TRITAX BIG BOX

Press Release

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9 August 2018

TRITAX BIG BOX REIT PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 interim results for the Group for the period from 1 January 2018 to 30 June 2018.

Financial highlights

	30 June 2018	30 June 2017	Increase/ Decrease
Dividend per share	3.35p	3.20p	+4.7%
Adjusted earnings per share[2]	3.38p	3.21p	+5.3%
Total return for the six months	5.10%	5.78%	-11.8%
Operating profit before changes in fair value[4]	£57.42m	£42.64m	+34.7%
EPRA cost ratio	13.7%	13.7%	-
	30 June 2018	**31 Dec 2017**	**Increase/ Decrease**
EPRA NAV per share	146.22p	142.24p	+2.8%
Portfolio value[3]	£2.90bn	£2.61bn	+11.0%
Market capitalisation	£2.30bn	£2.03bn	+13.3%

- Fully covered dividends declared for the six-month period of 3.35 pence per share, putting the Company on track to hit its full-year target of 6.70 pence[1].
- Adjusted earnings per share for the six-month period of 3.38 pence per share[2], an increase of 5.3% over H1 2017.
- EPRA net asset value ("NAV") per share increased by 3.98 pence or 2.8% to 146.22 pence as at 30 June 2018 (31 December 2017: 142.24 pence).
- Total return for the period was 5.10%, comparing well against the Company's medium-term target of at least 9% per annum.
- Portfolio independently valued at £2.90 billion[3] as at 30 June 2018 (31 December 2017: £2.61 billion), including all forward funded development commitments. This reflected a like-for-like valuation uplift during the six-month period of 1.9%.
- Operating profit before changes in fair value of investment properties has increased by 34.7% to £57.42 million (30 June 2017: £42.64 million).
- Contracted annual rent roll increased to £139.36 million (31 December 2017: £125.95 million), including all forward funded development commitments.
- At the period end, the Group's independent valuer, CBRE, assessed the portfolio's headline Estimated Rental Value (ERV) 5.6% above contracted annual rent, at £147.19 million pa.
- EPRA cost ratio maintained at 13.7%, when compared to the first half of last year (30 June 2017: 13.7%).
- At 30 June 2018, the Group had a loan to value (LTV) ratio of 25% (31 December 2017: 27%). This compares with our medium-term target of up to 40% when fully invested and geared. The

Group has a largely unsecured debt platform which provides the flexibility to raise further liquidity across multiple debt markets.

- As a consequence of its fixed-rate debt and hedging policy, the Group has a capped cost of debt of 2.66% and an all-in running cost of borrowing of 2.44% at the period end.

Operational highlights

- At 30 June 2018, the weighted average unexpired lease term ("WAULT")[5] [6] was 14.1 years.
- Average net initial yield of the property portfolio at acquisition is 5.6%[5], against our period end valuation of 4.6% net initial yield[5].
- Acquired four Big Boxes off market with an aggregate purchase price of £221.60 million, a WAULT of 23 years and adding two new Customers to the portfolio.
    - Three of the assets acquired in the period were forward funded pre-let developments with an average unexpired lease term of 26 years. These three assets will add a total of approximately 1.8 million sq ft of new Big Box logistics space to the portfolio and increase the rent roll by £9.44 million pa.
    - +7.6%[7] valuation increase over aggregate purchase price of the four assets acquired in the period.
- At the period end, the portfolio comprised 50 assets, which are well diversified by building size, geography and Customer and covering more than 24.9 million sq ft of logistics space[5].
- The portfolio was fully let, or pre-let and income producing, during the period[5].
- Raised £155.57 million of equity in April 2018, through a substantially oversubscribed placing.
- Good progress with our strategic land at Littlebrook, Dartford, within the M25, where demolition and site preparation continue to plan.

Post Balance Sheet Highlights

- On 3 July 2018, the Company completed on a new forward funded development of a new logistics facility pre-let to Amazon UK Services Limited for an investment price of £120.70 million.
- Assets under offer, in exclusivity and in solicitors' hands totalling approximately £160 million. We expect to exchange contracts on these opportunities over the coming months.

1 This is a target only not a profit forecast. There can be no assurances that the target will be met and it should not be taken as an indicator of the Company's expected or actual future results
2 See note 7, for reconciliation
3 See note 10 for reconciliation. The portfolio value includes capital commitments of £135.1 million on forward funded developments
4 Operating profit before changes in fair value of investment properties
5 Excluding the land at Littlebrook, Dartford, which is currently non-income producing
6 Weighted Average Unexpired Lease Term ('WAULT')
7 Excluding associated purchase costs the valuation increase is 7.6%. Including associated purchase costs the valuation increase is 6.1%

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

"The Group has an exceptional portfolio and is well positioned to take advantage of the changing dynamics in the logistics market, in particular technical innovation in the form of e-commerce. This is affecting fortunes on the high street with a number of well-publicised retailers having succumbed to a challenging trading environment.

Despite the depreciation of Sterling having made imports more expensive, we feel that Brexit does not yet appear to be affecting occupier demand for Big Box space significantly. We expect to see continued healthy occupier requirements for well-located logistics buildings which enable occupiers to remain competitive by delivering economies of scale benefits, cost savings and improved operational efficiencies.

Market rental growth remains ahead of underlying inflation and we believe that trend will continue in the near term. This supports the continued strong investment demand for UK logistics assets which produced further yield compression in the first half of this year.

We are well capitalised and this will allow us to continue to add high-quality assets to the portfolio selectively. We expect to continue to do so at attractive prices. Our pipeline of identified investments, forward funded developments and land is strong. We have under offer opportunities which, assuming they proceed to completion, would see our last equity raise fully invested on a geared basis.

Our high-quality income is now well matched against longer-term fixed or hedged debt which provides further comfort to our ambition to grow our dividend. The Company is well placed to continue to benefit from its strong position in the market and deliver attractive returns to our Shareholders."

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 pre-let forward funded developments, the Company focuses on well-located, modern "Big Box" logistics assets, typically greater than 500,000 sq. ft. (measured by floor area, c. 65% of the Company's existing logistics facilities including forward funded developments are in excess of 500,000 sq ft.), 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

Meeting for investors and analysts and audio recording of results available

A meeting for investors and analysts will be held at 9.30am today at:

Newgate Communications Sky Light City Tower 50 Basinghall Street London, EC2V 5DE

In addition, later in the day an audio recording of this meeting and the presentation will also be available to download from the Company's website: www.tritaxbigbox.co.uk

CHAIRMAN'S STATEMENT

The Group delivered another robust performance in the six months to 30 June 2018, in occupational and investment markets that remain favourable for us. We continued to implement our investment strategy successfully and are on track to meet our dividend target for the year of 6.70 pence[1] per share, which will be the fifth consecutive year of dividend growth. Our total return for the six months was 5.10%, against our medium-term target of at least 9% per annum.

Having acquired several Value Add assets towards the end of 2017, we added three Foundation assets and one Growth Covenant asset to the portfolio during the first half of this year, including three forward funded pre-let developments. The combined investment price, excluding purchase costs, was £221.60 million. Our Manager, Tritax Management LLP, sourced these investments off market by using its outstanding industry network and market intelligence. At the period end, the portfolio of 50 assets and c.114 acres of strategic land was independently valued at £2.90 billion, including capital commitments. This reflected a like-for-like valuation uplift during the six-month period of 1.9%.

The Group continues to enhance its income and to add value to the portfolio through successful asset management. Notable events during the period to date included the settlement of six rent reviews, adding £0.56 million to the contracted annual rent roll, along with the signing of a 10-year lease extension with Kellogg's, at Trafford Park.

We also made good progress with our strategic land at Littlebrook, where demolition and site preparation continues to plan. By developing buildings only on a pre-let basis, we aim to add high-quality investments to the portfolio over the coming years, at an attractive yield on cost.

Share issuance and acquisition pipeline

Investment demand for logistics assets remains strong from both UK and overseas investors seeking robust income streams with growth characteristics. We believe that the Group has an unparalleled reputation for reliability, expertise and speed of transacting, attributes which can provide us with a competitive advantage in the market.

With the geared proceeds of our 2017 equity raise fully invested, committed or in solicitors' hands, we decided to raise further equity funding through a placing in April this year. The placing was heavily oversubscribed and we raised the maximum gross proceeds of £155.57 million. At the date of this report, we have made good progress towards deploying those funds, having c.£160 million of assets under offer, in exclusivity and in solicitors' hands. Capital allocation discipline and careful asset selection ensure that each of these assets support our investment strategy. We expect to exchange contracts on these opportunities over the coming months.

Debt financing

Following our significant refinancing towards the end of 2017, there were no changes to the Group's debt financing arrangements during the first half of this year. At 30 June 2018, the Group had a loan to value (LTV) ratio of 25% (31 December 2017: 27%). This compares with our medium-term target of 35% when fully invested and geared, and our ceiling of 40%.

We now have a largely unsecured debt platform which provides the flexibility to raise further liquidity across multiple debt markets. This gives us confidence moving forwards and allows us to add further diversity to our borrowings along with quick execution under our bond Euro Medium Term Note (EMTN) programme, as and when required.

Financial results

The Group has continued to perform well, with operating profit before changes in the fair value of investment properties increasing by 34.7% to £57.42 million. This performance benefited from our low and transparent cost base. Cost discipline and economies of scale helped to maintain our EPRA cost ratio of 13.7% (30 June 2017: 13.7%). This compares favourably to our peers and offers good value to our Shareholders. Adjusted earnings per share (EPS) were 3.38 pence, up 5.3% (30 June 2017: 3.21 pence).

The EPRA net asset value at 30 June 2018 was 146.22 pence per share, up 3.98 pence or 2.8% compared to our last reported EPRA net asset value (31 December 2017: 142.24 pence per share).

Dividends

On 17 May 2018, we declared an interim dividend of 1.675 pence per share, in respect of the three months to 31 March 2018. This dividend was paid in June 2018.

