TRITAX BIG BOX REIT - FINAL RESULTS

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Tritax Big Box REIT plc
23 February 2015

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Tritax Big Box REIT plc

(the "Group" or the "Company")

FULL YEAR RESULTS FOR THE PERIOD FROM 1 NOVEMBER TO 31 DECEMBER 2014

Tritax Big Box REIT plc (ticker: BBOX), the only real estate investment trust giving pure exposure to very large logistics warehouse assets ("Big Boxes") in the UK, is today reporting its full year results for the Group for the period from 1 November 2013 to 31 December 2014.

Financial highlights:

- The IPO in December 2013 raised gross proceeds of £200 million at an issue price of 100 pence per share. In July 2014, the Company's shares moved to a premium listing and trading on the London Stock Exchange Main Market.
- Further equity fundraisings in May, July and November 2014 raised a total of more than £280 million, at issue prices of between 103 and 105 pence per share.
- We paid the first interim dividend of 1.85 pence per share in August 2014, for the period to 30 June 2014, and the second interim dividend of 1.50 pence per share in December 2014, for the period from 1 July to 31 October 2014. A third interim dividend of 0.80 pence per share will be payable in March 2015, for the period from 1 November to 31 December 2014. In 2015, we are on track to achieve our initial target dividend on the IPO issue price of 6 pence per share.
- The properties were independently valued as at 31 December 2014 at £619.28 million (including forward funded commitments), an uplift of 9.3% over the aggregate acquisition price (excluding acquisition costs).
- The net asset value ("NAV") per share increased from 98.00 pence at the time of the IPO to 107.02 pence as at 31 December 2014, a rise of 9.2%.
- Annualised rent roll as at 31 December 2014 of £36.16 million including forward funded commitments.
- Our loan to value ("LTV") ratio was 32.9% as at 31 December 2014, with long-term debt drawn at the period end of £203.64 million.
- The average debt margin payable across the portfolio is 1.76% over 3-month LIBOR; we have used interest rate caps to limit our exposure to interest rate increases.

Operational highlights:

- The net proceeds from the IPO and the equity fundraisings in May and July 2014 were fully invested, on time and in line with our stated objectives. During the period, we acquired 14 Big Box assets let to some of the UK's largest retailers, global logistics companies and renowned manufacturers.
- The properties in our portfolio are in strong distribution locations and provide UK geographic diversification.
- We benefit from a diverse covenant spread, with all properties leased to institutional-grade tenants.
- Our weighted average unexpired lease term across the portfolio was 13.9 years as at 31 December 2014.
- Our portfolio was fully let or contracted and income producing during the period.

Post Balance Sheet highlights:

- In January 2015 we exchanged contracts, subject to detailed planning consent, to provide £98.8 million of forward funding for a new distribution warehouse pre-let to Ocado, Erith.
- In February 2015, we drew a further £13.17 million of senior debt with a term to maturity of four years, hedged via a coterminous swap.

Further equity fundraising

Further to the exchange of contracts on a new distribution warehouse facility for Ocado announced on 29 January 2015, the Company is currently in advanced negotiations for the acquisition of three additional assets, each of which is under offer in solicitors' hands and subject to exclusivity agreements.

In addition, the Manager is engaged in detailed discussions with the owners of a number of other suitable assets that meet the Company's Investment Policy. In order to assist in the financing of these investment opportunities, the Company is currently considering a further equity fundraising in the near term pursuant to its Share Issuance Programme. Further details will be published in due course.

Richard Jewson, Chairman of Tritax Big Box REIT plc, commented:
"The fundamentals of the Big Box market remain highly favourable. With the economy continuing to recover, online retail in the UK growing rapidly and companies wanting to increase the efficiency of their distribution, occupier demand for Big Boxes is set to stay strong. At the same time, the supply of new Big Boxes is severely constrained and will not materially increase in the short to medium term. With demand exceeding supply, we expect to see rents continue to rise.

The expectation of rental growth and the important role Big Boxes play in the UK economy has strengthened investment demand and compressed yields during 2014. This presents an opportunity for us to create additional supply, through forward funded pre-let investments of securely let modern purpose-built assets at a discount to their completed investment value.

The last year has shown our ability to source excellent investments and to buy them at attractive prices. We believe the Group is now one of the first ports of call for vendors and their agents when looking to sell Big Boxes. This will help us to continue to grow and diversify the portfolio.

In summary, we remain confident of delivering excellent returns for our shareholders, through a stable and growing income stream with the potential for capital appreciation."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Meeting for investors and analysts and audio recording of results available
A meeting for investors and analysts will be held at 11am 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

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

Hard copies of the Annual Report and Accounts will be sent to shareholders, along with the notice for Annual General Meeting 2015, on or around 11 March 2015.

NOTES:
Tritax Big Box REIT plc is a real estate investment trust to which Part 12 of the UK Corporation Tax Act 2010 applies ("REIT"). The Company invests in a portfolio of well-located, modern "Big Box" assets, typically targeting buildings greater than 500,000 sq. ft., let to institutional-grade tenants on long-term leases (typically between 12 and 25 years in length) with upward-only rent reviews (providing the potential for inflation linked earnings growth), and with 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 in high growth areas of the economy and limited stock supply. The Company is the first listed vehicle to give pure exposure to the "Big Box" asset class in the UK.

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

Chairman's statement

I am pleased to present the Group's results for the period from 1 November 2013 to 31 December 2014.

This has been an exceptional period for the Group, during which we believe we have been the most successful investor in the UK Big Box market. The fundamentals of our market remain attractive and we are confident of delivering excellent returns for our shareholders.

Overview

This was an extremely active period for the Group, during which we consistently achieved our short-term objectives and made strong progress towards our medium-term objectives.

The initial public offering ("IPO") in December 2013 raised gross proceeds of £200 million, with the Company's shares admitted to trading on the Specialist Fund Market ("SFM") of the London Stock Exchange and listed on the Official List of the Channel Islands Stock Exchange Authority ("CISEA").

Our investment manager, Tritax Management LLP (the "Manager"), immediately began to put the net proceeds from the IPO to use, purchasing high-quality Big Box assets with institutional-grade tenants. The number of attractive opportunities available to us was such that we had three further equity issuances during 2014, raising an additional £280 million. Each issuance was at a price above both the flotation price and our published NAV at that time. We were pleased that our shareholders recognised the attractiveness of our proposition, resulting in each of these fundraisings being oversubscribed.

In July 2014, we moved from the SFM to a premium listing on the Official List of the UK Financial Conduct Authority, with the shares trading on the Main Market of the London Stock Exchange. As a consequence, on 5 August 2014 we cancelled the trading of our shares on the CISEA and our listing on the CISEA's Official List.

By the end of 2014, we had fully invested the proceeds from the IPO and the fundraisings in May and July 2014. This meant that, in little more than 12 months since the IPO, we had built an excellent portfolio of 14 Big Boxes, with good diversification both by geography and by tenant. The valuation uplift of 9.3% (excluding acquisition costs) at 31 December 2014 is particularly creditable given that we had only owned some of these assets for a matter of weeks at that date. This performance is reflected in the total return we generated during the period of 10.4%, which is ahead of our target of more than 9%. This is measured as the growth in net asset value over the period and including dividends paid, as set out in our investment objectives.

The quality and breadth of our portfolio demonstrates the Manager's outstanding market knowledge, range of contacts and ability to negotiate attractive off-market deals, which offer good value for shareholders and meet vendors' desire for speed and certainty of execution. Over 80% of the assets we acquired (by value) in 2014 were off-market transactions.

Financial results
We believe that specialisation and market forces have led to outperformance and that this is reflected in our financial results for the period.

Under International Financial Reporting Standards ("IFRS") as adopted by the European Union, our operating profit for the period was £46.67 million, with total comprehensive income of £41.84 million. Basic and diluted earnings per share for the period were 15.10 pence, which includes the net valuation gain of £29.09 million we recognised as a result of revaluing our investment properties and derivative interest rate caps.

The NAV per share at 31 December 2014 was 107.02 pence, prior to adjusting for the third interim dividend for the period of 0.80 pence per share. This compares favourably with the NAV per share of 98.0 pence immediately following the IPO.

We have adopted European Public Real Estate Association ("EPRA") best practice recommendations and aim for the Company's shares to be included in EPRA's investment indices during 2015, which we expect to broaden the range of potential institutional investors able to invest in our shares. Under EPRA's methodology, EPS for the period were 4.60 pence and the NAV per share at 31 December 2014 was 107.57 pence. A full list of our EPRA performance measures is set out below.

The Group has a low and highly transparent cost base. The total expense ratio of 1.13% compares favourably with our peers.

Dividends
One of our key aims is to deliver a high-quality, low risk income stream to shareholders. During the period, we paid two interim dividends. The first, which we paid in August 2014, was 1.85 pence per share and related to the period from the IPO until 30 June 2014. In December 2014, we paid a second dividend of 1.50 pence per share, for the period from 1 July to 31 October 2014.

The Board has also declared a third interim dividend of 0.80 pence per share. This will be paid on 18 March 2015, to shareholders on the register at 6 March 2015.

Taken together, the second and third interim dividends mean that we will have paid 2.30 pence per share for the second half of 2014, which achieves the objective we set out at the time of our July 2014 fundraising. Our target is to achieve an annual dividend of 6 pence per share, based on the IPO price of 100 pence per share. We are on track to do so in 2015, provided we successfully continue to implement our investment and financing plans, with the objective of growing the dividend thereafter.

Financing
By December 2014, we had raised a gross total of nearly £481 million of equity and drawn down nine senior debt facilities totalling £203.64 million, with a further £13.17 million of facilities undrawn at the period end. We have broadened our banking arrangements during the second half of the calendar year, adding Santander UK and Landesbank Hessen-Thüringen Girozentrale (Helaba) to our initial relationship with Barclays.

The average unexpired term of the loans is 4.3 years, excluding any options to extend. The portfolio's LTV of 32.9% at 31 December 2014 is below both our initial objective of around 45% and our medium-term target of 40%. This reflects the timing of our equity fundraisings and subsequent property investments and we expect to be at an LTV in line with our target once we are fully invested.

The prospectus published in July 2014 launching our share issuance programme remains live until July 2015. Approximately 245 million shares remain available for issuance pursuant to the Company's Share Issuance Programme.

Hedging and loan interest
Managing risk is essential to delivering the quality of income stream we are targeting for our shareholders. We have therefore protected the Group from a potential significant rise in interest rates by using derivative instruments to cap the interest rates on all nine of the senior debt facilities we had drawn by the period end.

The notional value of debt, as covered by interest rate caps was £198.9 million at 31 December 2014, meaning that we had effectively hedged 97.7% of our senior debt at that date. The caps' weighted average strike rate was 2.09%, which, when added to the weighted average margin payable on our debt facilities of 1.76%, gives us an all-in running capped rate of borrowing of 3.85%. While this is the maximum rate payable under our existing loans, the average margin payable of 1.76% over 3-month LIBOR gives an all-in rate payable at the period end of approximately 2.32%.

