

Registered number
09704147

Tritax Atherstone (UK) Limited
Report and Financial Statements
for the year ended 31 December 2020

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Tritax Atherstone (UK) Limited
Report and Financial Statements
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Tritax Atherstone (UK) Limited
Company Information

Directors

Henry Franklin
Colin Godfrey
Petrina Austin
Bjorn Hobart

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Solicitors

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Registered office

3rd Floor
6 Duke Street
St. James's
London
SW1Y 6BN

Registered number

09704147

Tritax Atherstone (UK) Limited
Registered number: 09704147
Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2020.

The report has been prepared in accordance with the special provisions relating to small companies under Sections 415(A) (1) and (2) of the Companies Act 2006.

Principal activities

The Company's principal activity during the year continued to be the investment in UK big box assets.

Strategic report

The Directors have taken advantage of the exemptions allowed under Section 414B of the Companies Act 2006 and have not prepared a Strategic Report.

Results and dividends

The profit for the year amounted to £4,547,108 (2019: £2,018,383). The Directors paid a dividend in respect of the year of £1,726,916 (2019: £1,598,437). Any residual profit for the year is to be transferred to reserves.

Directors

The following persons served as Directors during the year:

Mark Shaw (resigned 7 January 2020)
Henry Franklin
Colin Godfrey
Petrina Austin
Bjorn Hobart

After the year end, on 4 January 2021, Frankie Whitehead was appointed as a Director.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Statement of Comprehensive Income of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Tritax Atherstone (UK) Limited
Registered number: 09704147
Directors' Report

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each person who was a Director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware;
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and
- he is not aware of any material uncertainties that may cast significant doubt of the Company's ability to continue as a going concern as assessed by the Company in note 1.4 of the financial statements.

Appointment of auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report was approved by the Board of Directors on 21 June 2021
and signed on its behalf by:

Henry Franklin
Director



Tritax Atherstone (UK) Limited
Independent Auditor's Report
to the members of Tritax Atherstone (UK) Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tritax Atherstone (UK) Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Tritax Atherstone (UK) Limited
Independent Auditor's Report
to the members of Tritax Atherstone (UK) Limited**

Other Companies Act 2006 reporting

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. ;or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Tritax Atherstone (UK) Limited
Independent Auditor's Report
to the members of Tritax Atherstone (UK) Limited**

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The procedures carried out included:


- Agreement of the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- Enquiries of management and those charged with governance as to their identification of any non-compliance with law or regulations, or any actual or potential claims;
- Review of minutes of board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations and performing our own checks of compliance with relevant requirements, including relevant company law and legislation relevant to the rental of properties; and
- In relation to the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
Date: 22 June 2021

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

Tritax Atherstone (UK) Limited
Statement of Comprehensive Income
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Gross rental income	3	1,734,776	1,734,776
Service charge expenses	4	(3,355)	(3,312)
Net rental income		<u>1,731,421</u>	<u>1,731,464</u>
Operating profit before changes in fair value of investment property		<u>1,731,421</u>	<u>1,731,464</u>
Changes in fair value of investment property	6	2,815,687	286,919
Operating profit		<u>4,547,108</u>	<u>2,018,383</u>
Profit before taxation		<u>4,547,108</u>	<u>2,018,383</u>
Tax charge on profit	5	-	-
Total comprehensive income (attributable to the shareholders)		<u>4,547,108</u>	<u>2,018,383</u>

All amounts included in the Statement of Comprehensive Income relate to continuing activities.
There are no items of comprehensive income other than the profit for the financial year.

The notes on pages 10 to 18 form part of these financial statements.

Tritax Atherstone (UK) Limited
Statement of Financial Position
as at 31 December 2020
Company Number 09704147

	Notes	31 December 2020 £	31 December 2019 £
Non-current assets			
Investment property	6	<u>40,250,000</u>	<u>37,725,000</u>
Current assets			
Trade and other receivables	7	<u>5,555</u>	<u>8,934</u>
Total current assets		<u>5,555</u>	<u>8,934</u>
Total assets		<u>40,255,555</u>	<u>37,733,934</u>
Current liabilities			
Deferred rental income		(470,526)	(470,526)
Trade and other payables	8	<u>(25,736,653)</u>	<u>(26,035,224)</u>
Total current liabilities		<u>(26,207,179)</u>	<u>(26,505,750)</u>
Net current liabilities		<u>(26,201,624)</u>	<u>(26,496,816)</u>
Total liabilities		<u>(26,207,179)</u>	<u>(26,505,750)</u>
Net assets		<u>14,048,376</u>	<u>11,228,184</u>
Capital and reserves			
Called up share capital	10	101	101
Retained earnings	11	14,048,275	11,228,083
Total equity		<u>14,048,376</u>	<u>11,228,184</u>

These financial statements were approved by the Board of Directors on 21 June 2021 and signed on its behalf by:



Henry Franklin
Director

The notes on pages 10 to 18 form part of these financial statements.