On 12 July 2018, we declared a second interim dividend of 1.675 pence per share, in respect of the three months to 30 June 2018. This dividend is payable on 9 August 2018, to Shareholders on the register as at 20 July 2018.

Dividends declared in respect of the first half therefore total 3.35 pence per share, meaning we are on track to meet our target of 6.70 pence[1] per share for the full year. This would represent growth of 4.7% over the total dividend of 6.40 pence per share for 2017.

The dividends declared in respect of the first half were fully covered by Adjusted EPS, which includes licence fees we receive from developers on our forward funded developments and adjusts for other earnings not supported by cash flows.

The Board

We were delighted to welcome Richard Laing to the Board as a Non-Executive Director on 16 May 2018. His appointment has further strengthened the Board, as he brings valuable listed investment companies experience, as well as additional financial expertise. Richard has joined both the Management Engagement and Nomination Committees and has taken over from Jim Prower as chairman of the Audit Committee. Jim remains a member of the Audit Committee and I thank him on behalf of the Board for his significant contribution in his time as chairman of the Audit Committee.

Outlook

The Group has an exceptional portfolio and is well positioned to take advantage of the changing dynamics in the logistics market, in particular technical innovation in the form of e-commerce. This is affecting fortunes on the high street with a number of well-publicised retailers having succumbed to a challenging trading environment.

Despite the depreciation of Sterling having made imports more expensive, we feel that Brexit does not yet appear to be affecting occupier demand for Big Box space significantly. We expect to see continued healthy occupier requirements for well-located logistics buildings which enable occupiers to remain competitive by delivering economies of scale benefits, cost savings and improved operational efficiencies.

Market rental growth remains ahead of underlying inflation and we believe that trend will continue in the near term. This supports the continued strong investment demand for UK logistics assets which produced further yield compression in the first half of this year.

We are well capitalised and this will allow us to continue to add high-quality assets to the portfolio selectively. We expect to continue to do so at attractive prices. Our pipeline of identified investments, forward funded developments and land is strong. We have under offer opportunities which, assuming they proceed to completion, would see our last equity raise fully invested on a geared basis.

Our high-quality income is now well matched against longer-term fixed or hedged debt which provides further comfort to our ambition to grow our dividend. The Company is well placed to continue to benefit from its strong position in the market and deliver attractive returns to our Shareholders.

Richard Jewson Chairman9 August 2018

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OUR PORTFOLIO

Since our IPO in December 2013, we have rapidly built an outstanding portfolio of 50 selectively acquired Big Boxes. Our portfolio is well diversified by size, geography and tenant.

The assets are typically modern, in prime locations and fully let on long leases to institutional-grade tenants with upward-only rent reviews, producing a contracted rental income of £139.4 million pa, as at the period end.

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

- **2.90 billion** – Portfolio value
- **14.1 years** – Portfolio WAULT [1,2]
- **84%** – of assets acquired off market (since December 2013)
- **5.6% NIY** – Portfolio average net initial purchase yield (since December 2013) [1]
- **50 assets** – Totalling 24.9 million sq ft[1]
- **100%** – Let or pre-let[1]
- **114 acres** – of prime Strategic Land situated within M25

1. Excluding land at Littlebrook, Dartford, which is currently non-income producing.
2. Includes full rental penalty payment until the end of the lease term at Unilever, Doncaster.

Our six largest tenants by contracted rent roll

Morrisons	7.9%
Argos/Sainsbury's	6.9%
Howden Joinery Group	6.2%
Marks & Spencer	4.9%
Tesco	4.8%
Amazon	4.1%
Total rent roll	**34.8%**

MANAGER'S REPORT

It was another active six months for the Group. Against a positive market backdrop we continued to implement our investment strategy successfully, by committing £221.6 million into high-quality Big Box assets and positioned the Group for further growth through an oversubscribed equity placing. This will enable us to select assets carefully which further enhance the Group's portfolio and underpin the Company's progressive dividend policy.

STRUCTURAL CHANGE DRIVES OUR MARKET

Enhancing operational efficiency

Occupier demand for well-located, high-quality Big Box accommodation remains strong in 2018 as retailers, third-party logistics operators and manufacturers amongst others, seek to respond to significant strategic challenges within their markets: structural and technological change, weaker economic growth, rising costs and increased global competition.

In response to these trends and pressures companies across all sectors continue to recognise the need for effective national and regional logistics frameworks which can help increase margins, protect profits and improve the quality of their commercial offering.

Modern, strategically located Big Boxes provide the nucleus for effective distribution to other parts of the supply chain. By centralising previously dispersed distribution into fewer, larger facilities, occupiers can optimise staff and stock management, benefit from previously unavailable flexibility and capture economies of scale and low cost of use. This can be delivered by the addition of full height racking, mezzanine floors and automated handling systems.

At the core of modern retailing

E-commerce continues to take a greater share of total retail sales. In the 12 months to June 2018 annual online retail sales grew by 13.8% and now account for 17.1%* of total annual retail sales. By 2021, e-commerce is expected to reach more than 25%† of total retail sales.

This rapid growth continues to significantly disrupt retailers' traditional real estate portfolios. During the first half of this year alone, some of the UK's best-known retail brands including Next, New Look and Marks and Spencer have announced extensive high street store closures and in some cases rent reductions, whilst recognising the importance of revolutionising their logistics platforms to ensure they can compete within an increasingly complex, competitive and fast-moving omni-channel market.

Big Boxes have become increasingly central to retailers' business models due to the key role they play as part of a logistics framework. Not only do they provide a breakdown point for goods imported in bulk and hold finished goods for distribution, but they have become quasi-retail outlets, distributing an increasing breadth of goods directly to consumers whilst also fulfilling store replenishment and via both routes handling an increasing volume of returns. By amalgamating e-commerce and store logistics under a single roof with a full product line a retailer can cope efficiently with changes in short-term consumer demand and the longer-term trending from store to online sales.

* Source: Office for National Statistics

† Source: eMarketer

The need for sustainable buildings

With greater awareness of the impact of buildings on the environment, companies in all sectors must consider not only the financial benefits/returns from real estate, but also understand their responsibilities to both the local communities within which they operate and the wider environment.

Occupiers increasingly have corporate and social responsibility (CSR) targets and look to adopt sustainable business practices. They seek buildings that are sustainable in the long term not only to minimise their environmental footprint, but also to reduce overall occupancy costs from heating, lighting and other utilities.

To improve energy ratings, unlike older industrial units, modern Big Boxes are constructed using state of the art design and materials. Increasingly such assets are energy hungry due to automation and density of use and this has driven an increasing desire to incorporate low carbon technologies and other initiatives such as biomass heating systems, wind turbines, roof-mounted solar panels or rain harvesting in order to ensure that natural resources are consumed as efficiently as possible.

POSITIVE MARKET FUNDAMENTALS

Constrained supply

The factors described above have led to strong occupational demand, which continues to outstrip supply. According to CBRE, take-up of modern units of 100,000 sq ft or more in the first half of 2018 totalled 17.56 million sq ft, more than the total for the whole of 2017 and equal to 60% of the annual volume for 2016, the strongest year for occupational demand on record. Online retailers accounted for 32% of total take-up as the demand for modern space to fulfil e-commerce requirements continues.

Distillation of risk has discouraged developers from speculatively constructing, which means that there has been very little speculative development of assets over 500,000 sq ft. Currently, there is only one new building of this size available to let across the whole of the UK, with another under construction and ready to occupy in Q1 2019. In addition, there is one used and unrefurbished asset available to let and another available to sublet.
This very limited supply means that occupiers seeking a Big Box can usually only obtain one by agreeing a pre-let on a forward funded development.

Rising rents

Ongoing constraints in supply, coupled with continued strong occupier demand, construction cost price inflation and an increase in land values are driving up rents and providing the potential for income growth. Rental growth remains robust and we expect rents to outstrip the level of domestic inflation in the near term.

Competition for alternative land uses, which is pushing up land values, as well as rising labour and construction costs are also feeding into rents.

Rental growth has been enjoyed across nearly all regions over the year to the end of June 2018 with only the East Midlands seeing rents stable, albeit rents in this region grew earlier in the post-economic recovery period than many others. Rents in many regions continue to be pushed on by recent transactions where new, higher rental levels are being achieved.

Prime logistics headline rents and annual growth

12 months to 30 June 2018

Location	Prime rent/sq ft	Annual growth
London/M25	£11.00–£15.50	+8.0%
Rest of South East	£9.50	+7.3%
South West	£6.95	+6.9%
East Midlands	£6.50	0.0%
West Midlands	£6.75	+3.8%
North West	£6.75	+3.8%
Yorkshire & North East	£5.50–£5.75	+2.4%
Regional average annual rental growth		**+4.6%**

Source: CBRE

Investment value growth

As noted in the Chairman’s statement, logistics assets remain in high demand from both domestic and international investors, reflecting the strong fundamentals of our market. UK institutions are reducing their weightings in the retail sector and, to a lesser extent, in offices. At the same time, they are increasing weightings in light industrial and logistics, when able to source assets. There is also significant capital entering the logistics sector from overseas.

The UK logistics market has witnessed several years of strong capital value growth. 2017 was a tale of two halves with H1 providing modest value growth, whereas the performance in H2 was strong. Like the previous year, capital growth and yield compression in H1 2018 have been modest. We see values holding up and the opportunity for further yield compression, driven by the wall of money looking to access the sector and the attractions of rental growth.

IMPLEMENTING OUR INVESTMENT STRATEGY

Disciplined capital allocation

During the period, we strengthened the Group's portfolio with the addition of four assets, three of which were classified as Foundation assets, along with one Growth Covenant asset. We continued to exercise strong capital discipline, with these acquisitions having an average net initial yield of 5.1% and an average unexpired lease term of 23 years. Our ability to acquire assets for the Group at attractive prices is assisted by our excellent industry network, which allowed us to source all four assets off market. In total, 84% of the portfolio by value has been acquired off market.