Outlook

The fundamentals of the Big Box market remain highly favourable. With the economy continuing to recover, online retail in the UK growing rapidly and companies wanting to increase the efficiency of their distribution, occupier demand for Big Boxes is set to stay strong. At the same time, the supply of new Big Boxes is severely constrained and will not materially increase in the short to medium term. With demand exceeding supply, we expect to see rents continue to rise.

The expectation of rental growth and the important role Big Boxes play in the UK economy has strengthened investment demand and compressed yields during 2014. This presents an opportunity for us to create additional supply, through forward funded pre-let investments of securely let modern purpose-built assets at a discount to their completed investment value.

The last year has shown our ability to source excellent investments and to buy them at attractive prices. We believe the Group is now one of the first ports of call for vendors and their agents when looking to sell Big Boxes. This will help us to continue to grow and diversify the portfolio.

In summary, we remain confident of delivering excellent returns for our shareholders, through a stable and growing income stream with the potential for capital appreciation.

Richard Jewson Chairman
23 February 2015

Our market

We believe that the Big Box sector is one of the most exciting asset classes in today's UK property market. In this section, we explain what a Big Box is and why we believe the fundamentals of our market are so compelling.

Why commercial property?

We are part of a fast moving world economy. News and information affect global stock markets almost instantaneously, meaning that equity markets can respond quickly. Commercial property has longer-term characteristics and shares some of the features of bonds. Gilt yields recently reached an historic low, with investors seeking a safe haven amidst global political instability, world economic uncertainty and low inflation.

Commercial property investments have a very reassuring feature, namely that they benefit from upward only rent reviews. This means that as long as the tenant remains solvent, the landlord's income will not reduce during the lease term. In addition, if the economy grows and rents rise, landlords capture income growth. Some leases offer even more certainty, through inflation-linked rent reviews, while others can provide for fixed uplifts. Commercial property can therefore offer a form of inflation-proofing.

Alongside the potential for attractive and growing income, commercial property can deliver capital growth from yield compression, rental growth (applied to a constant yield) and asset management. As a REIT our shareholders enjoy the longer-term features of commercial property, diversification of risk and professional management of a pool of properties, coupled with the liquidity offered by our shares.

Why Big Boxes? The best of logistics

Big Box assets are very large and highly efficient distribution centres and logistics hubs. Their primary function is to hold finished goods for distribution, either downstream to other parts of the supply chain or directly to consumers.

While Big Boxes are a sub-sector of logistics, they have characteristics not evident in the rest of the logistics sector. As a result, we believe Big Boxes should be viewed very differently from smaller logistics buildings. Big Boxes as we know them today did not exist in the UK before the early 1990s, when distribution buildings of more than 300,000 sq ft were extremely rare. Most high quality Big Boxes have been constructed over the past 15 years.

A Big Box typically has the following characteristics:

- a large floor area, generally between 300,000 and 1,000,000 sq ft;
- an eaves height of between ten and 25 metres, allowing for the installation of racking or mezzanine floors to increase the useable space;
- a strategic location, with close links to major roads, (potentially also airports, sea ports or rail freight hubs), to allow efficient goods inwards stocking and downstream distribution;
- modern designs, making the building energy efficient and able to accommodate the latest truck specifications;
- significant capital investments by tenants, as noted above; and
- committed, institutional-grade occupiers, willing to sign up to long leases with regular, upward-only rent reviews, either with fixed increases or linked to an inflation index or open market.

Big Boxes are exciting assets because:

- they offer their occupiers economies of scale and cost savings not available in smaller buildings;
- they act as the nucleus for distribution either at a national or regional level;
- they allow occupiers to store full product lines under one roof, making management easier and more efficient;
- planning permission for Big Boxes is more difficult to obtain, due to their scale and the extent of traffic movements, which restricts supply and supports rental growth;
- for non-food distribution, tall buildings allow for very high racking and/or the accommodation of mezzanine floors - attractive to tenants because rents are paid on the ground floor area of a warehouse, not its volume;

- in Big Boxes we see tenants making very significant investment in respect of internal fit-out and automation, which can, and typically does, eclipse the cost of the actual building. With such high levels of investment, tenants are usually prepared to commit to very long lease terms, which are rarely seen in other sectors of commercial property; and
- the rapidly growing area of e-retail distribution is typically facilitated by Big Boxes, either as a dedicated e-retail facility or alongside traditional formats.

Long lead times and barriers to new construction mean the supply of Big Boxes will not materially increase in the short to medium term. With strong occupier demand, this creates a significant supply-demand imbalance that benefits asset owners.

Growing demand for Big Boxes
Demand for Big Box assets comes from three sources: retailers (both conventional and online), third-party logistics companies ("3PLs"), and other companies such as manufacturers.

Occupiers use Big Boxes to improve their operational efficiency and the growth of online sales has also been a major factor in their uptake. As the 3PLs often use Big Boxes to support their contracts with retailers, trends in the retail market are key drivers of demand in the Big Box sub-sector. Overall, we believe that the advent of Big Boxes is one of the most important developments in the history of modern retailing.

Operational efficiency
In recent years, businesses have faced rising costs and a difficult economic environment. This has accelerated the attractiveness of Big Boxes because they offer previously unavailable benefits in terms of efficiency, economies of scale, flexibility and low cost of use. To drive operational efficiency, occupiers are increasingly investing in technologically advanced systems that allow them to stock automatically and rapidly retrieve products within the warehouse.

Many companies are using Big Boxes to centralise their previously dispersed distribution facilities into fewer, larger units. This also helps them to optimise their stock management and to expand their product range. Marks & Spencer, for example, is in the process of consolidating its UK logistics network from 110 small warehouses for clothing, home and gift products into four significantly larger distribution centres, including Castle Donington, which is part of our portfolio.

3PLs are also increasingly focusing on Big Box assets to centralise multiple contracts and achieve economies of scale. By operating more flexibly and efficiently, Big Boxes allow them to tender more competitively.

Retail trends
The growth in online retail has been a key driver of the increased demand for Big Boxes. Online sales growth has outstripped the UK's total retail market growth for a number of years.

In 2014, the Centre for Retail Research estimated that online transactions in the UK would reach £45 billion during the year, an increase of nearly 16% on 2013 and around 13.5% of total retail sales. Growth in 2015 is expected to exceed 16%, meaning that British online shoppers will spend more per head than anywhere else in the world. This volume of sales and rate of growth puts pressure on retailers to have large, highly efficient distribution facilities that can fulfil orders quickly and accurately. This is particularly the case as customers expect ever-faster delivery, with next day and even same day delivery increasingly becoming the norm.

Pure-play online retailers, such as Amazon, ASOS and Ocado, have led the way in developing advanced facilities. However, most of the UK's largest online operations still belong to traditional high street retailers. These hybrid retailers need to combine the requirements of conventional and online retail logistics. While some prefer to segregate their online and offline operations, many co-locate them to achieve economies of scale. As a result, both pure-play online retailers and hybrid retailers increasingly rely on Big Box assets.

The retail market is also developing in other ways that favour Big Boxes. The expense of renting, fitting out and running high street stores means that retailers want to make the most of that space. As a result, stores are carrying less stock and aim to respond rapidly to customer demand for products, by restocking only those items that are selling and being able to do so quickly. John Lewis Partnership, for example, has moved from a store framework of approximately 60:40 storage to sales space, to a new store format of 20:80 in favour of sales space. Along with the rise of click-and-collect, this means retailers need much greater control over the timing and efficiency of deliveries to stores. Speed and reliability are crucial, which is where Big Boxes come into their own.

As a consequence of these drivers, occupiers often use Big Boxes as hybrid retail outlets. Making multiple use of the same asset is highly attractive to occupiers, both in terms of operational efficiency and in keeping abreast of consumer trends. Computerised tracking of store sales and analysis of online spending habits allow retailers not only to respond more quickly to sales patterns and trends but also provide important data for customer targeted marketing or specific product lines.

Occupational supply
The supply of logistics properties peaked in 2009, following a spate of speculative development in the run up to the economic downturn. The majority of well-located assets from this supply peak are now occupied, with the last speculative buildings from 2009 taken up in the third quarter of 2014.

During the recession the absence of suitable Big Boxes available to let led some retailers to purchase land and construct their own logistics facilities. A number of these have since been sold and leased by the retailer; this is known as a 'sale and lease back'.

While there is some speculative development of smaller buildings, we are not aware of any properties of over 350,000 sq ft that are currently being speculatively built. This is because of the significant capital commitment of construction, and the difficulties of obtaining appropriate sites and planning permissions and meeting the specification of occupiers in this size band.

Limited supply and strong occupational demand mean there is now a shortage of Big Boxes to let and some key areas of the country currently have no new-build supply. We have, therefore, seen an upturn in the amount of space acquired through built-to-suit solutions, where the facility is built to the tenant's specification under an agreement for lease. This is currently the only route for tenants looking to let a building of more than 500,000 sq ft.

Increasing numbers of tenants are also actively looking for built-to-suit opportunities in the right locations, as a means of designing best-in-class Big Boxes with proprietary automated stock picking and re-stocking systems. This helps occupiers to maintain their competitive edge, in a market where consumers often view reliability and speed of delivery as being equally important as price.

The process of building new assets is both lengthy and difficult. If a site already has outline planning consent and suitable infrastructure, then a Big Box asset can take approximately 12 months to build. However, the difficulty of finding sites of suitable size, with excellent transport links, sufficient power supply and a suitable local workforce, means that new builds can often take closer to three years to complete, assuming that planning permission is received. Significant tenant fit out of automated machinery can then take a further 12 months or more, before the Big Box is fully operational.

While we expect the supply of Big Boxes to increase over time, these dynamics mean that demand is likely to outstrip supply for some time to come. This creates opportunities for rising rents and increasing capital values for landlords.

Rising rents

Sustained demand and limited supply have inevitably led to rental growth. Data from CBRE for 2014 shows double digit annual rental growth for parts of the M25 motorway while growth in other key locations has outstripped inflation.

This demonstrates that some local markets have seen rental growth well above average, due to scarcity of supply and strong competition for sites from other land uses. Growth in rents is expected to become increasingly apparent in the regions during 2015.

For Big Box units taken through a pre-let or D&B process, a premium above the prevailing rent for an existing unit is typical partly because the rent start date can be over a year later. There is significant variation between deals, but in recent years this premium has averaged around 15-20%.

The attractions of the UK logistics market

The UK economy was one of the fastest growing G7 economies in 2014, as conditions improved across the main service industries and in manufacturing. Looking forward, the most recent predictions from independent forecasters indicate that the rate of UK GDP growth will settle at around 2.5% in 2015.

There are a number of factors that we believe make the UK one of the best locations in the world for Big Box distribution. These include the country's mature transport infrastructure, with excellent road, rail and air links, as well as numerous ports that can handle the large container ships that are increasingly used to import goods. According to government forecasts, the market share of intermodal container traffic between the country's ports and its hinterland is set to increase from the current level of around 30% to 63% by 2033.

In addition, the UK's relatively small size and dense population allows Big Box users to construct networks of regional distribution centres that can cover the country, while remaining within legal limits on driving times. This reduces the risk of late or missed deliveries and cuts costs.