Tritax Atherstone (UK) Limited
Statement of Changes in Equity
for the year ended 31 December 2020

	Notes	Share capital £	Retained earnings £	Total £
At 1 January 2019		101	10,808,137	10,808,238
Total comprehensive income		-	2,018,383	2,018,383
Dividends	12	-	(1,598,437)	(1,598,437)
At 31 December 2019		<u>101</u>	<u>11,228,083</u>	<u>11,228,184</u>
At 1 January 2020		101	11,228,083	11,228,184
Total comprehensive income		-	4,547,108	4,547,108
Dividends	12	-	(1,726,916)	(1,726,916)
At 31 December 2020		<u>101</u>	<u>14,048,275</u>	<u>14,048,376</u>

The notes on pages 10 to 18 form part of these financial statements.

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

1 Summary of significant accounting policies

1.1 General information

The financial statements of Tritax Atherstone (UK) Limited (the 'Company') for the year ended 31 December 2020 and were authorised for issue by the Board of Directors on 21 June 2021.

The Company is a registered private company incorporated in England and Wales. The address for the registered office is 3rd Floor, 6 Duke Street, St. James's, London, SW1Y 6BN. The Company's principal activity is the investment of big box assets in the UK. The Company is owned by Tritax Atherstone Ltd and its ultimate parent company is Tritax Big Box REIT plc.

These financial statements are contained within the group consolidated financial statements of Tritax Big Box REIT plc. The group consolidated financial statements may be obtained from the Company Secretary at 3rd Floor, 6 Duke Street, St. James's, London, SW1Y 6BN.

These financial statements represent the separate financial statements of the Company.

1.2 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which have been measured at fair value through the Statement of Comprehensive Income, and in accordance with the Companies Act 2006.

These financial statements are prepared on a going concern basis.

FRS 101 introduces a disclosure framework enabling qualifying entities to use the recognition and measurement bases of International Financial Reporting Standards ("IFRS") in their individual entity financial statements, while being exempt from a number of disclosures required by full IFRS. The Company has taken advantage of the following disclosure exemptions which are permissible under FRS 101 as the equivalent disclosures are contained within the group consolidated financial statements of Tritax Big Box REIT plc:

- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Tritax Big Box REIT plc group of companies;
- the disclosure of certain information relating to financial instruments and other fair value measurements; and
- the disclosure of certain comparative information relating to investment properties.

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

1.3 Impact of New Standards Applied

The following new standards are effective.

Amendments to IAS 1 Presentation of Financial Statements effective for financial years commencing on or after 1 January 2020 are designed to address concerns about existing presentation and disclosure requirements and to encourage entities to use judgment in the application of IAS 1 when considering the layout and content of their financial statements. The amendments clarify the definition of material and how it should be applied. There was no material effect from adoption of the amended standard on the Company's financial statements.

The following new standards have been issued but are not yet effective:

Amendments to IAS 1 on classification of liabilities as current or non-current are effective for financial years commencing on or after 1 January 2023 and are to be applied retrospectively. It is not expected that the amendments will have an impact on the presentation and classification of liabilities in the Statement of Financial Position based on rights that are in existence at the end of the reporting period.

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

1.4 Going concern

As at 31 December 2020, the Company had net current liabilities of £26,201,624 (2019: £26,496,816).

Having reviewed the Company's current position and cash flow projections, including the confirmation that the Company's ultimate parent undertaking will provide such support as is required for a period of at least 12 months from the date of signing of these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these financial statements.

As at 31 December 2020, the Group had access to £550 million of undrawn committed debt across its revolving credit facilities, against which it had approximately £93.9 million of capital commitments. The Group has no material refinancing events until 2024 and as at 31 December 2020 had an LTV ratio of 30%, with substantial headroom within its financial covenants which include loan-to-value, interest cover and gearing covenants. These covenants have been complied with since the loans were effected and up to the date of approval of these financial statements. The Group remains profitable despite the current economic climate triggered by the Covid-19 pandemic and has received the vast majority of its rental receipts due since the outbreak of the pandemic..

The Directors are not aware of any material uncertainties that may cast significant doubt of the Company's ability to continue as a going concern.

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

1.5 Investment property

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

The corresponding entry upon recognising lease incentives or fixed/minimum rental uplifts is made to investment property.

Investment property is recognised when the risks and rewards of ownership have been transferred and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Statement of Comprehensive Income in the year in which they arise under IAS 40 Investment Property.

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

Investment properties under construction are financed by the Company where the Company enters into contracts for the development of a pre-let property under a funding agreement. All such contracts specify a fixed amount of consideration. The Company does not expose itself to any speculative development risk as the proposed building is pre-let to a tenant under an agreement for lease and the Company enters into a fixed price development agreement with the developer. It does, however, undertake certain works including demolition, remediation and other site preparatory works to bring a site to the condition ready for construction of an asset. Investment properties under construction are initially recognised at cost (including any associated costs), which reflect the Company's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

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

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

1.6 Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for those assets classified as amortised cost is as follows:

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

1.6a Amortised cost

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

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortised cost comprise trade receivables in the statement of financial position.

