry St Helens Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry Wigan Ltd (formerly known as db Symmetry Wigan Jersey Limited)#	Property investment	Jersey	100%
Tritax Symmetry Oxford North Ltd (formerly known as db Symmetry Oxford North Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry Northampton Ltd (formerly known as db Symmetry Northampton Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry Huyton Ltd (formerly known as db Symmetry Huyton Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry South Elmsall Ltd (formerly known as db Symmetry South Elmsall Jersey Ltd)#	Property investment	Jersey	100%
Tritax Symmetry (Goole) Ltd (formerly known as db Symmetry (Goole) Limited)#	Property investment	UK[2]	100%
Tritax Symmetry (Midlands) Ltd (formerly known as db Symmetry (Midlands) Ltd)#	Investment holding company	UK[2]	100%
Tritax Symmetry (Aston Clinton) Ltd (formerly known as db Symmetry (Aston Clinton) Ltd)#	Property investment	UK[2]	100%
Tritax Symmetry Leicester South Ltd (formerly known as db Symmetry Whetstone Jersey Ltd)#	Property investment	Jersey	100%

Tritax Symmetry Gloucester Ltd#	Property investment	Jersey	100%
Tritax Symmetry (Speke) Ltd (formerly known as db Symmetry (Speke) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Barwell) Ltd (formerly known as db Symmetry (Barwell) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Rugby) Ltd (formerly known as db Symmetry (Rugby) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Hinckley) Ltd (formerly known as db Symmetry (Hinckley) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Darlington) Ltd (formerly known as db Symmetry (Darlington) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Blyth) Ltd (formerly known as db Symmetry (Blyth) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Bicester Reid) Ltd (formerly known as db Symmetry (Bicester Reid) Ltd)#	Property investment	UK²	100%
Tritax Symmetry (Wigan) Ltd (formerly known as db Symmetry (Wigan) Ltd)#	Property investment	UK²	100%
db Symmetry North Ltd#	Property investment	UK²	100%
Tritax Symmetry (Land) LLP (formerly known as db Symmetry (Land) LLP#	Investment holding company	UK²	100%
Tritax Symmetry (Kettering) LLP (formerly known as db Symmetry (Kettering) LLP#	Property investment	UK²	100%
Tritax Symmetry (Lutterworth) LLP (formerly known as db Symmetry (Lutterworth) LLP#	Property investment	UK²	100%
Tritax Symmetry (Northampton) LLP (formerly known as db Symmetry (Northampton) LLP#	Investment holding company	UK²	100%
Symmetry Park Darlington Management Company Ltd#	Management company	UK²	100%
Symmetry Park Aston Clinton Management Company Limited#	Management company	UK²	100%

*These are direct subsidiaries of the Company.
#These are new investments of the Company in the year.

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

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

Guernsey entities: PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

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

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

UK¹ entities: 3rd Floor, 6 Duke Street St James's, London SW1Y 6BN

UK² entities: Unit B, Grange Park Court, Roman Way, Northampton, England NN4 5EA

The Company also has interests in the following joint arrangements as at 31 December 2019:

	Principal activity	Country of incorporation	Ownership %
Symmetry Park Doncaster Management Company Limited#	Management company	UK²	50%
Symmetry Park Bicester Management Company Limited#	Management company	UK²	33%

These are new investments of the Company in the year.

All of the companies registered offshore are managed onshore and are UK residents for UK corporation purposes, save for the Sherburn Unit Trust.

6. Rent and other receivables

	31 December 2019 £m	31 December 2018 £m
Amounts receivable from Group companies	**973.6**	943.6
Prepayments	**0.1**	2.1
Other receivables	**2.8**	1.1

	976.5	946.8

All amounts fall due for repayment within one year. The loans to Group companies are repayable on demand with no fixed repayment date. Interest is charged between 0% - 10% (2018: 0%).

7. Cash held at bank

	31 December 2019 £m	31 December 2018 £m
Cash held at bank	**3.4**	9.6

8. Trade and other payables

	31 December 2019 £m	31 December 2018 £m
Trade and other payables	**4.0**	3.3
Accruals	**9.7**	7.4
	13.7	10.7

9. Loan notes

Bonds	**31 December 2019 £m**	31 December 2018 £m
2.625% Bonds 2026	**249.2**	249.1
3.125% Bonds 2031	**247.1**	246.8
2.860% USPP 2028	**250.0**	-
2.980% USPP 2030	**150.0**	-
Less: unamortised costs on loan notes	**(4.8)**	(3.2)
Non-current liabilities: net borrowings	**891.5**	492.7

Maturity of loan notes	**31 December 2019 £m**	31 December 2018 £m
Repayable between one and two years	**-**	-
Repayable between two and five years	**-**	-
Repayable in over five years	**896.3**	495.9
	896.3	495.9

The Company signed a private placement of £400 million new senior unsecured loan notes with a number of new institutional investors (the "Loan Notes") on 4 December 2018. The Loan Notes comprised two tranches with a weighted average coupon of the fixed rate notes equating to 2.91% and a weighted average maturity of 9.8 years. The funds were drawn on 28 February 2019.

10. Equity reserves

Refer to note 28 of the Group's financial statements.

11. Related party transactions

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

For all other related party transactions make reference to note 31 of the Group's financial statements.

12. Directors' remuneration

Refer to note 9 of the Group's financial statements.