These factors have in turn facilitated the growth of online retail. Figures from the Centre for Retail Research show that the UK is the largest European market for internet shopping, with estimated sales in 2014 more than one quarter higher than in Germany, which is the next largest, and several times higher than other economies such as Spain, the Netherlands and Italy.

The UK is also a major adopter of mobile technology, which is an increasingly important channel for online sales. The Centre for Retail Research estimates that 17.6% of UK online sales were via mobile devices in 2014, the highest proportion in Europe.

Retail versus industrial property yields

Historically, prime retail yields of c. 4% were the norm. This low yield reflected the limited obsolescence of property fabric and reliable growth in income from consistently rising rents. Industrial property attracted higher yields of 6.5% or more, which were greater than on retail property due to higher perceived obsolescence and abundant land supply, which in turn suppressed rental growth. However, the relationship between retail and industrial yields has been reversing, with high street retail under attack from shopping centres and online, while prime logistics are benefiting from online sales growth, lower obsolescence, tight land supply and the cost savings delivered by scale. As a result, prime yields in the two sectors are converging.

Hardening investment yields

While volumes of investment transactions in 2014 are likely to have been a little below the high watermark of 2013, overall 2014 was an above-average year for investment volumes. This has led to lower yields. Prime logistics yields have reduced from around 6.5% in January 2013 to 5.00% as at January 2015, compared to prime shops which have improved very little over the same period from 4.85% to 4.50%.

CBRE is forecasting that prime logistics yields will sharpen still further. This is partly due to the belief that rental growth will drive a large component of total returns. In addition, the sector has witnessed significant allocation increases due to UK institutions being underweight, with inflows reported at £3.82 billion raised by these funds during 2014 (the highest for this asset class on record), of which £1.78 billion was in the second half of the year. At the same time, the UK logistics sector has become increasingly attractive to overseas buyers seeking long leases to prime covenants and a positive yield gap above the cost of borrowing.

The ultra-prime benchmark for a distribution warehouse was set in the second quarter of 2014, with L&G's forward funded purchase of Gazeley's 938,449 sq ft development at Milton Keynes, which is let to Waitrose for 30 years with RPI uplifts of between 1.5% and 2.5% paid annually subject to five yearly open market reviews. The price paid for this investment of circa £110 million reputedly reflected a yield of 4.6% although this yield would now stand at around 4.25%.

Although yields have hardened for logistics, attractive opportunities remain for investors, with CBRE stating that there is still value at the prime end of the market. Despite hardening yields, lower interest rates have allowed us to buy investments at sharper yields without compromising on quality or our dividend ambitions.

Although demand for prime logistics investments is outstripping supply, the Manager continues to source a good number of high quality investments, mainly off-market. Inevitably the paucity of quality warehouses for rent is leading occupiers to sign pre-lets on built-to-suit new build developments. The Manager is sourcing an increasing number of forward funded opportunities which can offer the benefit of yield arbitrage and we expect this trend to continue in the near term.

The positive yield gap
Our business applies prudent gearing to amplify returns. This is only possible when property yields are higher than the cost of debt. As commercial property yields have reduced, interest rates have also fallen, which has maintained an attractive positive yield gap.

Our approach to gearing is flexible and we will adapt this depending upon prevailing market influences from time to time; in particular, the relationship between investment yield, rents and rental growth, medium-term interest rates and inflation.

Our business model

What we do
We own and manage some of the highest-quality Big Boxes in the UK. We aim to buy for value, by identifying and exploiting market imperfections, using our experience and expertise to build an asset portfolio that is well diversified by tenant and geography. We prudently apply leverage to increase returns and further expand and diversify our portfolio. We intend to hold our assets for the long term but would consider selling if we could unlock value and reinvest the proceeds in a more attractive opportunity.

The value we add
The starting point for value creation is our ability to source investments. This depends on the Manager's close relationships with key market players built up over many years. The Manager also spends considerable time researching asset owners and developing relationships with them. This means we often source investments off-market, enabling us to buy at better prices. Over 80% of the assets in our portfolio were acquired off-market. This is achieved through a combination of a singular and clear investment focus, impeccable track record of performance, and an unparalleled network of investment agency, developer and occupier contacts.

The Manager's expertise means we give vendors a rapid decision on whether we will proceed with an investment opportunity. We can complete transactions quickly, but always following a process of thorough due diligence. This speed and certainty of execution is highly attractive to vendors and often more important to them than simply securing the best price. We can buy an asset directly or by acquiring the special purpose vehicle that owns it. Purchasing the vehicle can reduce costs in certain circumstances.

We have a clear investment policy but we are also pragmatic. We typically look for assets of more than 400,000 sq ft and with at least 12 years left on the lease. However, we will buy smaller assets or assets with shorter leases where we consider that there may be opportunity to add value. Buying smaller properties reduces the risk which may be inherent in the investment, for example due to a near-term lease expiry, but which we view as an opportunity to add value.

The assets we buy are usually strategically important to our tenants. We work with them to maximise their operational effectiveness, for example by extending buildings or adding mezzanine floors. This encourages tenants to sign long leases, increasing the security of our revenues and increasing capital values. Where we buy properties with the potential to add value, we look to turn them into core foundation assets for our portfolio through asset management. If, having added value, the investment does not sit well within our portfolio, then we would consider a sale in order to purchase a more suitable asset.

Sustaining our advantage
As a specialist investor in Big Boxes, we have already established a reputation as one of the industry's most forward-thinking owners and managers. This makes us the obvious choice for asset owners looking to sell Big Boxes. The consistency of the Manager's team is also a substantial advantage. It helps us to maintain our relationships in a market where changes in personnel are common.

As our portfolio grows, we benefit from economies of scale, increased diversification by geography, tenant and building type, and a larger list of contacts, helping us to source attractive investments off market. A larger portfolio also gives us even greater insight into market developments and more control over the evidence for rent reviews and lease renewals.

Delivering returns
By buying high-quality properties with excellent tenants and carefully managing our assets, we can deliver a robust, low-risk rental stream, the growth of which will directly contribute to rising dividends. We believe that these are attractive attributes, particularly when viewed in the context of the current low inflation and low interest rates in the UK. Our asset selection and management approach also adds value to our investments, allowing our shareholders to benefit from attractive total returns.

In addition, our status as a REIT helps to create value for shareholders. For example, as a REIT, we are not subject to Corporation Tax on profits and gains in respect of our qualifying property rental business. In addition, we can pay dividends that qualify as a property income distribution ("PID"), which offers tax advantages for certain UK shareholders.

Asset management
Knowledge of our tenants' business requirements allows us to identify and execute asset management initiatives which can grow our rental income and capital values. Asset management opportunities tend to be linked to one or more of the following:

- The tenant's need for an extension to the existing building, an alteration to the unit's layout or specification, an additional unit on the same or adjacent site, or capital investment to improve mechanisation, which we can lever to enhance annual rent and/or the lease length. The majority of our assets have low site cover.
- Lease extensions, which give the occupier an opportunity to protect its logistic operations from the site and its capital commitment within the properties. An extension of the lease term not only increases long-term income but can enhance the capital value of our investment.
- Rent reviews, which can deliver a significant rental uplift or agree a lower rental increase in exchange for a lease term extension.
- The tenant no longer requiring a unit, which may give us the opportunity to negotiate a surrender premium, whilst simultaneously re-letting the unit to a new occupier, perhaps on improved terms. This can provide an enhanced investment profile, while avoiding the risks and costs of holding a vacant property.
- The tenant's corporate responsibility objectives, which may encourage capital expenditure for initiatives such as installing solar panels to help the tenant achieve ambitious environmental or staff welfare targets. This produces cost effective energy for occupiers and can enhance the income return to us.

Our objectives and strategy

Our objectives

We have set clear objectives, which reflect our aim of creating value for shareholders. By investing in a diversified portfolio of Big Box assets, we look to provide shareholders with long-term, stable and increasing income streams and attractive capital returns.

In particular, assuming the Company is fully invested and geared, we aim to deliver the following targets:

- an annual dividend of 6 pence on the IPO price of 100 pence per share, with the potential to grow the dividend through our long-term, upward-only (some inflation protected) lease agreements; and
- a net total return (dividend paid plus growth in net asset values) in excess of 9% a year, over the medium term.

We also have a longer-term ambition to grow our NAV to in excess of £1bn. This scale will deliver a number of benefits for shareholders.

Our investment policy

To deliver these returns, we follow a rigorous investment policy. Under this policy, we invest in assets that typically:

- are let or pre-let. We do not invest in speculative developments and will only forward fund pre-let opportunities where a tenant has already signed an agreement for lease;
- have institutional-grade tenants, with sound business and/ or good growth potential;
- are in the right locations in the UK, with excellent transport connections and good workforce availability;
- have modern units of a size, age and specification to meet the requirements of major occupiers (where possible to include expansion options);
- have leases to institutional standards, with regular upward-only rent reviews and a typical unexpired lease length on purchase of 12-25 years, to provide long-term and secure income flows;
- show evidence that the site is strategically important to the tenant, such as extensive investment in fitting-out the unit or proximity to the tenant's market or other key assets; and
- there may be exceptions to our policy where we perceive opportunity to deliver value for our Shareholders without significantly upscaling aggregated portfolio risk.

We continue to target assets with a geared yield range of approximately 5-7% and which offer value to our shareholders.

Our acquisition focus

In executing our investment policy, we typically acquire property assets representing one or more of our three investment pillars:

- **Foundation assets** - The quality and sustainability of our rental income underpins our business. Foundation assets provide our core, low-risk income. They are usually let on long leases to tenants with excellent covenant strength. The buildings are commonly new or modern and in prime locations, and the leases have regular upward-only rent reviews, often either fixed or linked to CPI or RPI indices.
- **Value add** - These assets are typically let to tenants with strong covenants and offer the chance to grow the assets' capital value or rental income. We do this using our asset management capabilities and understanding of occupier requirements. These assets are usually highly re-lettable.
- **Growth covenants** - These are fundamentally sound assets in strong locations, but let to tenants we perceive to be undervalued and who have the opportunity to improve their financial strength. Examples include young e-retailers or companies that have strong growth prospects as the UK economy continues its recovery, offering value enhancement through yield compression.

More generally, we seek value and look to exploit market imperfections, so we can deliver outperformance for our shareholders. Some properties within our portfolio have cross-over characteristics and so fall within more than one of the 'three investment pillars'.