Three of the assets acquired in the period were forward funded pre-let developments. They have an average unexpired lease term of 26 years. These assets will add a total of approximately 1.8 million sq ft of new Big Box logistics space to the portfolio and increase the rent roll by £9.44 million pa.

At the period end, the Group owned 50 income-producing assets, which are well diversified by building size, geography and Customer. This continued diversification helps to reduce risk, supports the Group's strong and growing income stream and allows the Company to pay progressive dividends to Shareholders.

We added AO World plc and Eddie Stobart Limited as new Customers to the portfolio during the period, and we are creating further assets for our existing Customer, Howden Joinery Group plc. At the period end, the Group therefore had 38 different Customers, which include some of the world's biggest names in logistics, consumer products and automotive. Between them, they own some of the best-known and well-respected brands in omni-channel retail. As at the period end 82% of our Customers (by contracted income) were members of major stock market indices in the UK, Europe and the USA.

At 30 June 2018, the portfolio was 100% let or pre-let and income producing. The portfolio's WAULT stood at 14.1 years. Only 11.2% of the rent roll expires in the next five years and 44.3% does not expire for at least 15 years, giving the Group excellent income security.

At the period end, the Group's independent valuer, CBRE, assessed the portfolio's headline Estimated Rental Value (ERV) at £147.19 million pa, 5.6% higher than the contracted rental income at that date of £139.36 million. The spread of rent review profiles across the portfolio will provide an opportunity for the Group to capture much of this potential rental growth over the coming years. In 2018, 21.8% of the rent roll is subject to review across nine separate reviews; we have made good progress in the period to date settling six of these reviews, as set out further below.

The Group's long-term approach

Although our intention is to hold most assets for the long term, we do review the portfolio on an ongoing basis and may sell if we have unlocked value, delivered the asset's business plan and have the potential to reinvest the proceeds in a more attractive opportunity.

The frictional costs of buying and selling property are an important consideration for investors. With typical purchase costs and selling costs of c.6.8% and c.1.8% respectively, the total cost of selling an asset and reinvesting the proceeds can be 8.6% or more. This favours the Group's investment approach, which is to buy high-quality investments and hold them for the long term, using asset management to create value internally rather than recycling investments too frequently.

The Group's Customers also favour landlords with whom they can create a long-term relationship, particularly when there is common interest in several buildings in different locations. This can present the opportunity to work together for mutual benefit, providing Customers with operational flexibility and the Group with the potential for value enhancement.

TRITAX BIG BOX

ACQUISITION HIGHLIGHTS
for the six months ending 30 June 2018

- **+4 Big Boxes** – Total investment price of £221.6m, introducing two new Customers to the portfolio
- **23yrs** – Average unexpired lease term across the four new assets
- **5.1% NIY** – Average net initial purchase yield across the four acquisitions
- **100%** – Of the four assets were acquired off market
- **+7.6%** – Valuation increase over the purchase price of the four assets acquired*
- **+1.8 million sq ft** – Pre-let forward funded developments added to the portfolio

* Excluding associated purchase costs the valuation increase is 7.6%. Including associated purchase costs the valuation increase is 6.1%

ACQUISITIONS
for the six months ending 30 June 2018

During the period, in line with the Group's investment policy, we continued to target large, modern, strategically located Big Box assets let to institutional-grade tenants. We source assets which offer value to Shareholders and which usually have an initial yield range of between 5% and 7%.

Standing asset

AO World, Crewe, Cheshire (Growth Covenant asset)

Acquired:	18 January 2018
Acquisition price:	£36.1 million
Net initial yield:	5.4%
Gross internal area:	387,666 sq ft
Eaves height:	12.5 metres
Built:	2006
Lease expiry:	November 2026
On/off market:	Off market

- A high-specification National Distribution Centre, strategically positioned in a core logistics location at Weston Road, Crewe, with excellent access to the M6 and M1 via the A50 dual carriageway and good connectivity to Manchester and Liverpool airports and the Port of Liverpool.
- The versatile cross docked facility has benefited from significant capital investment by the Customer and is located diagonally opposite the Customer's other distribution facility, which together form ao.com's UK National Distribution hub.
- Acquired with an unexpired lease term of approximately nine years, subject to five-yearly, upward-only, open-market rent reviews. The next rent review is due in May 2021.

Pre-let forward funded developments

Howden Joinery Group II & III, Raunds, Northamptonshire (Foundation asset)

Acquired:	15 January 2018
Acquisition price:	£103.7 million (combined)
Net initial yield:	5.0%

Gross internal area:	657,000 sq ft & 300,000 sq ft
Eaves height:	c.15 metres
Built:	Expected September 2019
Lease expiries:	Expected September 2049
On/off market:	Off market

- Strategically important facilities which will sit adjacent to another Howden Big Box at the same location, which is also owned by the Group. On completion, they will form a 1.6 million sq ft 'centre of excellence' for Howdens' supply chain operations, which is expected to deliver significant operational and efficiency benefits.
- The site is strategically located at Warth Park in Raunds, Northamptonshire, on the A45 corridor approximately three miles from junction 13 of the A14, which provides access to the ports of Felixstowe and Harwich and also directly links to the A1(M) dual carriageway and the M1 motorway.
- On practical completion, the facilities will be let to Howdens on new 30-year leases, without break, subject to five-yearly, upward-only, open-market rent reviews.

Eddie Stobart, Corby, Northamptonshire (Foundation asset)

Acquired:	6 February 2018
Acquisition price:	£81.8 million
Net initial yield:	5.0%
Gross internal area:	844,000 sq ft
Eaves height:	18 metres
Built:	Expected January 2019
Lease expiry:	Expected January 2039
On/off market:	Off market

- The facility will be a Regional Distribution Centre at the new Midlands Logistics Park (MLP), located south of Corby, with direct access to the recently upgraded A43 dual carriageway, which provides significantly improved access to the M1 southbound, M6 and A1(M).
- MLP has a 500-metre rail siding and yard, providing potential future connection to the rail network, thereby enhancing connections to the UK's ports and cities.
- On practical completion, the property will be leased to Eddie Stobart Limited on a new 20-year lease, subject to five-yearly, upward-only rent reviews indexed to the Retail Price Index, (collared at 2% and capped at 4% pa). The first rent review is due in early 2024.

<u>Post period-end acquisitions</u>

Amazon, Link 66, Darlington, County Durham (Foundation asset)

Acquired:	29 June 2018 (completed 3 July 2018)
Acquisition price:	£120.7 million
Net initial yield:	5.0%
Gross internal area:	1,508,367 sq ft
Eaves height:	18 metres
Built:	Expected September 2019
Lease expiry:	Expected September 2039

On/off market: Off market

- The forward funded development of a new fulfilment centre, located at Link 66, Darlington, which has excellent motorway connectivity to the A1 (M) via the A66 to junctions 57 and 58. The planned Darlington Northern Bypass will link the A1(M) to junction 59, connecting directly to the A66, adjacent to the site.
- The development will comprise a cross dock facility with 360-degree circulation, an eaves height of 18 metres and low site cover of 32%. The building will be constructed with a gross internal floor area of 1,508,367 sq ft over ground and two structural mezzanine floors. There is expected to be significant capital expenditure on automation by the tenant.
- Upon practical completion the property will be let to Amazon on a new 20-year lease subject to five-yearly rent reviews indexed to CPI (collared at 1% pa and capped at 3% pa)

SIX MONTHS IN BRIEF

The first half of 2018 was another active period during which we continued to implement the Group's investment and financing strategies, positioning it for further success.

15 January
Completed contracts on the £103.7m forward funded investment in two new distribution facilities at Warth Park, Raunds, Northamptonshire, pre-let to Howden Joinery Group plc.

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

6 February
Exchanged contracts on a forward funded investment in a new logistics facility, pre-let to Eddie Stobart Limited, at Midlands Logistics Park, Corby, Northamptonshire, for £81.8 million.

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

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

18 April
Announced a proposed placing to fund the Group's acquisition pipeline and asset management initiatives.

19 April
Raised gross proceeds of £155.6 million, through a placing of 109,364,308 new ordinary shares at 142.25 pence per share.

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

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

29 June
Exchanged contracts for the forward funded development of a new logistics facility pre-let for 20 years from practical completion to Amazon UK Services Ltd at Link 66, Darlington. The total commitment was £120.7 million. The land purchase and contract were completed on 3 July 2018.

Post-period events

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

BUILDING A RISK-BALANCED PORTFOLIO

We allocate funds to the Group's four investment pillars: Foundation, Growth Covenant and Value Add assets and Strategic Land. The portfolio's lower risk Foundation assets typically provide the Group's core income, while some higher yielding or shorter-leased Value Add assets may offer opportunities for value growth. Growth Covenant Customers have the scope to strengthen financially and thereby enhance investment value. Strategic Land provides the opportunity to create pre-let investments of new buildings without taking on the risk associated with speculative development and can deliver an attractive yield on cost.

During 2017, we took the opportunity to buy higher yielding Value Add assets and Growth Covenant assets with a view to using our skills to enhance value. During the period, we acquired one Growth Covenant asset and then returned our focus to assets that underpin our core lower risk income, acquiring three Foundation Assets. As at the period end, in line with our risk-adjusted approach, 76% of the portfolio (by value) was made up of Foundation Assets.