1.7 Financial liabilities

The Company classifies its financial liabilities depending on the purpose for which the liability was acquired. The Company's accounting policy for those liabilities is as follows:

1.7a Other financial liabilities

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

1.8 Dividends payable to Shareholders

Equity dividends are recognised and accrued when they are declared and when they are no longer at the discretion of the Company.

1.9 Rental income

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

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

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

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

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

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

1.10 *Service charges, insurances and other expenses recoverable from tenants*

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

1.11 *Taxation*

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

1.12 *Presentational currency*

These financial statements have been prepared in Sterling.

2 *Critical accounting estimates and judgements*

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

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

Operating lease contracts – the Company as lessor

The Company has acquired investment properties that are subject to commercial property leases with tenants. The Company 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.

Fair valuation of investment property

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

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards July 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in the notes below.

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

3 Total property income

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Rental income	1,734,776	1,734,776
	<u>1,734,776</u>	<u>1,734,776</u>

4 Service charge expense

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Property insurance expenses	3,355	3,312
	<u>3,355</u>	<u>3,312</u>

5 Taxation

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Analysis of charge in year		
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Profit on ordinary activities before tax	<u>4,547,108</u>	<u>2,018,384</u>
Standard rate of corporation tax in the UK	19.00%	19.00%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	863,951	383,493
Effects of:		
Revaluation of investment properties not taxable	(534,981)	(54,515)
REIT exempt income	(328,970)	(328,978)
Total tax expense	<u>-</u>	<u>-</u>

Tritax Atherstone (UK) Limited
Notes to the Financial Statements
for the year ended 31 December 2020

6 Investment property

	31 December 2020 £
Fair value	
At 1 January 2020	37,725,000
Additions	1,000
Adjustments for rental income spreading over the life of the lease	(291,687)
Change in fair value	2,815,687
At 31 December 2020	<u>40,250,000</u>
Reconciliation to valuation provided by valuers	
Valuation provided by valuers	<u>40,250,000</u>

Included within the carrying value of investment property is £1,811,340 (2019: £2,103,027) in respect of accrued contracted rental uplift income.

This balance arises as a result of the treatment of leases with fixed or minimal 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.

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards July 2017 ("the Red Book") and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

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

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

7 Trade and other receivables

	31 December 2020 £	31 December 2019 £
Trade receivables	<u>5,555</u>	<u>8,934</u>

All trade receivables relate to amounts that are less than 30 days overdue as at the year end.

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8 Trade and other payables

	31 December 2020 £	31 December 2019 £
Amounts owed to group undertakings	25,432,331	25,832,226
Trade creditors	304,322	202,998
	<u>25,736,653</u>	<u>26,035,224</u>

9 Share capital and reserves

Share capital represents the nominal value of share capital subscribed for.

Retained earnings represents the net of all profits and losses, gains and losses generated which have not been distributed to shareholders.

10 Share capital

	31 December 2020 Number	31 December 2019 Number	31 December 2020 £	31 December 2019 £
Allotted, called up and fully paid:				
£1 Ordinary A shares	100	100	100	100
£1 Ordinary B shares	1	1	1	1
	<u>101</u>	<u>101</u>	<u>101</u>	<u>101</u>

11 Retained earnings

	31 December 2020 £	31 December 2019 £
At 1 January	11,228,083	10,808,137
Profit for the financial year	4,547,108	2,018,383
Dividends	(1,726,916)	(1,598,437)
At 31 December	<u>14,048,275</u>	<u>11,228,083</u>

12 Dividends

	Year ended 31 December 2020 pence per share	Year ended 31 December 2019 pence per share	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Paid during the year:				
Equity dividends	<u>1,709,817.82</u>	<u>1,582,610.89</u>	<u>1,726,916</u>	<u>1,598,437</u>

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13 Operating leases

The Company's investment property is leased to a single tenant under the terms of a commercial property lease due to expire on 31 August 2027 and with clauses to enable periodic upward revision of the rental charge to prevailing market rates.

Total future minimum lease receivables under non-cancellable operating leases fall due as follows:

	31 December 2020 £	31 December 2019 £
Falling due:		
within one year	2,026,463	2,026,463
within two to five years	8,105,852	8,105,852
in over five years	3,375,588	5,402,051
	<u>13,507,903</u>	<u>15,534,366</u>

14 Controlling party

The Company is wholly owned by Tritax Atherstone Ltd, a Jersey registered Company, which in turn is wholly owned by Tritax Big Box REIT plc, a Company incorporated in the UK. Tritax Big Box REIT plc is the ultimate holding company. This is the next and most senior parent that produces consolidated financial statements. There is no ultimate controlling party.