Our operational strategy

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

STRATEGIC AREA	IMPLEMENTATION AND BENEFITS
Management team Recruit and retain a profoundly knowledgeable and talented management team, committed to delivering value to shareholders.	As an externally managed business, we depend on the Manager's employees for our success. The Manager therefore looks to employ the highest-calibre professionals and has a team dedicated to running the Group, comprising highly experienced people with a track record of successfully investing in the sector. The Manager also draws on the skills and experience of its other employees. We benefit from their professional expertise, the market knowledge they gain from working on other investment business and the cost efficiencies of utilising some of them part-time.
Occupiers Develop and maintain a deep understanding of the businesses that use our space, to create long-term partnerships.	Building relationships with tenants is a key part of creating value. It enables us to work collaboratively with them, to deliver asset management initiatives that meet their

	business objectives and unlock value for shareholders. Letting a number of properties to one tenant also creates opportunities for cross-fertilisation strategies, for example by agreeing to limit rent increases on one property in return for extending the lease term on another. This can benefit both us and the tenant.
Operational excellence Rigorously control costs and operational efficiencies, while not comprising growth or reputation.	As an externally managed business, we have a simple and transparent cost base, which largely comprises the management fee, the directors' fees, and accounting, audit, legal and regulatory fees. This helps us to focus closely on cost control and efficiency, with the result that our total expense ratio of 1.13% is one of the lowest in our peer group.
Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	The Group is financed through a combination of equity and medium-term debt. Using debt increases returns to shareholders and allows us to diversify further our investment portfolio. We look to invest the proceeds of any equity issuance before drawing down debt, to limit the interest expense and to maximise returns on equity. We are targeting an LTV of 45% initially during the growth phase of our business and a medium-term LTV of 40%, which we believe is a conservative level given the quality of our investments. We have negotiated debt facilities with three banks to date, reducing the Group's dependence on any one lender. Debt is currently secured at the asset level, to limit any default risk to the asset rather than across the Group, but we may consider cross-collateralised arrangements where considered beneficial.
Corporate responsibility Strive to assume our corporate responsibilities towards society and the environment, in every part of our business.	We aim to run the Group responsibly. This includes looking to buy buildings with A, B or C Energy Performance Certificate ratings where possible. We also favour tenants with strong corporate responsibility credentials and work collaboratively with them to improve their performance, for example, by increasing the number of roof lights in the building or by investing in or funding energy efficient initiatives, such as power generation through solar panels or wind turbines.

Key performance indicators

Our objective is to deliver attractive returns to shareholders, by executing the investment policy described above. Set out below are the key performance indicators we will report on each year, to track the progress we are making.

KPI AND DEFINITION	PERFORMANCE
1. Total return (TR) In relation to our investment objective, TR measures the change in the net asset value over the period plus dividends paid. As explained above, we are targeting a TR in excess of 9% per annum over the medium-term.	**10.4%** Group's TR for the period to 31 December 2014
2. EPRA NAV per share* 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. * EPRA earnings, EPRA NAV and EPRA EPS are alternate metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). The Company uses these alternative metrics as they	**107.57 pence** EPRA NAV per share at 31 December 2014 The EPRA NAV per share at IPO was 98.0 pence. This is an increase of 9.8%.

provide a transparent and consistent basis to enable a comparison between European property companies	
3. Loan to value ratio (LTV) The proportion of the Group's property portfolio that is funded by borrowings. Our initial target LTV is 45% of the Group's gross assets, with a medium-term target of 40%. The LTV will always be subject to a maximum of 50% of the Group's gross assets at the time of drawdown.	**32.9%** LTV at 31 December 2014 This reflects the timings of our investments and draw down of debt and will be in line with our target once we are fully invested and geared
4. Dividend against target Dividends paid and declared to shareholders in relation to the period against the IPO price of 100 pence per share.	**4.15 pence per share** Dividend per share for the period to 31 December 2014 This was lower than our initial target due to the cash drag experienced between the raising of equity and full investment. We are on track to achieve our initial target of 6 pence per share in 2015.
5. EPRA EPS* Post-tax earnings that are attributable to shareholders, calculated in accordance with EPRA guidelines.	**4.60 pence per share** EPRA EPS for the period to 31 December 2014
6. Total expense ratio (TER) The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period (from point of full investment of IPO proceeds). Over the medium-term the Group is targeting a TER of 1% or below per annum.	**1.13%** TER for the period to 31 December 2014 This ratio is set to decrease further as the NAV of the Group grows and associated overheads reduce relatively through 2015 and beyond.
7. Weighted average unexpired lease term (WAULT) The average unexpired lease term of the property portfolio, weighted by annual passing rents.	**13.9 years** WAULT at 31 December 2014 This compares well to our target of at least 12 years. Following the acquisition of Ocado our WAULT has increased to 15.3 years.

EPRA performance measures
Detailed below is a summary table showing the EPRA performance measures (EPMs).

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings from operational activities.	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.	**£12.75 million/4.60 pps** EPRA earnings as at 31 December 2014
2. EPRA NAV 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.	**£506.12 million/107.57 pps** EPRA NAV as at 31 December 2014
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.	**£503.53 million/107.02 pps** EPRA NNNAV as at 31 December 2014 All debt as at 31 December 2014 is floating rate debt, which has been valued at par. We believe that all current margins payable would still be achievable in the current market.
4.1 EPRA Net Initial Yield (NIY) Annualised rental income	A comparable measure for portfolio valuations. This measure should make it	**5.52%** EPRA NIY as at 31 December 2014

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.	easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	
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).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	**5.56%** EPRA 'Topped-Up' NIY as at 31 December 2014 After adding minimum stepped rent increases of £226,263 to annualised rental income used for EPRA NIY
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%** EPRA ERV as at 31 December 2014
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.	**19.4%** EPRA cost ratio as at 31 December 2014 This ratio is both inclusive and exclusive of vacancy costs.

Manager's Report

This was a highly successful period, during which the Group implemented its investment and financing strategies as advised by the Manager and continued to position it for further success.

Investment activity

The Group acquired 14 Big Box assets between the IPO and 31 December 2014, at which time the portfolio comprised the properties in the table below.

These are high quality modern assets, with good geographical spread and diverse tenants. The portfolio also presents a variety of asset management opportunities, which have the potential to provide income growth and capital appreciation.

The average size of the properties in the portfolio at 31 December 2014 was 595,725 sq ft. The weighted average unexpired lease term at the same date was 13.9 years.

The portfolio properties in the table below are listed chronologically in order of acquisition.

Tenant	Location	Month of acquisition	Purchase price (£)	NIY (%)	Annual passing rent (£)	Size (sq ft)	Rent per sq ft (£)	Next rent review date
Sainsbury's Supermarket Ltd	Leeds	Dec 2013	48.75	6.65	3,295,716	571,552	5.77	May 2018
Marks & Spencer plc	Castle Donington	Dec 2013	82.58	6.20	4,351,723	906,240	4.80	Dec 2016
Tesco Stores Ltd	Chesterfield	Mar 2014	28.64	6.60	1,999,804	501,751	3.99	May 2015
Tesco Stores Ltd	Didcot	Apr 2014	27.20	6.90	1,920,000	288,295	6.66	Aug 2019
Next Group Plc	Doncaster	Jun 2014	60.00	6.07	3,854,857	755,055	5.11	Mar 2018
Wm Morrision Supermarkets plc	Sittingbourne	Jun 2014	97.80	5.20	5,419,974	919,443	5.89	Jun 2015
DHL Supply Chain Ltd	Langley Mill	Aug 2014	17.53	6.50	1,214,480	255,680	4.75	Aug 2019
DHL Supply Chain Ltd	Skelmersdale	Aug 2014	28.87	6.50	2,000,000	470,385	4.25	Aug 2019
Wolseley UK Ltd	Ripon	Aug 2014	12.24	6.73	838,500	221,763	3.78	Sep 2016
Rolls-Royce Motor Cars Ltd	Bognor Regis	Oct 2014	36.98	6.25	2,379,481	313,220	7.23	Oct 2020
CDS (Superstores International) Ltd (trading as The Range)	Thorne	Nov 2014	48.50	6.10	3,122,994	750,431	4.16	Oct 2017
Tesco Stores Ltd	Middleton	Dec 2014	22.45	8.25	1,959,767	302,111	6.49	Dec 2017
Kuehne & Nagel Ltd*	Dove Valley Park	Dec 2014	29.27	6.00	1,858,000	343,248	5.41	Apr 2017
L'Oréal (UK) Ltd	Trafford Park	Dec 2014	25.83	7.13	1,947,231	261,959	7.45	Aug 2015
Total			**566.64**		**36,162,527**	**6,861,103**		

*Guaranteed by Hays Plc

Valuation and portfolio growth
CBRE independently valued the portfolio at 31 December 2014, in accordance with the RICS Valuation - Professional Standards January 2014. The properties were valued individually without premium/discount applying to the portfolio as a whole. The portfolio's market value was £619.28 million including forward funded commitments, compared with the assets' combined purchase price of £566.64 million, excluding purchase costs. This represents an increase of £52.64 million or 9.3%, when compared to the property purchase prices excluding acquisition costs.

The capital growth in our portfolio collectively reflects the capital growth for each property since purchase. If the portfolio in place at 31 December 2014 had been held throughout the period, we calculate that the annualised capital growth would have been 25.9%. This assumes that the growth in the period since ownership was consistent. Whilst this is an artificial measure, this does provide Shareholders with a more realistic growth metric for comparison against stabilised alternative property investments.

The valuation increase reflects the strong investment demand for industrial logistics, which has resulted in yields hardening. It also highlights our success in sourcing off-market deals at attractive prices for the Group.

Manager's report - our portfolio

Sainsbury's, Leeds

Key facts	
Acquisition price:	£48.75m
Net initial yield:	6.65%
Size:	571,522 sq ft
Eaves height:	13m
Built:	2000
Lease expiry:	November 2026

- One of Sainsbury's 13 main regional distribution centres in the UK, strategically located near the A1(M) motorway, rail and air links
- Core to Sainsbury's operational needs, distributing food to 145 superstores and 45 local stores between Northampton and Newcastle
- Low site density of circa 31% offers the opportunity to accommodate expansion
- Potential asset management opportunities identified

Marks & Spencer, Castle Donington

Key facts	
Acquisition price:	£82.58m
Net initial yield:	5.20%
Size:	906,240 sq ft
Eaves height:	25m
Built:	2011
Lease expiry:	December 2036

- Newly developed building bespoke for M&S, providing modern design features such as very high eaves, energy efficient systems and dedicated rail freight terminal and sidings
- Strategically located for transportation via road (M1), rail and air, for central UK distribution for e-commerce
- M&S has committed significant capital expenditure to the unit, creating multiple mezzanine floors and highly sophisticated automated picking and handling equipment
- Rent is reviewed upwards only to open market value, with a minimum increase equivalent to 1.5% per annum and compounded five yearly, currently passing off a low base rent which we believe is reversionary on the open market
- Low site cover of circa 41% gives potential for extension and/or a rail terminal building

Tesco, Chesterfield

Key facts	
Acquisition price:	£28.64m
Net initial yield:	6.60%
Size:	501,751 sq ft
Eaves height:	15m
Built:	2005
Lease expiry:	May 2020

- Developed to modern standards incorporating high eaves, low site cover and cross docking
- Accessible location five minutes from Junction 30 of the M1, providing excellent connectivity to wider motorway network
- Rent passing off a low base of £3.99 per sq ft, which should allow for an opportunity to capture growth at next review in May 2015
- Tesco recently closed an 840,000 sq ft facility in Daventry and transferred much of that operation to this warehouse
- Potential asset management opportunities identified

Tesco, Didcot

Key facts	
Acquisition price:	£27.20m

Net initial yield:	6.90%
Size:	288,259 sq ft
Eaves height:	11m
Built:	1989
Lease expiry:	July 2024