Our portfolio investment pillars (by value)

Core lower risk income

Foundation assets 76%

Sainsbury's *Sherburn-in-Elmet*	Dixons Carphone *Newark*
Marks & Spencer *Castle Donington*	Gestamp *Wolverhampton*
Morrisons *Sittingbourne*	Amazon *Peterborough*
Rolls-Royce Motor Cars *Bognor Regis*	Co-op *Thurrock*
The Range *Doncaster*	Euro Car Parts *Tamworth*
Kuehne+Nagel *Derby*	Screwfix *Lichfield*
L'Oréal *Manchester*	Hachette *Didcot*
Ocado *Erith*	Unilever *Doncaster*
B&Q *Worksop*	Morrisons *Birmingham*
Argos *Heywood*	Royal Mail *Atherstone*
Brake Bros *Harlow*	Royal Mail *Daventry*
Tesco *Goole*	Eddie Stobart *Carlisle*
Dunelm *Stoke-on-Trent*	Unilever *Cannock*
T.K. Maxx *Wakefield*	Howdens II & III *Raunds*
Howdens I *Raunds*	Eddie Stobart *Corby*
Brake Bros *Bristol*	Kellogg's *Manchester*
Argos *Burton-upon-Trent*	

Potential opportunities to enhance value

Value Add assets 14%

Amazon *Chesterfield*	Tesco *Middleton*
Tesco *Didcot*	Whirlpool *Raunds*

Next *Doncaster*

Wolseley *Ripon*

DHL *Skelmersdale*

DHL *Langley Mill*

Dunelm *Stoke-on-Trent*

Marks & Spencer *Stoke-on-Trent*

ITS/Wincanton *Harlow*

Growth Covenant assets 7%

New Look *Newcastle-under-Lyme*

Nice-Pak *Wigan*

Matalan *Knowsley*

Cerealto *Worksop*

AO World *Crewe*

Strategic Land 3%

Littlebrook *Dartford*

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

Foundation assets – **16.2yrs**

Value Add assets – **4.1yrs**

Growth Covenant assets – **17.1yrs**

Our investment pillars by initial purchase yield

Foundation assets – **5.4%**

Value Add assets – **6.3%**

Growth Covenant assets – **6.1%**

OUR PRE-LET DEVELOPMENTS ENHANCE RETURNS

The Group has acquired 12 forward funded pre-let developments between its IPO and 30 June 2018, nine of which have reached practical completion. We have been one of the most active funders of pre-let developments in the UK Big Box logistics sector in recent years. The 12 funded pre-let developments acquired as at the period end comprise:

- a total area of more than 6.3 million sq ft;
- a 5.3% average purchase yield, which compares with CBRE's estimate of a prime purchase yield for a strong covenant on a 15-year term at a market rent with open-market rent reviews of 4.5%, as at 30 June 2018;
- an 18.9% uplift on the aggregate acquisition prices as at 30 June 2018; and
- a weighted average lease term of 22 years at lease completion*.

* Based on all pre-let forward funded developments

As detailed further above, during the first half of 2018, the Group purchased three further pre-let forward funded developments. These total 1.8 million sq ft of new Big Box logistics space, with an average lease term of 26 years. The attractions of securing assets via pre-let forward funded development contracts can include:

- occupiers typically commit to leases of 15 years or longer;
- the income term can be extended with a developer's licence fee during the construction period;
- investment is in new buildings built to modern specifications;
- customers increasingly install mechanical handling equipment and/or automation in a new building;

- modern buildings typically have more flexibility including higher eaves heights;
- modern buildings are generally more sought after by occupiers due to the operational and sustainable efficiencies which they can provide; and
- modern buildings typically command higher rents than their older counterparts and have potential for stronger rental growth.

THE STRATEGIC LAND OPPORTUNITY

The Group's investment policy also allows investment in land, either on its own or in joint venture with a developer or a prospective Customer. This will allow us to assemble sites suitable for pre-let forward funded developments. We will only proceed with constructing a new Big Box after it has been pre-let to an appropriate Customer. Strategic Land purchases are limited to an aggregate of 10% of the Group's net asset value, calculated at the point of investment.

In September 2017 the Group acquired a c.114 acre former oil and coal power station site at Littlebrook, Dartford. Demolition of the power station and its associated infrastructure is progressing in phases and is on programme.

The phase 1 land, which contained oil storage tanks, has now been cleared and is being infilled to create a base on which to develop. A large building on the phase 2 land has been demolished, with further demolition work to be undertaken. The phase 3 land, which includes the main power station building, is currently undergoing a steel strip out, although the full demolition of this phase is a longer-term project.

We have submitted a planning application on phase 1, to consolidate the existing B8 (storage and distribution) planning consents across other parts of the site into phase 1, that could accommodate 450,000 sq ft. We are hopeful of receiving a decision from the council by autumn 2018. A marketing campaign was formally launched in mid-July 2018.

DELIVERING VALUE FROM WITHIN OUR PORTFOLIO

Our asset management initiatives are designed to enhance the quality of the Group's income. These initiatives leverage our expertise and relationships in the Big Box logistics sector and can include negotiating rent reviews, agreeing new lettings, extending existing leases and physical enhancements to the assets such as building extensions.

Capturing reliable and balanced income growth

Rent reviews typically take place every five years and vary in their frequency across the portfolio, so that the Group benefits from a number each year. The Group also benefits from some desirable annual reviews. The balanced spread of upward-only rent reviews over the next few years supports the Group's desire to deliver income growth each year.

41% of the Group's contracted income benefits from a minimum level of rental growth, either annually or five yearly, delivered via either inflation-linked collars, fixed uplifts or minimum growth levels with hybrid rent reviews. This helps provide the Group with confidence when forecasting income growth for the purposes of growing dividends to Shareholders.

The Group settled the following six rent reviews during the first half of 2018, adding £563,775 to the annual rent roll. This equates to a like-for-like annual equivalent increase to the passing rental income across these six assets of 2.22% pa.

Our portfolio rent reviews by type[1]

Open-market rent reviews: 43%
These track the rents achieved on new lettings and rent reviews of comparable properties in the market, offering the potential to capture the continued healthy rental growth in the market.

Fixed uplift rent reviews: 13%
Fixed rent reviews provide certainty of income growth, at either 2% pa (one lease) or 3% pa (four leases). By income, 62% of these leases have five-yearly reviews and 38% are reviewed annually.

RPI/CPI linked: 36%
These provide a degree of inflation protection. All but two of these in the Group's portfolio are the more attractive RPI linked variant. All are subject to caps, the highest at 5% pa. Over £28 million of the Group's inflation-linked income is also collared, which means it benefits from minimum uplifts. Of the 16 inflation-linked leases, 12 are reviewed five yearly, while four provide annual rental increases.

Hybrid: 8%
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.

1 Calculated as a percentage of contracted rental income

Annual inflation indexed rent reviews

Morrisons, Tamworth: The annual rent review, which is linked to CPI, resulted in an uplift to the annual passing rent of £141,285 or 2.75% (to be documented).

Morrisons, Sittingbourne: The annual rent review, which is linked to RPI, with a cap of 2%, resulted in a 2% increase in passing rent, equating to an increase to annual rent of £113,501.

Annual fixed rent reviews

Argos, Burton-on-Trent: The annual rent review, which is fixed at 3% pa, was reviewed in February 2018, and resulted in an uplift in annual passing rent of £127,830.

L'Oréal, Trafford Park: The annual rent review, which is fixed at 3% pa was reviewed in August 2018, resulted in an increase to annual passing rent of £63,834.

Five-yearly open-market rent reviews

Kuehne+Nagel Ltd, Dove Valley Park: This review was under negotiation from April 2017 and recently settled providing an additional £17,130 pa or 0.92% over the review period, achieving a rental level above ERV.

Tesco, Chesterfield: This review was under negotiation from May 2015 and was settled by arbitration in March 2018, with the five-yearly pa open-market rent review resulting in an uplift of £100,196 or 5.01% on the annual passing rent. This was a disappointing award, since it was lower than our rent review surveyor had expected and seemingly not reflective of the broader market evidence for the later part of the review period. The Company received back-rent and interest from the 2015 review date. The rent review level was less relevant given the immediate lease surrender negotiations which were simultaneously concluded with Tesco.

There were five open-market rent reviews that remained unsettled and under negotiation at the period end. Once an open-market rent review is agreed, the tenant is responsible for paying back-rent from the review date, together with interest thereon.

A further two rent reviews are due in the second half of 2018; both of these reviews are on an annual RPI-linked basis.

Securing lease renewals and surrenders

Upon acquisition a business plan is developed for each asset. This is particularly important for value added assets such as those highlighted below. Both were purchased with short unexpired lease terms, but due to strong property fundamentals offered opportunity to enhance value by either renewing an expiring lease (Trafford Park) or negotiating a lease surrender and re-letting (Chesterfield).

Kellogg's, Trafford Park: The Group acquired the asset let to Kellogg's in Trafford Park, Manchester, in August 2016, with an unexpired lease term of less than two years. The asset was acquired with the view that there was a strong possibility of negotiating a lease extension with Kellogg's.

Our asset management team engaged with Kellogg's US based property team, to understand its future distribution requirements and to source a property solution. In March 2018, we completed a 10-year lease extension with Kellogg's, successfully repositioning this asset from Value Add to Foundation.

As part of the lease re-gear negotiation the annual rent was increased from the previous passing rent of £1,480,000 to £1,776,131, reflecting an increase in annual rent of 20%.

Tesco, Chesterfield: The Group purchased the asset let to Tesco in Chesterfield in 2014, at an attractive yield. We categorised it as Value Add, due to the short period to lease expiry of approximately six years.

In the summer of 2016, Tesco announced its intention to vacate the property. We viewed the prospect of a potential refurbishment and re-letting opportunistically, given the location, building size and configuration, in a market bereft of vacant properties of this type readily available to let.

The Group negotiated a surrender of the Tesco lease, without premium, which completed at the end of March 2018.

Within a few days we entered into a 12-month licence agreement with Amazon UK Services Ltd. This agreement requires Amazon to pay an enhanced rent to cover all property costs whilst the longer-term occupational strategy for the asset is finalised. Negotiations are ongoing and will hopefully result in a new lease with Amazon; if not, then the property will be offered to alternative occupiers and formally marketed to let.