13. Subsequent events

Refer to note 34 of the Group's financial statements.

NOTES TO THE EPRA AND OTHER KEY PERFORMANCE INDICATORS

1. EPRA earnings per share

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m

Total comprehensive income (attributable to Shareholders)	**141.2**	252.6
Adjustments to remove:		
Changes in fair value of investment properties	**(54.5)**	(163.0)
Changes in fair value of interest rate derivatives	**5.2**	1.2
Gain on bargain purchase and impairment of intangible and other property assets	**(7.2)**	-
Costs associated with a business combination	**4.2**	1.0
Profits to calculate EPRA earnings per share	**88.9**	91.8
Add back: Changes in fair value of contingent consideration payable	**0.5**	-
Profits to calculate EPRA diluted earnings per share	**89.4**	91.8
Weighted average number of Ordinary Shares	**1,681,525,273**	1,440,012,547
EPRA earnings per share - basic	**5.29p**	6.37p
Dilutive shares to be issued	**8,520,625**	-
EPRA earnings per share - diluted	**5.29p**	**6.37p**

2. EPRA NAV per share

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Net assets at end of period	**2,561.2**	2,240.9
Adjustments to calculate EPRA NAV:		
Changes in fair value of interest rate derivatives - 2019	**5.2**	-
Changes in fair value of interest rate derivatives - 2018	**1.2**	1.2
Changes in fair value of interest rate derivatives - 2017	**(0.7)**	(0.7)
Changes in fair value of interest rate derivatives - 2016	**7.1**	7.1
Changes in fair value of interest rate derivatives - 2015	**2.0**	2.0
Changes in fair value of interest rate derivatives - 2014	**2.6**	2.6
EPRA net assets	**2,578.6**	2,253.1
Shares in issue at 31 December 2019	**1,706,974,948**	1,474,233,401
Dilutive shares in issue	**-**	-
	1,706,974,948	1,474,233,401
Dilutive EPRA NAV per share	**151.06p**	152.83p

3. EPRA NNNAV

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
EPRA net assets	**2,578.6**	2,253.1
Include:		
Fair value of financial instruments	**(17.4)**	(12.2)
Fair value of debt[1]	**(53.0)**	16.8
EPRA NNNAV	**2,508.2**	**2,257.7**
Shares in issue at 31 December 2018	**1,706,974,948**	1,474,233,401
Dilutive shares in issue	**-**	-
	1,706,974,948	1,474,233,401
EPRA NNNAV per share	**146.94p**	**153.14p**

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

borrowings.

4. EPRA net initial yield (NIY) and EPRA "topped up" NIY

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Investment property - wholly owned	**3,511.9**	3,418.2
Less: development properties	**(297.2)**	(730.0)
Completed property portfolio	**3,214.7**	2,688.2

Allowance for estimated purchasers' costs	**218.0**	182.3
Gross up completed property portfolio valuation (B)	**3,432.7**	2,870.5
Annualised passing rental income	**166.6**	161.1
Less: contracted rental income in respect of development properties	**(13.9)**	(31.2)
Property outgoings	**(0.1)**	(1.1)
Less: contracted rent under rent free period	**(3.6)**	(3.5)
Annualised net rents (A)	**149.0**	125.3
Contractual increases for fixed uplifts	**8.8**	8.9
Topped up annualised net rents (C)	**157.8**	134.2
EPRA net initial yield (A/B)	**4.34%**	4.37%
EPRA topped up net initial yield (C/B)	**4.60%**	4.68%

5. EPRA vacancy rate

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Annualised estimated rental value of vacant premises	**2.0**	-
Portfolio estimated rental value[1]	**165.2**	152.7
EPRA vacancy rate	**1.22%**	0.0%

1 Excludes land held for development.

6. EPRA cost ratio

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Property operating costs	**0.1**	1.1
Administration expenses	**21.7**	18.1
Service charge costs recovered through rents but not separately invoiced	**-**	(0.9)
Total costs including and excluding vacant property costs (A)/(B)	**21.8**	18.3
Gross rental income - per IFRS	**144.4**	133.9
Less: Service charge cost components of gross rental income	**-**	(0.9)
Gross rental income (C)	**144.4**	133.0
Total EPRA cost ratio (including and excluding vacant property costs)	**15.1%**	13.7%

7. Total return

	Year ended 31 December 2019	Year ended 31 December 2018
Opening EPRA NAV	**152.83p**	142.24p
Closing EPRA NAV	**151.06p**	152.83p
Change in EPRA NAV	**(1.79p)**	10.59p
Dividends paid	**6.81p**	6.63p
Total growth in EPRA NAV plus dividends paid	**5.04p**	17.22p
Total return	**3.30%**	12.11%
One-off transactional costs	**3.83p**	-
Total return excluding one-off transactional costs	**5.80%**	12.11%

8. Total expense ratio

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total operating costs	**21.8**	18.3
Average net assets over the period	**2,519.7**	2,093.9

Total expense ratio	**0.87%**	0.87%

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16 during the year ended 31 December 2019 which have not had a material impact on the results. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of IFRS, as adopted by the European Union, this announcement does not itself contain sufficient disclosures to comply with IFRS. The financial information does not constitute the Group's statutory financial statements for the years ended 31 December 2019 or 31 December 2018, but is derived from those financial statements. Financial statements for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for the year ended 31 December 2019 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 31 December 2019 and 31 December 2018 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.