- Strategically located in a core south east position, adjacent to the A34 dual carriageway linking junction 13 of the M4 and junction 9 of the M40 motorways, as well as rail and air connections
- Facility has integral cold store for Tesco's food distribution, serving in excess of 120 stores in a 60-mile radius, while Tesco has also committed to developing a 100,000 sq ft "dot-com" unit two miles away
- Low site cover of circa 45%
- Potential asset management opportunities identified

Next, Doncaster

Key facts

Acquisition price:	£60.00m
Net initial yield:	6.07%
Size:	755,055 sq ft
Eaves height:	17.5m
Built:	2003, extended 2005
Lease expiry:	March 2023

- Unit was developed in 2003 and extended in 2005, to accommodate Next's expansion requirements
- Extension contains a fully automated stock picking system, installed at considerable expense to the tenant
- Tenant further committed to the location, having submitted planning for another 600,000 sq ft facility on an adjoining parcel of land that will link via a connecting bridge to our building
- Excellent location for access to wider motorway network via the M18, as well as rail and air links
- Potential asset management opportunities identified

Morrisons, Sittingbourne

Key facts

Acquisition price:	£97.80m
Net initial yield:	5.20%
Size:	919,443 sq ft
Eaves height:	15m
Built:	2009
Lease expiry	June 2039

- Unit was developed in 2009 and provides modern design features
- Strategically located four miles from Junction 5 of the M2 and 28 miles south east of the M25 (approximately 30 minutes to City of London), and close to rail and container port facilities
- Unit is Morrisons' principal South East regional distribution facility, supplying 85 superstores and 53 "M Locals" with chilled, ambient and cold goods
- Rent is reviewed to RPI capped at 2.0% and paid annually, which provides for long-term growth
- Low site cover of circa 42%
- Potential asset management opportunities identified

DHL, Langley Mill

Key facts

Acquisition price:	£17.53m
Net initial yield:	6.50%
Size:	255,680 sq ft
Eaves height:	12m
Built:	2006
Lease expiry:	August 2024

- Modern, high-specification distribution facility with ancillary offices and extensive parking over 13.24 acres, plus low site cover of circa 45%
- Well located, approximately eight miles north west of Nottingham, and accessed from Junction 26 of the M1 motorway
- Centrally located in the UK, to allow for optimum distribution coverage within the maximum HGV drive time
- Tenant committed significant further capital expenditure to fit the unit out, in order to fulfil a new national distribution contract

DHL, Skelmersdale

Key facts

Acquisition price:	£28.87m
Net initial yield:	6.50%
Size:	470,385 sq ft

Eaves height:	12.75m
Built:	2003
Lease expiry:	August 2024

- Highly specified and fully fitted distribution facility, with ancillary offices and extensive parking over 29.5 acres, plus low site cover of circa 36%
- Strategically located approximately one mile from Junction 4 of the M58 motorway and five miles from Junction 6 of the M6
- Port of Liverpool is approximately 14 miles away, where construction is under way on a new container port capable of bringing some of the world's largest container ships to the North West region
- DHL has committed significant capital expenditure to fit the unit out, in order to fulfil a new distribution contract; the unit will also operate as a multi-contracted facility

Wolseley, Ripon

Key facts

Acquisition price:	£12.24m
Net initial yield:	6.73%
Size:	221,763 sq ft
Eaves height:	12m
Built:	2001
Lease expiry:	September 2026

- Attractive initial yield and low passing rent
- High-specification property with ancillary offices and extensive parking over approximately 10.9 acres, plus low site cover of circa 46%
- One of five Wolseley regional distribution centres in the UK
- Conveniently positioned close to Junction 50 of the A1, it serves the North of England, Scotland, and Northern Ireland

Rolls-Royce Motor Cars, Bognor Regis

Key facts

Acquisition price:	£36.98m
Net initial yield:	6.25%
Size:	313,220 sq ft
Eaves height:	10m
Built:	construction targeted to complete in 2016
Lease expiry:	10 years from Practical Completion, expected to expire October 2025

- Pre-let forward funding investment for a new Technology and Logistics Centre for Rolls-Royce Motor Cars
- The Company benefits from income during the development phase (under a developer's licence) and fixed increases equivalent to 3% compound realised five yearly from lease commencement
- New centre to be built on 18.95 acres site and used as a warehouse and distribution centre for inbound production parts, a car body store and finished car store with workshop for car preparation
- Site located on the Oldlands Farm Business Park and will benefit from the new Bognor Regis Northern Relief Road, due to open in 2015
- New facility lies eight miles from Goodwood, West Sussex, Rolls-Royce Motor Cars' historic home, headquarters and principal UK assembly plant
- Low site cover of circa 37%

The Range, Thorne

Key facts

Acquisition price:	£48.50m
Net initial yield:	6.10%
Size:	750,431 sq ft
Eaves height:	15.8m
Built:	2006
Lease expiry:	September 2032

- High-specification property, providing a modern national logistics distribution centre, with ancillary offices and extensive parking over approximately 42.7 acres
- Low site cover of circa 40%
- Prominent position adjacent to the M18 motorway and two miles from Junction 6, with easy access to the wider motorway network of M1, A1(M) and M62
- Area is a major UK distribution location with good transport links, supported by favourable demographics for a suitable labour force

Tesco, Middleton

Key facts

Acquisition price:	£22.45m

Net initial yield:	8.25%
Size:	302,111 sq ft
Eaves height:	10.8m
Built:	1988
Lease expiry:	December 2023

- High income return/attractive yield
- Located in Stakehill, an established 200-acre industrial estate providing over 2.5 million sq ft of logistics space and home to a critical mass of occupiers, including Sainsbury's, Aldi, Booker and several third-party logistics companies
- Situated just east of Junction 20 of the M62, with Manchester approximately eight miles to the east and Liverpool 42 miles to the west
- Very low site cover of circa 31%
- Potential asset management opportunities identified

Kuehne & Nagel, Dove Valley Park

Key facts

Acquisition price:	£29.27m
Net initial yield:	6.00%
Size:	343,248 sq ft
Eaves height:	12m
Built:	1997, extended 1999
Lease expiry:	March 2028

- Dove Valley Park is a major 200 acre industrial/distribution estate situated in an established distribution location in the North Midlands, close to East Midlands airport and Birmingham Rail Freights, with direct access onto the A50 dual carriageway linking the M6 and M1
- Property is leased to Kuehne & Nagel Limited and guaranteed by Hays plc, a global recruitment company
- Low site cover of circa 43%

L'Oréal (UK), Trafford Park

Key facts

Acquisition price:	£25.83m
Net initial yield:	7.13%
Size:	261,259 sq ft
Eaves height:	10.2m
Built:	2004, extended 2013
Lease expiry:	August 2019

- Property located in one of Europe's largest and most successful business parks, with direct access to the M60 and the Manchester Ship Canal
- Trafford Park benefits from the North West's largest rail freight terminal, running straight through to mainland Europe
- Potential asset management opportunities identified
- Rent reviewed annually, upwards only at 3% per annum compound
- Tenant extension of 53,859 sq ft reflects 315,118 sq ft in total equating to an underlying rent of £6.18 sq ft
- Low site cover of circa 45%

Post period-end acquisitions

On 29 January 2015, the Company exchanged contracts (subject to detailed planning consent) to provide forward funding investment for a new distribution warehouse facility inside the M25 at Crossdox, Bronze Age Way, Erith. The facility is pre-let in its entirety to Ocado Holdings Ltd for 30 years and guaranteed by Ocado Group Plc ("Ocado"). The investment price is £98.8 million, reflecting a yield of 5.25% (net of standard acquisition costs).

Ocado has an option to introduce a third-party joint guarantor to the lease on the later of 30 April 2015 and the date of grant of detailed planning consent which, if exercised, would increase the investment price to £99.9 million and reduce the yield to 4.9% (net of standard acquisition costs). The lease length would reduce to 25 years, the rent would reduce and the rent review provisions would change slightly.

Financial results

Operating profit under IFRS was £46.67 million for the period. There were two principal drivers of this positive performance. The first was the portfolio's strong rental income, which equates to a running yield based on book cost of 6.14%. The results also benefited from the gain of £31.67 million, net of property acquisition costs, recognised on revaluing the Group's investment properties at the period end. This gain was after accounting for all costs associated with asset purchases during the period.

Administrative and other expenses, which include the Manager's fee and other costs of running the Group, were £3.60 million, equivalent to 0.58% of the portfolio's market value, as provided by CBRE, at 31 December 2014. This compares very favourably with the expenses of the Company's peers.

Net financing costs were £4.82 million for the period, including a reduction in the fair value of interest rate derivatives of £2.58 million. Further information on financing and hedging is provided below.

Total profit before tax for the period was £41.84 million, which resulted in earnings per share (basic and diluted) of 15.10 pence.

Financing and hedging
During the period, the Group drew down nine senior debt facilities, resulting in total long-term bank borrowings of £203.64 million as at 31 December 2014. The weighted average margin payable across these loans was 1.76% over 3-month LIBOR.

The LTV ratio at 31 December 2014 was 32.9%, which is lower than the Group's initial LTV target of 45%. The Group had available undrawn debt facilities totalling £13.2 million at the period end.

The Group's medium-term target is an LTV ratio of 40% against the Group's gross asset value, which the Manager believes is a conservative level given the quality of the Group's investments. All facilities, other than the facility for Wolseley, Ripon, contain LTV covenants requiring an income sweep at 65% LTV and a hard default level of 70% LTV. The Wolseley, Ripon facility provides for an LTV covenant with an income sweep level at 55% and a hard default at 60%. The Group has also negotiated for all facilities (other than Wolseley, Ripon and The Range, Doncaster) margin rachets linked to LTV covenants. As at 31 December 2014, the Group could afford to suffer a potential fall in property values of 22.3% on the asset with least headroom and 63.9% on the asset with most headroom, before being in breach of its LTV covenants.

Each loan is interest only and secured against the associated property and the shares of the entity that owns that property. Each property-owning entity is either directly or ultimately owned by the Company. None of the properties are cross-collateralised and the debt is non-recourse to the Company. This means that if a particular asset were to breach its banking covenants, then the breach should not adversely affect the Group's other assets. This provides clarity and future visibility on income available for distribution to our shareholders. The Company may employ cross-collateralised debt arrangements where considered beneficial.

The Group average term to maturity across its debt facilities excluding extension options was 4.31 years as at the period end. The Manager has successfully broadened the Group's debt funding relationships, adding Santander UK and Landesbank Hessen-Thüringen Girozentrale (Helaba) to its initial relationship with Barclays.

The Group has designed its debt strategy to minimise the effect of a significant rise in underlying interest rates, through a series of derivative interest rate cap instruments. During the period, the Group entered into nine separate interest rate caps, matching the tenor of each of the debt facilities, with a weighted average strike rate secured for the debt portfolio of 2.09%, which when combined with the average margin equates to a capped all-in rate of borrowing of 3.85%. The total aggregated premium paid during the period to secure these caps was £4.96 million. By using interest rate caps, the Group has effectively hedged 97.7% of its long-term debt at 31 December 2014.

The Group obtains advice from JC Rathbone Associates for advice on its hedging strategy and to review and monitor the interest rates as they are booked by the lending bank. This ensures that the Group benefits from specialist advice and competitive pricing. In February 2015, the Group drew an additional senior debt totalling £13.17 million from Barclays against the asset let to Kuehne & Nagel, Dove Valley Park. This newest facility was agreed for a period of four years with an extension option available of 12 months, and was hedged by way of a coterminous interest rate swap.