Improving property and enhancing value

When acquiring assets for the Group, one of our key considerations is the potential to implement physical improvements that can protect and/or enhance capital value and grow income. We typically acquire assets that are well configured with low site cover, to allow for future occupational flexibility, since we understand that a Customer may need to extend an existing building or alter the layout of a facility as its occupational requirements evolve. Through our in-house specialist knowledge and experience, we can often suggest practical solutions. The aim of these initiatives is to both grow the Group's income and to ensure that its assets are resilient and can adapt to meet Customer demands.

New Look, Newcastle-under-Lyme: In 2017, the Group agreed a building extension project at the New Look National Distribution Centre in Newcastle-under-Lyme. Work is progressing on this initiative, which will extend the facility by 78,034 sq ft. The design is not bespoke to New Look's operations and in the event that an alternative occupier leased the unit, the extended footprint would be beneficial. As part of the initiative the lease term was extended by 12 years and the rent increased by £636,636 pa. The initiative generated a yield on cost of 8.37%.

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

Diligently monitoring the security of our income streams

Our well-diversified Customer base includes some of the biggest names in retail, logistics, consumer products and automotive, with 82% being members of major stock market indices in the UK, Europe and the USA.

In line with our objective of delivering Shareholders a secure, attractive and growing income stream, we diligently monitor our Customers' financial health through regular engagement and by reviewing their trading results and corporate strategies. We work closely with our occupiers not only to unlock potential opportunities, but also better understand and assist with any commercial challenges they face.

Any risk to the Group's strong and growing income stream is further reduced by the portfolio's continued growth and diversification. Equally, the quality of our portfolio, combined with the attractive occupational dynamics of our sector, ensures that our assets are likely to be attractive to new tenants should they become available to let.
The changing shape of UK retail and the increasing pressure on high street retailers is well documented. The Group's Customers include a number of retailers and we have one tenant in particular, New Look, which announced a Company Voluntary Arrangement (CVA) in March 2018. Following the CVA approval, New Look confirmed the closure of 60 of its high street shops, as well as rental reductions across 393 other stores. However, our Big Box distribution facility in Newcastle-under-Lyme which is New Look's largest and most important distribution facility in the UK (one of only two distribution facilities), remains unaffected, except for moving from quarterly to monthly rental receipts. This asset represents less than 1.5% of our portfolio's income.

We continue to stay in regular contact with the senior management team at New Look, as they seek to execute a turnaround plan in order to restore financial and operational stability.

FINANCIAL REVIEW

Portfolio growth

At 30 June 2018, the total value of the portfolio, including forward funded development commitments, was £2.90 billion across 50 assets and 114 acres of strategic land (31 December 2017: £2.61 billion across 46 assets). The Group invested a total of £221.60 million (net of purchase costs) across four assets during the period.

The gain recognised on revaluation of the Group's investment property portfolio was £62.11 million. On a like-for-like basis, compared with assets held at 31 December 2017, values increased by 1.93% for the six months, excluding any additional capital costs incurred in the period. The portfolio's average valuation yield at 30 June 2018 was 4.51%, including the land at Littlebrook which currently does not generate any income and 4.62% excluding Littlebrook.

At the period end, the Group had total commitments relating to forward funded developments and other asset management initiatives of £135.07 million (31 December 2017: £5.11 million). In addition, the Group had committed a further £21.20 million (31 December 2017: £23.51 million) to prepare the full Littlebrook site ready for construction in line with the original budget. This includes the costs of demolition, remediation, planning and infrastructure works.

The Group also exchanged conditional contracts on a forward funded development pre-let to Amazon in Darlington, with an investment commitment of £120.70 million. The acquisition completed on 3 July 2018 and consequently is not included in any of the portfolio metrics as at 30 June 2018.

Financial results

Net rental income grew for the six-month period by £16.67 million to £66.10 million (30 June 2017: £49.43 million), reflecting growth in the portfolio which increased the Group's annual contracted rent roll to £139.36 million across 50 assets as at 30 June 2018 (30 June 2017: £108.65 million across 38 assets).

The increase in net service charge expenditure relates to the change in occupancy at our Chesterfield property. Up to 27 March 2018, Tesco occupied the property under a Full Repairing and Insuring Lease (FRI lease). However, from early April 2018, Amazon took occupation under an occupational licence agreement. As a result, the usual costs recovered under a FRI lease cannot be directly recovered;

however, the income received under the occupational licence has been increased to compensate for these costs.

Operating profit before changes in the fair value of investment properties, as reported under IFRS, grew by 35% to £57.42 million for the six months (30 June 2017: £42.64 million). The increase reflects the growth in the portfolio and the continued relative decline in administrative expenses. Administrative and other expenses, which include management fees and other costs of running the Group, were £8.68 million (30 June 2017: £6.79 million).

EPRA cost ratio

The Group's low and transparent operating costs translated into an EPRA cost ratio of 13.7% for the period. This ratio has been maintained when compared to the same period last year.

	June 2018	June 2017
EPRA cost ratio including and excluding direct vacancy costs	13.7%	13.7%

If we assumed that our forward funded development assets were receiving rental income, rather than licence fees (which are not included within gross rental income), the EPRA cost ratio would equate to 13.1%.

Net financing costs (excluding capitalised interest) for the period were £11.52 million (30 June 2017: £7.21 million), excluding the reduction in the fair value of interest rate derivatives of £0.90 million (30 June 2017: £0.94 million). The increase in net financing costs reflects the growth in the business and is also the first full period following our refinancing in December 2017 to a longer-term, unsecured debt structure. Further information on financing and hedging is provided below.

Tax

The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business. The tax charge for the period was therefore £nil (30 June 2017: £nil).

We continue to make Property Income Distributions by way of declaring dividends amounting to at least 90% of REIT relevant earnings. We also continue to monitor and comply with the relevant REIT tests to ensure our REIT status is maintained.

Profit and earnings

Profit before tax for the period was £107.11 million (30 June 2017: £80.53 million), which resulted in basic EPS of 7.62 pence (30 June 2017: 6.87 pence). The Group's basic EPRA EPS for the period was 3.27 pence (30 June 2017: 3.02 pence).

Adjusted earnings per share

The Group's Adjusted EPS was 3.38 pence for the period (30 June 2017: 3.21 pence), an increase of 5.3%. Adjusted EPS takes EPRA EPS, adds the developer's licence fees the Group receives on forward funded developments and excludes other earnings not supported by cash flows. We see Adjusted EPS as the most relevant measure when assessing dividend distributions. It is pleasing to demonstrate strong earnings growth of 5.3% over the six-month period, which supports the increase in our dividend target of 4.7%. We expect the level of earnings to cover our dividends fully in respect of the financial year. Further information on the calculation of Adjusted EPS can be found in note 7.

Dividends

The Group is targeting a dividend of 6.70 pence[1] per share for 2018, reflecting an increase of 4.7% over the dividend declared in respect of 2017 (an increase which exceeds inflation). This is the fifth consecutive year of targeted dividend growth since our IPO in 2013.

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

- 7 March 2018: 1.60 pence per share, in relation to the three months to 31 December 2017, which was paid on 29 March 2018;
- 17 May 2018: 1.675 pence per share, in relation to the three months to 31 March 2018, which was paid on 11 June 2018; and
- 12 July 2018: 1.675 pence per share, in relation to the three months to 30 June 2018, which will be paid on 9 August 2018 to Shareholders on the register at 20 July 2018.

Dividends in respect of the six months ended 30 June 2018 therefore total 3.35 pence per share, meaning the Group is on track to achieve its target dividend for the full year of 6.70 pence per share. The dividends relating to the first half are fully covered by Adjusted EPS.

Net assets

The EPRA NAV per share at 30 June 2018 was 146.22 pence (31 December 2017: 142.24 pence), representing a 2.80% increase across the six months. This excludes the fair valuation of interest rate derivatives that are reported under IFRS. This uplift in the EPRA NAV has largely been driven by the performance of the property portfolio. We have once again bought well and realised gains across all assets acquired in the period, while benefiting from further strengthening across the market.

Loan financing and hedging

The Group has a scalable and flexible debt platform following our December 2017 refinancing. We now have access to a significant pool of corporate liquidity via the Sterling bond market and private placement markets, made easier by our unsecured debt structure. Our existing 2026 and 2031 loan notes have been trading well in the secondary market. Our live bond EMTN Programme means we have the ability to access the bond market in relatively short order, if required. In the future, raising unsecured debt will provide us with improved operational flexibility, greater speed of execution and lower transactional costs, while efficiently supporting future growth.

Our revolving credit facility is provided by a syndicate of seven banks and may be extended for a further two years beyond its initial maturity in 2022, with the lenders' prior consent. The facility also contains an uncommitted £200 million accordion option and has a current margin of 1.10% over 3 month LIBOR.

At the period end, 62% of the Group's debt commitments were held under fixed-rate facilities. The Group has a hedging strategy for its variable-rate debt, which is primarily to use interest rate caps to allow it to benefit from current low interest rates, while minimising the effect of a significant increase in interest rates. The Group therefore holds derivative instruments which, when combined with the fixed-rate debt, hedge 99% of all Group borrowing commitments. The derivative instruments comprise one interest rate swap and a number of interest rate caps, each running coterminous with the respective loan.

As a consequence of its fixed-rate debt and hedging policy, the Group has a capped cost of debt of 2.66% (31 December 2017: 2.66%) and an all-in running cost of borrowing of 2.44% at the period end (31 December 2017: 2.38%).

At the period end, the Group's debt had an average maturity of 8.4 years (31 December 2017: 8.9 years). The Group currently has no refinancing requirement until December 2022 at the earliest.

Loan to value

The Group has a conservative leverage policy, with a medium-term LTV target of 35% and a maximum LTV of 40%. At 30 June 2018, the LTV was 25% (31 December 2017: 27%). As in previous periods, due to our commitments under forward funded development contracts, which have cash flow requirements spanning the respective development periods, our LTV is artificially suppressed when compared to our level of committed capital. Taking into account our existing commitments as at 30 June 2018 and commitments entered into post the period end, plus the anticipated capital requirement of those assets currently in solicitors' hands, our LTV would increase to approximately 35%.