The table below summarises each senior debt facility drawn in the period.

Senior debt facilities secured in the period			
Asset	Lender	Expiry date	Long-term debt drawn (£)
Sainsbury's Leeds	Barclays	June 2018[2]	23,500,000
Marks & Spencer, Castle Donington	Barclays	June 2019[2]	49,275,000
Tesco, Didcot	Barclays	June 2018[1]	12,240,000
Next, Doncaster	Barclays	June 2018[1]	16,429,250
Morrisons, Sittingbourne	Barclays	June 2019[2]	53,790,000
DHL, Langley Mill	Helaba	November 2019	7,060,000
DHL, Skelmersdale	Helaba	November 2019	11,600,000
Wolseley, Ripon	Santander UK	December 2019	5,500,000
The Range, Thorne	Barclays	November 2019[1]	24,250,000
Total			**203,644,250**

[1] 12 month extension option available

[2] Extension option available of up to 24 months

EPRA
The Company plans to qualify for the EPRA investment indices, in terms of both analysis and reporting, from the end of the first quarter of 2015. This should allow the Company to access a broader investor base, devoted to investing in the European listed real estate sector, from which it could seek future investment.

The Company looks to comply with EPRA's best practice recommendations, taking the view that EPRA metrics focus on areas of reporting which are of greatest importance to real estate investors and where they would like to see increased consistency between companies.

The Group's EPRA earnings per share for the period ended 31 December 2014 was 4.60 pence and EPRA NAV as at the period end date was 107.57 pence. For a full list of EPRA performance measures, please refer to the table above.

Dividend
On 8 July 2014, the Company declared its first interim dividend of 1.85 pence per share, which it paid on 8 August 2014.

The Company declared its second interim dividend of 1.50 pence per share on 20 November 2014 and paid it on 17 December 2014.

The Company has declared a third interim dividend for the period of 0.80 pence per share. This will be paid on 18 March 2015, to shareholders on the register at 6 March 2015. See note 14.

Fundraising
We believe that there is a healthy pipeline of suitable new investment opportunities. Further to the exchange of contracts on a new distribution warehouse facility for Ocado announced on 29 January 2015, the Company is currently in advanced negotiations for the acquisition of three additional assets, each of which is under offer, in solicitors' hands and subject to exclusivity agreements.

In addition, the Manager is engaged in detailed discussions with the current owners of a number of other suitable assets that meet the Company's Investment Policy. In order to assist in the financing of these investment opportunities, the Company is currently considering a further equity fundraising in the near term pursuant to its share issuance programme. Further details will be published in due course.

Alternative Investment Fund Manager ("AIFM")
On 1 July 2014, Tritax Management LLP was authorised and regulated by the Financial Conduct Authority as a full scope AIF. As a result, the Manager is authorised to provide its services to the Group and the Group benefits from the rigorous reporting and on going compliance regime applicable to AIFMs in the UK.

Tritax Management LLP
Manager
23 February 2015

Our principal risks

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

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

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

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

Principal risks
Our principal risks and uncertainties are set out below. They have the potential to affect materially our business, either favourably or unfavourably. Some risks may currently be unknown, while others that we currently regard as immaterial, and have therefore not been included here, may turn out to be material in the future.

PROPERTY RISK

Our property performance will depend on general real estate market conditions.

IMPACT	MITIGATION
An adverse change in our property valuations may lead to breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our NAV.	Our property portfolio is 100% let, with long unexpired weighted average lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews which are either fixed, RPI/CPI linked or at open market value. These factors help maintain our asset values. We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on LTV and interest cover.

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

IMPACT	MITIGATION
Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources or greater ability to borrow or leverage funds, thereby restricting our ability to grow our NAV.	We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors in the sector and some developers, giving us the best possible opportunity to secure future acquisitions. We are not exclusively reliant on acquisitions to grow the portfolio. Our leases contain upward-only rent review clauses, which mean we can generate additional income and value from the current portfolio.

Our property performance will depend on the performance of the UK retail sector and the continued growth of online retail.

IMPACT	MITIGATION

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

Our investment policy limits our exposure to any one tenant to 20%, which prevents significant single retailer exposure.

To mitigate geographical shifts in retailers' focus, we invest in assets with a diverse spread of location, with easy access to large ports and key motorway junctions. Before investing, we undertake a thorough due diligence process, particularly over the strength of the underlying covenant.

We select assets that have strong property fundamentals (good location, modern design, sound fabric) and which should therefore be attractive to other occupiers should the current occupier fail.

In addition, we focus on assets let to tenants with strong financial covenants.

FINANCIAL RISK

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

IMPACT

Interest on our debt facilities is payable based on a margin over LIBOR. Any adverse movements in LIBOR could significantly impair our profitability and ability to pay dividends to shareholders.

MITIGATION

We have entered into interest rate derivatives to hedge our direct exposure to movements in LIBOR. These derivatives cap our exposure to LIBOR rises and have terms coterminous with the loans.

We aim, where reasonable, to minimise the level of unhedged debt with LIBOR exposure, by taking out hedging instruments with a view to keeping variable rate debt approximately 90%+ hedged.

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

IMPACT

Without sufficient debt funding, we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, this will impair our ability to maintain our targeted level of dividend.

MITIGATION

Before we contractually commit to buying an asset, we enter discussions with our lenders to get an outline heads of terms on debt financing. This allows us to ensure that we can borrow against the asset and maintain our borrowing policy.

The Board keeps our liquidity and gearing levels under review. We only enter into forward funding commitments if they are supported by available funds.

We have broadened our lender base in the second half of the period, entering into banking facilities with two new lenders. This has created new banking relationships for us, with the aim of keeping lending terms as competitive as possible.

The Big Box sub-sector should remain popular with lenders, owing to long leases and letting to single tenants with strong financial covenants, that enable us to attract debt funding.

We must be able to operate within our banking covenants.

IMPACT

If we were unable to operate within our banking covenants, this could lead to default and our bank funding being recalled.

MITIGATION

We continually monitor our banking covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. We enter into interest rate caps to mitigate the risk of interest rate rises and also invest in assets let to institutional grade covenants.

CORPORATE RISK

There can be no guarantee that we will achieve our investment objectives.

IMPACT

MITIGATION

Our investment objectives include achieving the dividend and total returns targets.

The amount of any dividends paid or total return we achieve will depend on, among other things, successfully pursuing our investment policy and the performance of our assets. Future dividends are subject to the Board's discretion and will depend, among other things, on our earnings, financial position, cash requirements, level and rate of borrowings, and available profit.

At 31 December 2014, we had acquired 14 Big Box assets that meet our investment criteria. The Manager's significant experience in the sector should continue to provide us with access to assets that meet our investment criteria going forward.

Rental income from our current portfolio, coupled with our hedging policy, supports the 6 pence per share dividend target, a significant investment objective. Movement in capital value is subject to market yield movements and the ability of the Manager to execute successfully asset management strategies.

We are reliant on the continuance of the Manager.

IMPACT

We continue to rely on the Manager's services. As a result, our performance will, to a large extent, depend on the Manager's abilities. Termination of the Investment Management Agreement would severely affect our ability to effectively manage our operations.

MITIGATION

Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 12 months' written notice, which may not be given before the fourth anniversary of the IPO. The Management Engagement Committee regularly reviews and monitors the Manager's performance.

In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship.

TAXATION RISK

We operate as 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.

IMPACT

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

MITIGATION

The Board is ultimately responsible for ensuring we adhere to the UK REIT regime. It monitors the REIT compliance reports provided by:

- the Manager on potential transactions;
- the Administrator on asset levels; and
- our registrar and broker on shareholdings.

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

The Strategic Report was approved on behalf of the Board by:
Richard Jewson Chairman
23 February 2015

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group and Company financial statements for each financial year. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- For the Company financial statements, state whether they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

Website publication
The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement
We confirm that to the best of our knowledge:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board by:
Richard Jewson
Chairman
23 February 2015

Group Statement of Comprehensive Income
For the period ended 31 December 2014

	Note	**For the period 1 November 2013 to 31 December 2014 £'000**	For the period 1 March 2013 to 31 October 2013 £'000
Gross rental income	6	**18,603**	-
Service charge income	6	**511**	-
Service charge expense	6	**(511)**	-
Net rental income		**18,603**	-
Administrative and other expenses	8	**(3,603)**	-
Operating profit before changes in fair value of investment properties and interest rate derivatives		**15,000**	-
Changes in fair value of investment properties	15	**31,668**	-
Operating profit		**46,668**	-
Finance income	10	**205**	-
Finance expense	11	**(2,452)**	-
Changes in fair value of interest rate derivatives	21	**(2,577)**	-
Profit before taxation		**41,844**	-
Tax charge on profit for the period	12	**-**	-
Total comprehensive income (attributable to the Shareholders)		**41,844**	-
Earnings per share - basic and diluted	13	**15.10p**	-
EPRA earnings per share - basic and diluted	13	**4.60p**	-

Group Statement of Financial Position
As at 31 December 2014

	Note	At 31 December 2014 £'000	At 31 October 2013 £'000
Non-current assets			
Investment property	15	**586,179**	-
Interest rate derivatives	21	**2,379**	-
Total non-current assets		**588,558**	-
Current assets			
Trade and other receivables	17	**30,668**	50
Cash and cash equivalents	18	**98,616**	-
Total current assets		**129,284**	50
Total assets		**717,842**	50
Current liabilities			
Deferred rental income		**(7,332)**	-
Trade and other payables	19	**(6,048)**	-
Total current liabilities		**(13,380)**	-
Non-current liabilities			
Bank borrowings	20	**(200,933)**	-
Total non-current liabilities		**(200,933)**	-
Total liabilities		**(214,313)**	-
Total net assets		**503,529**	50
Equity			
Share capital	24	**4,705**	50
Share premium reserve	25	**272,536**	-
Capital reduction reserve	26	**184,444**	-
Retained earnings	27	**41,844**	-
Total equity		**503,529**	50
Net asset value per share - basic and diluted	28	**107.02p**	100.00p
EPRA net asset value per share - basic and diluted	28	**107.57p**	100.00p

Group Cash Flow Statement

For the period ended 31 December 2014

	Note	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity Shareholders)		**41,844**	-
Less: Changes in fair value of investment properties		**(31,668)**	-
Add: Changes in fair value of interest rate derivatives		**2,577**	-
Less: Finance income		**(205)**	-
Add: Finance expense		**2,452**	-
Accretion of tenant lease incentive		**(937)**	-
Increase in trade and other receivables		**(1,787)**	-
Increase in deferred income		**7,332**	-
Increase in trade and other payables		**3,194**	-
Cash generated from operations		**22,802**	-
Net cash flow generated from operating activities		**22,802**	-
Investing activities			-
Purchase of investment properties		**(555,696)**	-
Forward funded payment		**(27,204)**	-
Licence fee received		**1,514**	-
Interest received		**115**	-
Long-term restricted cash deposits	18	**(4,310)**	-
Net cash flow used in investing activities		**(585,581)**	-
Financing activities			-
Proceeds from issue of Ordinary Share capital		**480,901**	-
Cost of share issues		**(9,594)**	-
Bank borrowings drawn		**215,144**	-
Bank borrowings repaid		**(11,500)**	-
Loan arrangement fees paid		**(2,658)**	-
Bank interest paid		**(1,418)**	-
Interest rate cap premium paid		**(4,956)**	-
Dividends paid to equity holders		**(8,834)**	-
Net cash flow generated from financing activities		**657,085**	-
Net increase in cash and cash equivalents for the period		**94,306**	-