TRITAX BIG BOX

Tritax Management LLP Manager
9 August 2018

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 results.

KEY PERFORMANCE INDICATORS

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

KPI AND DEFINITION	PERFORMANCE
1. Total return (TR)[1] TR measures the change in the EPRA net asset value over the period plus dividends paid. We are targeting a TR in excess of 9% pa over the medium term.	**5.10%** for the period to 30 June 2018 (30 June 2017: 5.78%)
2. Dividend[1] Dividends paid to Shareholders or declared in relation to the period. Our target for 2018 is a total dividend of 6.70 pence per share[2].	**3.35 pence per share** for the six months to 30 June 2018 (30 June 2017: 3.20 pence per share) We are on track to meet our dividend target of 6.70 pence per share for 2018
3. EPRA NAV per share[2] The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.	**146.22 pence** at 30 June 2018 (31 December 2017: 142.24 pence)
4. Loan to value ratio (LTV) The proportion of our gross asset value that is funded by borrowings. Our medium-term LTV target is to operate within levels of up to 40%.	**25%** at 30 June 2018 (31 December 2017: 27%)
5. Adjusted earnings per share (EPS) Post-tax Adjusted EPS attributable to Shareholders, which includes the licence fees receivable on our forward funded development assets and adjusts for other earnings not supported by cash flows. See note 7 for reconciliation.	**3.38 pence per share** for the six months to 30 June 2018 (30 June 2017: 3.21 pence)
6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) dividend by gross rental income.	**13.7%** for the six months to 30 June 2018 (30June 2017: 13.7%)
7. Weighted average unexpired lease term (WAULT) The average unexpired lease term of the property portfolio, weighted by annual passing rents. Our target is a WAULT of at least 12 years.	**14.1 years** at 30 June 2018 (31 December 2017: 13.9 years)

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 results.

TRITAX BIG BOX

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

EPRA PERFORMANCE INDICATORS

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings (Diluted) Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets).	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.	**£45.90 million/** **3.26 pence per share** for the six months to 30June 2018 (30 June 2017: £35.43 million/ 3.02 pence per share)
2. EPRA NAV (Diluted) Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	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.	**£2.16 billion/** **146.22 pence per share** as at 30 June 2018 (31 December 2017: £1.94 billion/ 142.24 pence per share)
3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	**£2.16 billion/** **145.02 pence per share** as at 30 June 2018 (31 December 2017: £1.94 billion/ 142.16pence per share)
4.1 EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	This measure should make it easier for investors to judge for themselves how the valuation of two portfolios compare.	**4.38%** as at 30 June 2018 (31 December 2017: 4.14%)
4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	This measure should make it easier for investors to judge for themselves how the valuation of one portfolio compares with another portfolio.	**4.82%** as at 30 June 2018 (31 December 2017: 4.82%)
5. EPRA Vacancy Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	**0.00%** at 30 June 2018 (31 December 2017: 0.00%)

6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	**13.7%** for the six months to 30 June 2018 (30 June 2017: 13.7%) Both the 2018 and 2017 ratios include and exclude vacancy costs

PRINCIPAL RISKS

The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that the principal risks and uncertainties as presented on pages 66-71 of our 2017 Annual Report were unchanged during the period.

Property Risk

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

Financial Risk

- Our use of floating rate debt will expose the business to underlying interest rate movements.
- A lack of debt funding at appropriate rates may restrict our ability to grow.
- We must be able to operate within our banking covenants and failure to do so could lead to default and our bank funding being recalled.

Corporate Risk

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

Taxation Risk

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

Political/Economic Risk

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year as disclosed in note 15 and any material changes in the related party transactions disclosed in the 2017 Annual Report.

A list of the Directors and Shareholder information is as disclosed on the Tritax Big Box REIT plc website.

For and on behalf of the Board
Richard Jewson Chairman
9 August 2018

INDEPENDENT REVIEW REPORT TO TRITAX BIG BOX REIT PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2018 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Statement of Financial Position, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of interim financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

BDO LLP Chartered Accountants
London, United Kingdom

9 August 2018

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

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2018 (unaudited) £m**	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Gross rental income		**66.54**	49.44	107.96
Service charge income		**1.82**	1.43	2.94
Service charge expense		**(2.26)**	(1.44)	(2.96)
Net rental income		**66.10**	49.43	107.94
Administrative and other expenses		**(8.68)**	(6.79)	(14.16)
Operating profit before changes in fair value of investment properties		**57.42**	42.64	93.78
Changes in fair value of investment properties	10	**62.11**	46.04	175.98
Operating profit		**119.53**	88.68	269.76
Finance income	4	**0.07**	0.17	0.40
Finance expense	5	**(11.59)**	(7.38)	(20.32)
Changes in fair value of interest rate derivatives		**(0.90)**	(0.94)	(2.04)
Profit before taxation		**107.11**	80.53	247.80
Tax on profit for the period	6	**–**	–	–
Total comprehensive income (attributable to the Shareholders)		**107.11**	80.53	247.80
Earnings per share – basic	7	**7.62p**	6.87p	19.54p
Earnings per share – diluted	7	**7.62p**	6.87p	19.53p

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2018 (unaudited)**	At 30 June 2017 (unaudited)	At 31 December 2017 (audited)

		£m	£m	£m
Non-current assets				
Investment property	10	**2,754.74**	2,046.95	2,599.21
Interest rate derivatives	12	**5.55**	2.23	1.97
Total non-current assets		**2,760.29**	2,049.18	2,601.18
Current assets				
Trade and other receivables		**30.92**	6.98	10.23
Cash at bank	9	**105.31**	467.33	78.04
Total current assets		**136.23**	474.31	88.27
Total assets		**2,896.52**	2,523.49	2,689.45
Current liabilities				
Deferred rental income		**(27.46)**	(22.23)	(27.62)
Trade and other payables		**(25.62)**	(22.91)	(23.44)
Total current liabilities		**(53.08)**	(45.14)	(51.06)
Non-current liabilities				
Bank borrowings	11	**(207.22)**	(673.25)	(216.76)
Loan notes	11	**(492.40)**	–	(492.17)
Total non-current liabilities		**(699.62)**	(673.25)	(708.93)
Total liabilities		**(752.70)**	(718.39)	(759.99)
Total net assets		**2,143.82**	1,805.10	1,929.46
Equity				
Share capital	13	**14.74**	13.64	13.64
Share premium reserve	14	**1,085.02**	931.65	932.37
Capital reduction reserve		**421.43**	511.56	467.93
Retained earnings		**622.63**	348.25	515.52
Total equity		**2,143.82**	1,805.10	1,929.46
Net asset value per share – basic	16	**145.49p**	132.43p	141.50p
Net asset value per share – diluted	16	**145.42p**	132.38p	141.44p
EPRA net asset value per share – diluted	16	**146.22p**	133.30p	142.24p

CONDENSED GROUP CASH FLOW STATEMENT

	Note	**Six months ended 30 June 2018 (unaudited) £m**	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Cash flows from operating activities				
Profits for the period (attributable to the Shareholders)		**107.11**	80.53	247.80
Less: changes in fair value of investment properties		**(62.11)**	(46.04)	(175.98)
Add: changes in fair value of interest rate derivatives		**0.90**	0.94	2.04
Less: finance income		**(0.07)**	(0.17)	(0.40)
Add: finance expense		**11.59**	7.38	20.32
Accretion of tenant lease incentive		**(6.29)**	(6.23)	(12.52)
Increase in trade and other receivables		**(15.65)**	(0.34)	(3.00)
(Decrease)/increase in deferred income		**(0.17)**	2.76	7.16
Increase/(decrease) in trade and other payables		**4.14**	(0.31)	0.02
Cash received as part of asset acquisitions		**(0.05)**	–	1.62

TRITAX BIG BOX

	Note			
Cash generated from operations		**39.40**	38.52	87.06
Taxation paid		**(0.41)**	(0.14)	(0.28)
Net cash flow generated from operating activities		**38.99**	38.38	86.78
Investing activities				
Purchase of investment properties		**(97.23)**	(188.38)	(607.92)
Licence fees received		**3.94**	3.18	5.84
Interest received		**0.10**	0.17	0.39
Amount transferred into restricted cash deposits		**–**	(2.12)	(5.26)
Amount transferred out of restricted cash deposits		**3.28**	3.90	4.78
Net cash flow used in investing activities		**(89.91)**	(183.25)	(602.17)
Financing activities				
Proceeds from issue of Ordinary Share Capital		**156.41**	350.67	351.40
Cost of share issues		**(2.66)**	(5.81)	(5.83)
Bank borrowings drawn		**59.28**	140.00	164.00
Bank borrowings repaid		**(69.28)**	–	(482.66)
Amounts received on issue of loan notes		**–**	–	495.54
Loan arrangement fees paid		**(0.50)**	(1.32)	(7.85)
Bank interest paid		**(11.13)**	(6.06)	(14.21)
Interest rate cap premium paid		**(4.48)**	–	(1.07)
Proceeds from disposal of interest rate cap		**–**	–	0.24
Dividends paid to equity holders		**(46.17)**	(34.19)	(77.31)
Net cash flow generated from financing activities		**81.47**	443.29	422.25
Net increase in cash and cash equivalents for the period		**30.55**	298.42	(93.14)
Cash and cash equivalents at start of period	9	**71.91**	165.04	165.05
Cash and cash equivalents at end of period	9	**102.46**	463.46	71.91

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2018 (unaudited)	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2018	**13.64**	**932.37**	**467.93**	**515.52**	**1,929.46**
Total comprehensive income	–	–	–	107.11	107.11
Issue of Ordinary Shares					
Shares issued in relation to equity issue	1.09	154.48	–	–	155.57
Share issue costs	–	(2.66)	–	–	(2.66)
Shares issued in relation to management contract	0.01	0.83	–	–	0.84
Share based payments	–	–	–	0.97	0.97
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(0.97)	(0.97)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2017 (1.60 pence)	–	–	(21.82)	–	(21.82)
First interim dividend for the period ended 31 December 2018 (1.675 pence)	–	–	(24.68)	–	(24.68)
30 June 2018	**14.74**	**1,085.02**	**421.43**	**622.63**	**2,143.82**

Six months ended 30 June 2017 (unaudited)

	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2017	**11.05**	**589.39**	**546.38**	**267.72**	**1,414.54**
Total comprehensive income	**–**	**–**	**–**	**80.53**	**80.53**
Issue of Ordinary Shares					
Shares issued in relation to equity issue	2.58	347.42	–	–	350.00
Share issue costs	–	(5.81)	–	–	(5.81)
Shares issued in relation to management contract	0.01	0.65	–	–	0.66
Share based payments	–	–	–	0.73	0.73
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(0.73)	(0.73)
Dividends paid:					
Fourth interim dividend for the period ended 31 December 2017 (3.10 pence)	–	–	(17.13)	–	(17.13)
First interim dividend for the period ended 31 December 2018 (1.60 pence)	–	–	(17.69)	–	(17.69)
30 June 2017	**13.64**	**931.65**	**511.56**	**348.25**	**1,805.10**

Year ended 31 December 2017 (audited)	Share capital £m	Share premium £m	Capital reduction reserve £m	Retained earnings £m	Total £m
1 January 2017	**11.05**	**589.39**	**546.38**	**267.72**	**1,414.54**
Total comprehensive income	**–**	**–**	**–**	**247.80**	**247.80**
Issue of Ordinary Shares					
Shares issued in relation to equity issue (May 2017)	2.58	347.42	–	–	350.00
Associated share issue costs	–	(5.83)	–	–	(5.83)
Shares issued in relation to management contract	0.01	1.39	–	–	1.40
Share based payments	–	–	–	1.56	1.56
Transfer of share based payments to liabilities to reflect settlement	–	–	–	(1.56)	(1.56)
Dividends paid:					
Third interim dividend for the period ended 31 December 2016 (1.55 pence)	–	–	(17.13)	–	(17.13)
First interim dividend for the period ended 31 December 2017 (1.60 pence)	–	–	(17.69)	–	(17.69)
Second interim dividend for the period ended 31 December 2017 (1.60 pence)	–	–	(21.81)	–	(21.81)
Third interim dividend for the period ended 31 December 2017 (1.60 pence)	–	–	(21.82)	–	(21.82)
31 December 2017	**13.64**	**932.37**	**467.93**	**515.52**	**1,929.46**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed by the Company's Auditor, BDO LLP, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity and were approved for issue on 9 August 2018. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative financial information presented herein for the year to 31 December 2017 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's Annual Report and accounts for the year to 31 December 2017 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Going concern

During the period the Group raised £156 million from the issue of new equity. The Group had £350 million of headroom under its senior debt facilities as at the period end. The new RCF facility also contains an uncommitted £200 million accordion option. At the period-end date the Group's loan to value ratio stood at 25%, with an average maturity term of more than 8.4 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 period and post the period end.

With the exception of the land at Littlebrook, Dartford, the Group's property assets are either let or pre-let to tenants that are predominantly of institutional-grade covenant strength and all of the leases are subject to upward only rent reviews.

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

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated 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.

2.1. Judgements and estimates

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

Fair valuation of investment property

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

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location.

Business combinations

The Group acquires subsidiaries that own property. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The

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

Operating lease contracts – the Group as lessor

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in this report are consistent with those applied in the Group's condensed consolidated financial statements for the year ended 31 December 2017 and are expected to be applied consistently during the year ending 31 December 2018, with the exception of the following:

3.1. Standards in issue and effective from 1 January 2018

IFRS 15 – Revenue from contracts with customers

The majority of the Group's revenue is derived from leases which are outside the scope of IFRS 15. The remainder of the Group's revenue is from service charge income and is not material.

IFRS 9 – Financial Instruments (effective 1 January 2018)

Management have reviewed the requirements of IFRS 9. The Group's principal financial assets comprise interest rate derivatives which will continue to be measured at fair value and trade receivables which will continue to be measured at amortised cost. There will be no impact on the Group's accounting for financial liabilities; trade and other payables will continue to be measured at amortised cost.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than the incurred credit losses under IAS 39. The main impact of this change is considered to be the impairment provisioning of trade receivables and licence fee receivables.

Historically the Group has not had to provide or write off any debtor from tenants. The specific situation of each tenant has been evaluated using a provision matrix as allowed under IFRS 9.

Based on this assessment the impact is not material.

3.2. Standards in issue but not yet effective

The Directors are currently assessing the impact on the financial statements of the standard listed below, which is not yet effective and has not been early adopted in this financial information. The Directors do not currently expect the adoption of this standard to have a material impact on the Group's financial statements, other than on presentation and disclosure: IFRS 16: Leases (effective 1 January 2019).

4. FINANCE INCOME

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Interest received on bank deposits	**0.07**	0.17	0.40

5. FINANCE EXPENSE

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December 2017

	2018 (unaudited) £m	2017 (unaudited) £m	(audited) £m
Interest payable on bank borrowings	**2.99**	6.08	12.29
Interest payable on loan notes	**7.14**	–	0.67
Commitment fees payable on bank borrowings	**0.60**	0.32	0.63
Swap interest payable	**0.05**	–	0.11
One-off cost of extinguishment of bank loans	**–**	–	4.75
Interest payable under hedging arrangements	**–**	0.05	–
Amortisation of loan arrangement fees	**0.81**	0.93	1.87
	11.59	7.38	20.32

Finance costs capitalised in the period totalled £nil (30 June 2017: £0.19 million, 31 December 2017: £0.32 million) of which £nil related to interest and commitment fees payable (30 June 2017: £0.19 million, 31 December 2017: £0.32 million) and £nil related to amortisation of loan arrangement fees (30 June 2017: £0.12 million, 31 December 2017: £0.08 million).

6. TAXATION

Tax charge in the Group Statement of Comprehensive Income

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
UK corporation tax	**–**	–	–

As a REIT, the Group is exempt from corporation tax on the profits and gains arising from its property investment business, provided it continues to meet certain conditions under the REIT regulations. For the period ended 30 June 2018, the Group did not have any non-qualifying profits subject to corporation tax and accordingly there is no tax charge in the period.

All non-qualifying profits and gains will continue to be subject to corporation tax.

7. EARNINGS PER SHARE

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

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Year ended 31 December 2017 (unaudited)
Net attributable to Ordinary Shareholders			
Total comprehensive income (£m)	**107.11**	80.53	247.80
Number of Ordinary Shares[1] – basic earnings	**1,405,598,226**	1,172,202,067	1,268,540,113
Basic earnings per share[1] (pence)	**7.62p**	6.87p	19.54p
Adjustment for dilutive shares to be issued	**672,608**	553,658	590,881
Number of Ordinary Shares – diluted earnings	**1,406,270,834**	1,172,755,725	1,269,130,994
Diluted earnings per share[2] (pence)	**7.62p**	6.87p	19.53p
Total comprehensive income (£m)	**107.11**	80.53	247.80
Adjustments to remove:			
Changes in fair value of investment properties (£m)	**(62.11)**	(46.04)	(175.98)
Changes in fair value of interest rate derivatives (£m)	**0.90**	0.94	2.04
One-off cost of extinguishment of bank loans (£m)	**–**	–	4.75
EPRA earnings (£m)	**45.90**	35.43	78.61

EPRA earnings per share[1] (pence)	**3.27p**	3.02p	6.20p
EPRA diluted earnings per share[2] (pence)	**3.26p**	3.02p	6.20p
EPRA earnings (£m)	**45.90**	35.43	78.61
Adjustments to include:			
Licence fee receivable on forward funded developments (£m)	**2.34**	3.85	5.31
Finance costs capitalised (£m) (see note 5)	**–**	(0.19)	(0.32)
Fixed rental uplift adjustments (£m)	**(1.58)**	(2.45)	(4.65)
Amortisation of loan arrangement fees (£m) (see note 5)	**0.81**	0.93	1.87
Adjusted earnings (£m)	**47.47**	37.58	80.82
Adjusted basic earnings per share[1] (pence)	**3.38p**	3.21p	6.37p
Adjusted diluted earnings per share[2] (pence)	**3.38p**	3.21p	6.37p

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

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

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

8. DIVIDENDS PAID

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Fourth interim dividend for the period ended 31 December 2016 – 1.55 pence per Ordinary Share	**–**	–	17.13
First interim dividend for the period ended 31 December 2017 – 1.60 pence per Ordinary Share	**–**	–	17.69
Second interim dividend for the period ended 31 December 2017 – 1.60 pence per Ordinary Share	**–**	–	21.81
Third interim dividend for the period ended 31 December 2017 – 1.60 pence per Ordinary Share	**–**	–	21.82
Fourth interim dividend for the period ended 31 December 2017 – 1.60 pence per Ordinary Share	**21.82**	17.13	–
First interim dividend for the period ended 31 December 2018 – 1.675 pence per Ordinary Share	**24.68**	17.69	–
Total dividends paid	**46.50**	34.82	78.45
Total dividends paid in respect of the period/year	**1.675p**	1.60p	4.80p

Total dividends unpaid but declared in respect of the period/year	**1.675p**	1.60p	1.60p
Total dividends declared – per share	**3.350p**	3.20p	6.40p

On 7 March 2018 the Company announced the declaration of an interim dividend in respect of the period 1 October 2017 to 31 December 2017 of 1.60 pence per share payable in April 2018.

On 17 May 2018 the Company announced the declaration of an interim dividend in respect of the period 1 January 2018 to 31 March 2018 of 1.675 pence per share payable in June 2018.

On 12 July 2018 the Company announced the declaration of an interim dividend in respect of the period 1 April 2018 to 30 June 2018 of 1.675 pence per share payable in August 2018.