Cash and cash equivalents at the start of the period		**-**	-
Cash and cash equivalents at the end of the period	18	**94,306**	-

Group Statement of Changes in Equity

	Undistributable reserves		Distributable reserves		
	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
1 November 2013	**50**	**-**	**-**	**-**	**50**
Total comprehensive income	**-**	**-**	**-**	**41,844**	**41,844**
Issue of Ordinary Shares					
Shares issued in relation to IPO	1,950	198,000	-	-	199,950
Share issue expenses in relation to IPO		(4,000)	-	-	(4,000)
Shares issued in relation to Tap (June 2014)	200	20,579	-	-	20,779
Share issue expenses in relation to Tap (June 2014)	-	(402)	-	-	(402)
Shares issued in relation to further Equity issue (July 2014)	1,456	148,544	-	-	150,000
Share issue expenses in relation to further Equity issue (July 2014)	-	(3,042)	-	-	(3,042)
Shares issued in relation to management contract	1	121	-	-	122
Shares issued in relation to further Equity issue (December 2014)	1,048	108,952	-	-	110,000
Share issue expenses in relation to further Equity issue (December 2014)	-	(2,216)	-	-	(2,216)
Share based payments	-	-	-	320	320
Transfer of share based payments to liabilities to reflect settlement	-	-	-	(320)	(320)
Cancellation of share premium account	-	(194,000)	194,000	-	-
Dividends paid:					
First interim dividend for the period ended 31 December 2014 (1.85p)	-	-	(4,070)	-	(4,070)
Second interim dividend for the period ended 31 December 2014 (1.50p)	-	-	(5,486)	-	(5,486)
31 December 2014	**4,705**	**272,536**	**184,444**	**41,844**	**503,529**
1 March 2013	**50**	**-**	**-**	**-**	**50**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**
31 October 2013	**50**	**-**	**-**	**-**	**50**

Notes to the Consolidated Accounts

1. Corporate information

The consolidated financial statements of the Group for the 14-month period ended 31 December 2014 comprise the results of the Company and its subsidiaries and were approved by the Board for issue on 23 February 2015. Tritax Big Box REIT plc ("the Company") is a public listed company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange.

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

Accounting policies

2. Basis of preparation

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

The Group's financial information has been prepared on a historical cost basis, as modified for the Group's investment properties and interest rate derivatives, which have been measured at fair value through the Group Statement of Comprehensive Income.

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

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and earnings per share.

The financial information does not constitute the Group's statutory accounts for the period ended 31 December 2014 and 31 October 2013 but is derived from those accounts. Statutory accounts for the period ended 31 October 2013, during which the Company was dormant, have been delivered to the Registrar of Companies and those for the period ended 31 December 2014 will be delivered in due course. The Auditor has reported on the 2014 accounts; the report was unqualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. No audit report was issued with the statutory accounts for the period ended 31 October 2013 as the company was dormant.

2.1. Going concern
The consolidated financial statements are prepared on a going concern basis as explained in the Directors' Report.

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

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

Business combinations
The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

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

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.

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 - Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 15.

Fair valuation of interest rate derivatives
In accordance with IAS 39, the Group values its interest rate derivatives at fair value. The fair values are estimated by the loan counterparty with revaluation occurring on a quarterly basis. The counter parties will use a number of assumptions in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

4. Summary of significant accounting policies

4.1. Basis of consolidation
The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, as at the Balance Sheet date.

4.2. Subsidiaries
Subsidiaries are those entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to direct the financial and operating activities of an entity so as to obtain benefits from its activities.

All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

4.3. Segmental information
The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in Big Box assets.

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

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

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

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

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

4.5. Derivative financial instruments

Derivative financial instruments, comprising interest rate caps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Company and its counterparties. The gain or loss at each fair value remeasurement date is recognised in the Group Statement of Comprehensive Income. Premiums payable under such arrangements are initially capitalised into the Group's Statement of Financial Position, subsequently they are remeasured and held at their fair values.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

4.6. Fair value hierarchy

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

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

4.7. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. A provision for impairment is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written-off when the probability of recovery is assessed as being remote.

4.8. Forward funded pre-let investments

The Group enters into forward funding agreements for pre-let investments.

4.8.1. Forward funded prepayments

Under the terms of the forward funded pre-payment agreements, the total fixed price construction cost is paid to the developer and is held in a restricted bank account. As construction costs are incurred, funds are released subject to the authorisation of the Group's subsidiary that has contracted the development along with appropriate monitoring surveyor sign off. Accordingly, the initial amount paid into the restricted bank account is shown as a forward funded prepayment which reduces as construction costs are incurred and funds are released from the restricted account and capitalised accordingly.

4.8.2. Licence fees receivable

During the period between initial investment in a forward funded agreement and the lease commencement date, the Group receives licence fee income. This is payable by the developer to the Group throughout this period and typically reflects the approximate level of rental income that is expected to be payable under the lease, as and when practical completion is reached. Under IFRS such licence fees are deducted from the cost of the investment and are shown as a receivable. Any economic benefit of the licence fee is reflected within the Group Statement of Comprehensive Income as a movement in the fair value of investment property and not within gross rental income.

4.9. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash also includes amounts held in restricted accounts to cover future rent free periods, that is not available for every day use.

4.10. Trade payables

Trade 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.

4.11. Bank borrowings

All bank borrowings are initially recognised at fair value net of attributable transaction costs. Any attributable transaction costs relating to the issue of the bank borrowings are amortised through the Group Statement of Comprehensive Income over the life of the debt instrument on a straight-line basis. After initial recognition, all bank borrowings are measured at amortised cost, using the effective interest method.

4.12. Share-based payments

Fees payable to the Manager are partly settled by the reinvestment of 25% of the fee (net of taxes) in Ordinary Shares. The cost is recognised based on the agreed fee structure contained in the Investment Management Agreement, together with a corresponding increase in equity. The Investment Management Agreement allows for shares to be acquired from the market where the trading share price is below Net Asset Value per Share. As a result the Company may be obliged to pay cash to the Manager rather than issue new Ordinary Shares at each reporting date and a transfer is made from equity to liabilities to reflect this obligation. Details of the Investment Management Agreement are further set out in the Management Engagement Committee Report.

4.13. Dividends payable to Shareholders
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the Shareholders at an annual general meeting.

4.14. Property income

4.14.1. Rental income
Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in gross rental income in the Group Statement of Comprehensive Income due to its operating nature, except for contingent rental income, which is recognised when it arises. 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.

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

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

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

4.14.2. 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 Group acts as principal in this respect.

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

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

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

5. Standards issued but not yet effective
The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial information:

IFRS 9: Financial Instruments (effective 1 January 2018 subject to EU endorsement);

IFRS 15: Revenue from Contracts with Customers (effective 1 January 2017 subject to EU endorsement).

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

6. Total property income

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Rental income - freehold property	**15,788**	-
Rental income - long leasehold property	**2,815**	-
Gross rental income	**18,603**	-
Property insurance recoverable	**460**	-
Service charges recoverable	**51**	-
Service charge income	**511**	-
Total property income	**19,114**	-

Included within rental income is £937,000 of accrued contracted rental uplift income. See note 15.

7. Service charge expenses

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Property insurance expense	**460**	-

Service charge expense	**51**	-
Total property expenses	**511**	-

8. Administrative and other expenses

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Investment management fees	**2,330**	-
Directors' remuneration (note 9)	**154**	-
Auditor's fees		
• Fees payable for the audit of the Company's annual accounts	**44**	-
• Fees payable for the audit of the Company's interim accounts	**14**	-
• Fees payable for the audit of the Company's initial accounts	**9**	-
• Fees payable for the audit of the Company's subsidiaries	**27**	-
• Fees payable for taxation services	**60**	-
Total Auditor's fee	**154**	-
Corporate administration fees	**254**	-
Regulatory fees	**25**	-
Legal and professional fees	**488**	-
Marketing and promotional fees	**95**	-
Other administrative costs	**103**	-
	3,603	-

The Auditor has also received £100,000 in respect of providing reporting accountant services in connection with the initial listing of the Company and a further £115,000 in relation to the July 2014 offering. A total £81,000 in respect of advisory services provided in connection with the acquisition of Group assets. The fees relating to the listing of the Company have been treated share issue expenses and offset against share premium. The fees in relation to the acquisition of assets have been capitalised in to the cost of the respective assets.

9. Directors' remuneration

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Directors' fees	**141**	-
Employer's National Insurance	**13**	-
	154	-

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report. As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

10. Finance income

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Interest received on bank deposits	**205**	-
	205	-

11. Finance expense

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Interest payable on bank borrowings	**2,142**	-
Amortisation of loan arrangement fees	**310**	-
	2,452	-

12. Taxation

a) Tax charge in the Group Statement of Comprehensive Income

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
UK corporation tax	**-**	-

A reduction in the UK corporation tax rate from 23% to 21% was effective from 1 April 2014. In addition, the Government announced its intention to further reduce the UK corporation tax rates from 21% to 20% from 1 April 2015. Accordingly, these rates have been applied in the measurement of the Group's tax liability at 31 December 2014.

b) Factors affecting the tax credit for the year

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

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
Profit on ordinary activities before taxation	**41,844**	-
Theoretical tax at UK corporation tax rate of 21.71% (31 October 2013: 23.0%)	**9,084**	-
REIT exempt income	**(2,672)**	-
Non-taxable items	**(6,406)**	-
Transfer pricing adjustment	**144**	-
Residual losses	**(150)**	-
Current tax credit	**-**	-

13. Earnings per share

Earnings per share (EPS) amounts 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 no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings per share is based on the following:

For the period 1 November 2013 to 31 December 2014	Net profit attributable to Ordinary Shareholders £'000	Weighted average number of Ordinary Shares[1] Number	Earnings per share Pence
Basic and diluted earnings per share	**41,844**	**277,169,193**	**15.10p**
Adjustments to remove:			
Changes in fair value of investment properties (note 15)	(31,668)		
Changes in fair value of interest rate derivatives (note 21)	2,577		
EPRA basic and diluted earnings per share	**12,753**	**277,169,193**	**4.60p**

For the period 1 March 2013 to 31 October 2013			
Basic and diluted earnings per share	-	50,000	-
EPRA[2] basic and diluted earnings per share	-	50,000	-

[1] Based on the weighted average number of Ordinary Shares in issue from the date of IPO to 31 December 2014.

[2] European Public Real Estate Association.