9. CASH AND CASH EQUIVALENTS

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Cash and cash equivalents to agree with cash flow	**102.46**	463.46	71.91
Restricted cash	**2.85**	3.87	6.13
Cash at bank per Condensed Group Statement of Financial Position	**105.31**	467.33	78.04

Ring-fenced cash included within cash and cash equivalents represents amounts relating to future rent-free periods on certain assets within the portfolio or rental top-up amounts.

Restricted cash is cash where there is a legal restriction to specify its type of use, ie this may be where we have a joint arrangement with a tenant lender on asset management initiatives.

10. INVESTMENT PROPERTY

The investment properties have been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Global Standards January 2017 ("the Red Book"). The valuers have sufficient current local and national knowledge of the particular property markets involved and have the skills and understanding to undertake the valuations competently.

The valuation models prepared in accordance with those recommended by the International Valuation Standards Committee have been applied.

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

	Investment properties freehold £m	Investment properties long leasehold £m	Investment properties under construction £m	Total £m
As at 1 January 2018	1,924.33	612.38	62.50	2,599.21
Property additions[1]	40.49	–	46.65	87.14
Tenant lease incentives[2]	5.39	0.89	–	6.28
Change in fair value during the period	23.85	10.76	27.50	62.11
As at 30 June 2018 (unaudited)	**1,994.06**	**624.03**	**136.65**	**2,754.74**
As at 1 January 2017	1,278.13	436.84	88.14	1,803.11
Property additions[1]	26.42	97.81	67.32	191.55

Tenant lease incentives[2]	3.27	2.98	–	6.25
Transfer of completed properties at valuation	64.18	–	(64.18)	–
Change in fair value during the period	21.28	15.84	8.92	46.04
As at 30 June 2017 (unaudited)	**1,393.28**	**553.47**	**100.20**	**2,046.95**
As at 1 January 2017	1,278.13	436.84	88.14	1,803.11
Property additions[1]	307.45	121.83	178.32	607.60
Tenant lease incentives[2]	7.70	4.82	–	12.52
Transfer of completed properties at valuation	209.75	–	(209.75)	–
Change in fair value during the year	121.30	48.89	5.79	175.98
As at 31 December 2017 (audited)	**1,924.33**	**612.38**	**62.50**	**2,599.21**

1. Property additions are stated net of licence fees deducted from the cost of investment property under construction totalling £5.32 million in the period (31 December 2017: £0.70 million).
2. Included within the carrying value of investment property is £32.17 million (31 December 2017: £25.89 million) in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed rental uplifts and rent-free periods, which requires the recognition of rental income on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property against which revaluations are measured.

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

	As at 30 June 2018 (unaudited) £m	As at 30 June 2017 (unaudited) £m	As at 31 December 2017 (audited) £m
Value per independent valuation report	**2,896.02**	2,100.12	2,607.28
Land option	**0.02**	–	–
Less:			
Capital commitments (note 17)	**(135.07)**	(49.24)	(5.12)
Licence fee receivable	**(5.32)**	(0.06)	–
Ring fenced cash	**(0.91)**	–	(2.95)
Restricted cash (note 9)	**–**	(3.87)	–
Fair value per Condensed Group Statement of Financial Position	**2,754.74**	2,046.95	2,599.21

Capital commitments represent costs to bring the asset to completion under the developer's funding agreements, which include the developer's margin. These costs are not provided for in the Condensed Group Statement of Financial Position, refer to note 17.

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

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

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

11. BORROWINGS

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

Bank borrowings

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
At the beginning of the period/year	**222.87**	541.53	541.53
New bank borrowings agreed and drawn in the period	**59.28**	90.00	100.00
Net bank borrowings drawn in the period under existing facilities	**(69.28)**	50.00	(418.66)
Total bank borrowings drawn	**212.87**	681.53	222.87

The Group had available headroom of £350 million under its bank borrowings (30 June 2017: £100 million, 31 December 2017: £340 million).

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

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Bank borrowings drawn: due after more than one year	**212.87**	681.53	222.87
Total bank borrowings	**212.87**	681.53	222.87
Less: unamortised costs	**(5.65)**	(8.28)	(6.11)
Total bank borrowings per the Condensed Group Statement of Financial Position	**207.22**	673.25	216.76

Loan notes

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
2.625% Bonds 2026	**249.06**	–	249.01
3.125% Bonds 2031	**246.67**	–	246.55
	495.73	–	495.56
Less unamortised costs	**(3.33)**	–	(3.39)
	492.40	–	492.17

On 14 December 2017, the Group announced the pricing of senior unsecured loan notes (the “notes”) with an aggregate principal amount of £500 million split evenly over a nine and fourteen-year term. The notes were issued under the Company’s £1.5 billion Euro Medium Term Note Programme. The Group issued two tranches of loan notes, comprising (i) £250 million senior unsecured loan notes maturing on 14 December 2026, and (ii) £250 million senior unsecured loan notes maturing on 14 December 2031. The 2026 notes and the 2031 notes were priced at a fixed interest rate of 2.625% and 3.125% per annum respectively.

12. INTEREST RATE DERIVATIVES

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

TRITAX BIG BOX

Fair value measurements at each reporting date are below:

	Level 1[1] £m	Level 2[2] £m	Level 3[3] £m	Total £m
Assets				
30 June 2018 interest rate derivatives (unaudited)	**–**	**5.55**	**–**	**5.55**
30 June 2017 interest rate derivatives (unaudited)	–	2.23	–	2.23
31 December 2017 interest rate derivatives (audited)	–	1.97	–	1.97

1. Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
2. Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (ie as unquoted prices) or indirectly (ie derived from quoted prices).
3. Valuation is based on inputs that are not based on observable market data.

13. SHARE CAPITAL

	30 June 2018 (unaudited) £m	30 June 2017 (unaudited) £m	31 December 2017 (audited) £m
Issued and fully paid at 1 pence each	**13.64**	13.64	13.64
At beginning of period	**13.64**	11.05	11.05
Shares issued in relation to equity issue	**1.09**	2.58	2.58
Shares issued in relation to management contract	**0.01**	0.01	0.01
	14.74	13.64	13.64

The Company had 1,473,556,950 shares of nominal value of 1 pence each in issue at the end of the period/year (30 June 2017: 1,363,040,998, 31 December 2017: 1,363,598,083).

On 19 April 2018, the Company announced that 109,364,308 new Ordinary Shares were issued via a Placing, Open Offer and Offer for Subscription at an issue price of 142.25 pence per Ordinary Share, raising gross proceeds of £155.57 million.

14. SHARE PREMIUM

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

	30 June 2018 (unaudited) £m	30 June 2017 (unaudited) £m	31 December 2017 (audited) £m
Balance at the beginning of the period	**932.37**	589.38	589.39
Share premium on the issue of Ordinary Shares	**154.48**	347.43	347.42
Share issue costs	**(2.66)**	(5.81)	(5.83)
Share premium on Ordinary Shares issued to management	**0.83**	0.65	1.39
	1,085.02	931.65	932.37

15. TRANSACTIONS WITH RELATED PARTIES

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

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 (audited) £m
Tritax Management LLP	**7.39**	5.53	11.84

The total amount outstanding at the period/year end relating to the Investment Management Agreement was £3.78 million (30 June 2017: £2.75 million, 31 December 2017: £3.29 million).

Throughout the period SG Commercial LLP (“SG Commercial”) has provided general property agency services to the Group. SG Commercial has been paid fees totalling £nil (30 June 2017: £0.13 million, 31 December 2017: £0.68 million) in respect of agency services for the period/year. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. There were no fees outstanding at the period end (30 June 2017: £nil, 31 December 2017: £nil).

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

There have been no other related party transactions during the half year to 30 June 2018 that have materially affected the financial position or performance of the Group. All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 December 2017.

16. NET ASSET VALUE PER SHARE (NAV)

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

Net asset values have been calculated as follows:

	30 June 2018 (unaudited) £m	30 June 2017 (unaudited) £m	31 December 2017 (audited) £m
Net assets per Condensed Group Statement of Financial Position	**2,143.82**	1,805.10	1,929.46
Mark-to-market adjustment of derivatives	**11.87**	12.59	10.96
EPRA NAV	**2,155.69**	1,817.69	1,940.42
Ordinary Shares:			
Issued share capital (number)	**1,473,556,950**	1,363,040,998	1,363,598,083
Basic NAV per share	**145.49p**	132.43p	141.50p
Basic EPRA NAV per share	**146.29p**	133.36p	142.30p
Diluted share capital (number)	**1,474,229,558**	1,363,594,656	1,364,189,139
Diluted NAV per share	**145.42p**	132.38p	141.44p
Diluted EPRA NAV per share	**146.22p**	133.30p	142.24p

17. CAPITAL COMMITMENTS

The Group had capital commitments of £135.1 million in relation to its forward funded investments and asset management initiatives at 30 June 2018 (30 June 2017: £49.2 million, 31 December 2017: £5.1 million). The Group had further commitments towards Strategic Land of £21.2 million (30 June 2017: £nil, 31 December 2017: £23.5 million).

18. SUBSEQUENT EVENTS

On 12 July 2018, the Company announced the declaration of an interim dividend in respect of the period 1 April 2018 to 30 June 2018 of 1.675 pence per share payable on or around 9 August 2018.

On 24 July 2018, the Company 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, £932.37 million has been transferred from the share premium account, into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve.

19. CONTINGENT LIABILITIES

On 29 June 2018, the Group exchanged contracts for the forward funded development of a new logistics facility pre-let for 20 years from practical completion to Amazon UK Services Ltd at Link 66, Darlington. The total commitment was £120.70 million. The land purchase and development funding contract were completed once the conditions attached to the purchase were satisfied on 3 July 2018. At the period end, the transaction had exchanged and £21.4 million had been paid subject to completion. This amount is disclosed within trade and other receivables as at the period end.