14. Dividends paid

	For the period 1 November 2013 to 31 December 2014 £'000	For the period 1 March 2013 to 31 October 2013 £'000
First interim dividend in respect of period ended 31 December 2014 at 1.85 pence per Ordinary Share (219,980,000 shares eligible)	**4,070**	-
Second interim dividend in respect of period ended 31 December 2014 at 1.50 pence per Ordinary Share (365,733,316 shares eligible)	**5,486**	-
Total dividends	**9,556**	-
Total dividends per share	**3.35p**	-

On 8 July 2014, the Company announced the declaration of a first interim dividend in respect of the period from admission of the share capital of the Company to trading on the Specialist Fund Market on 9 December 2013 to 30 June 2014 of 1.85 pence per Ordinary Share, which was payable on 8 August 2014 to Ordinary Shareholders on the register on 18 July 2014.

On 20 November 2014, the Company announced the declaration of a second interim dividend in respect of the period from 1 July 2014 to 31 October 2014 of 1.50 pence per Ordinary Share which was payable on 17 December 2014 to Shareholders on the register on 28 November 2014.

On 23 February 2015, the Company announced the declaration of a third interim dividend in respect of the period 1 November 2014 to 31 December 2014 of 0.80 pence per Ordinary Share. The third interim dividend will be paid on 18 March 2015 to Shareholders on the register at 6 March 2015.

It is not proposed to pay a final dividend in respect of the period.

15. Investment property

In accordance with IAS 40: Investment Property, the investment property has been independently valued at fair value by CBRE Limited ("CBRE"), an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation - Professional Standards January 2014 ("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.

All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

	Investment property freehold £'000	Investment property long leasehold £'000	Investment property under construction £'000	Total £'000
As at 1 November 2013	-	-	-	-
Property additions	442,698	103,375	7,501	553,574
Fixed rental uplift[1]	937	-	-	937
Change in fair value during the period	23,685	6,775	1,208	31,668
As at 31 December 2014	**467,320**	**110,150**	**8,709**	**586,179**
As at March 2013 and 31 October 2013	-	-	-	-

[1] Included within the carrying value of investment property is £937,000 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, with the difference between this and cash receipts changing the carrying value of the property against which revaluations are measured. Also see note 6.

	For the period 31 December 2014 £'000	31 October 2013 £'000
Investment property at fair value	**586,179**	-
Forward funding prepayments (note 17)	**27,204**	-
Licence fee receivable	**1,587**	-
Restricted cash (note 18)	**4,310**	
Total portfolio valuation*	**619,280**	-

* Including costs to complete on forward funded assets.

The valuation summary is set out on in the Strategic Report.

Fair value hierarchy

The following table provides the fair value measurement hierarchy for investment property:

	Date of valuation £'000	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Assets measured at fair value:					
Investment properties	31 December 14	586,179	-	-	586,179
Investment properties	31 October 13	-	-	-	-

There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

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

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

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

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

Valuation techniques: market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions in the market.

Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £838,500 - £5,419,974 per annum).

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements.

Unobservable input: net initial yield
The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 4.54% - 7.50%).

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

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £'000	+5% in passing rent £'000	+0.25% in net initial yield £'000	-0.25% in net initial yield £'000
Increase/(decrease) in the fair value of investment properties	(30,964)	30,964	(26,835)	29,381

16. Investments
The Group comprises a number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in disclosing the names of only those subsidiary entities whose results are deemed by Directors to principally affect the financial statements:

	Country of incorporation	Ownership %
Baljean Properties Limited	Isle of Man	100%
The Sherburn RDC Unit Trust	Jersey	100%
Tritax REIT Acquisition 3 Limited	UK	100%
Tritax Acquisition 4 Limited	Jersey	100%
Tritax Acquisition 5 Limited	Jersey	100%
Sonoma Ventures Limited	BVI	100%
Tritax Ripon Limited	Guernsey	100%
Tritax Acquisition 8 Limited	Jersey	100%
Tritax Acquisition 9 Limited	Jersey	100%
Tritax Acquisition 10 Limited	Jersey	100%
Tritax Acquisition 11 Limited	Jersey	100%
Tritax Acquisition 12 Limited	Jersey	100%
Tritax Acquisition 13 Limited	Jersey	100%
Tritax Acquisition 14 Limited	Jersey	100%

The principal activity of all of the above companies is property investment.

17. Trade and other receivables

	31 December 2014 £'000	31 October 2013 £'000
Forward funded prepayment	**27,204**	-
Trade receivables	**1,718**	-
Licence fee receivable	**1,587**	-
Prepayments and other receivables	**159**	-
	30,668	-

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

18. Cash and cash equivalents

	31 December 2014 £'000	31 October 2013 £'000
Cash held at bank	**94,306**	-
Restricted cash	**4,310**	-
	98,616	-

Restricted cash as at 31 December 2014 represents amounts relating to future rent-free periods on asset purchases during the period, where a cash deduction against the net purchase price was agreed with the vendor. Currently the cash is held in an account at the bank that has debt security over the asset to cover the periods of cash shortfall as set out in the lease. The restricted cash is not readily convertible to cash available on demand.

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows totalled £94.31 million as at the period end, which excludes long-term restricted cash deposits totalling £4.31 million. Total cash and cash equivalents as reported in the Group Statement of Financial Position equals £98.62 million.

19. Trade and other payables

	31 December 2014 £'000	31 October 2013 £'000
Trade and other payables	**2,720**	-
Accruals	**1,763**	-
VAT	**1,490**	-
Tax liability	**75**	-
	6,048	-

The tax liability arises from the acquisition of Sonoma Ventures Limited and relates to the period prior to acquisition.

20. Bank borrowings
A summary of the drawn and undrawn bank borrowings in the period is shown below:

	Bank borrowings drawn £'000	Bank borrowings undrawn £'000	Total £'000
As at 1 November 2013	-	-	-
Bank borrowings drawn in the period	203,644	-	203,644
Bank borrowings available but undrawn in the period	-	13,172	13,172
As at 31 December 2014	**203,644**	**13,172**	**216,816**
As at 1 March 2013 and 31 October 2013	-	-	-

The Group has entered into ten separate banking facilities during the period, drawing on £203.6 million of debt while having an undrawn debt facility available of £13.2 million at the period end. The weighted average term to maturity of the Group's debt as at the period end is 4.31 years.

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the shares of the subsidiaries and any intermediary holding companies of those subsidiaries. The Group does not provide any cross-Group guarantees nor does the Company act as a guarantor to the banks.

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:

	31 December 2014 £'000	31 October 2013 £'000
Bank borrowings drawn: due in more than one year	**203,644**	-
Less: Unamortised costs	**(2,711)**	-
Non-current liabilities: Bank borrowings	**200,933**	-

Maturity of bank borrowings

	31 December 2014 Drawn £'000	31 October 2013 Drawn £'000
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	**203,644**	-
Repayable in over 5 years	-	-
	203,644	-

Of the Group's ten banking facilities, seven of these facilities contained options for extension. There were four facilities with an extension option of one year and a further three facilities with an extension option of two years (split into two, one year extensions). The extension options require the agreement of both the Group and counterparty bank in order to exercise. Details of the individual facilities can be found in the Manager's Report.

Each of the Group's facilities has an interest charge which is payable quarterly based on a margin above 3 month Libor. The weighted average margin payable by the Group on its debt portfolio as at the period end was 1.76% above 3 month Libor.

The Group has been in compliance with all of the financial covenants of the above facilities as applicable throughout the period covered by these financial statements.

21. Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into a number of interest rate caps during the period. An interest rate cap has been taken out in respect of each loan drawn to cap the rate to which 3-month Libor can rise and are coterminous with the initial term of the loan. The weighted average cap rate for the Group as at the period end was 2.09%, which effectively caps the Group's drawn borrowing facilities at an all-inclusive interest rate payable of 3.85%. The total premium payable in the period towards securing the interest rate caps was £4.96 million.

	31 December 2014 Drawn £'000	31 October 2013 Drawn £'000
Non-current assets: Interest rate derivatives	**2,379**	-

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the mark to market values of the derivatives are taken to the Group Statement of Comprehensive Income.

	31 December 2014 Drawn £'000	31 October 2013 Drawn £'000
Interest rate cap premium	**4,956**	-
Changes in fair value of interest rate derivatives	**(2,577)**	
	2,379	-

It is the Group's target to hedge at least 90% of the total debt portfolio using interest rate derivatives. As at the period end date the total proportion of hedged debt equated to 97.7%, as shown below.

	31 December 2014 Drawn £'000	31 October 2013 Drawn £'000
Total bank borrowings (note 20)	**203,644**	-
Notional value of interest rate derivatives	**198,918**	-
Proportion of hedged debt	**97.7%**	-

Fair value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

	Date of valuation £'000	Total £'000	Quoted prices in active markets (Level 1)	Significant observable inputs	Significant unobservable inputs

			£'000	(Level 2) £'000	(Level 3) £'000
Asset measured at fair value:	31 December				
Interest rate derivatives	2014	2,379	-	2,379	-
Interest rate derivatives	31 October 2013	-	-	-	-

The fair value of these contracts are recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the period end.

There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

22. Financial risk management

Financial instruments
The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group's other principal financial liabilities are bank borrowings, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio.

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

	Book value 31 December 2014 £'000	**Fair value 31 December 2014 £'000**	Book value 31 October 2013 £'000	Fair value 31 October 2013 £'000
Financial assets				
Interest rate derivatives	**2,379**	**2,379**	-	-
Trade and other receivables	**30,668**	**30,668**	-	-
Cash and short-term deposits	**98,616**	**98,616**	-	-
Financial liabilities				
Trade and other payables	**(4,285)**	**(4,285)**	-	-

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

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

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

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

Trade receivables
Trade receivables, primarily tenant rentals, are presented in the balance sheet net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition. Any trade receivables past due as at the period end were received shortly after the period end.

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

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

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

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
31 December 2014						

Bank borrowings	-	1,180	3,539	219,243	-	223,962
Trade and other payables	-	6,048	-	-	-	6,048
	-	7,228	3,539	219,243	-	230,010
31 October 2013						
Bank borrowings	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-
	-	-	-	-	-	-

Included within the contracted payments is £30.32 million of bank interest payable up to the point of maturity across the facilities.

23. Capital management

The primary objective of the Group's capital management is to ensure that it remains a going concern and continues to qualify for UK REIT status.

The Board, with the assistance of the Investment Manager, monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion and to maintain sustainable returns for Shareholders. The Group's policy on borrowings is as follows:

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

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 40% of the Group's gross assets. However, during the investment phase post admission, the Group's target level of aggregate borrowings will be 45% of the Group's gross assets, with flexibility to increase to a maximum level of 50% of the Group's gross assets on a temporary basis during this phase.

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

24. Share capital

		31 December 2014 Number	**31 December 2014 £'000**	31 October 2013 Number	31 October 2013 £'000
Issued and fully paid at 1p each (formerly £1.00 each)		**470,495,220**	**4,705**	**50,000**	**50**
At beginning of period - £1.00 Ordinary Shares		50,000	50	50,000	50
Conversion to £0.01 Ordinary Shares		4,950,000	-	-	-
Shares issued in relation to IPO	December 2013	195,000,000	1,950	-	-
Shares issued in relation to Tap issue	June 2014	19,980,000	200	-	-
Shares issued in relation to further Equity issue	July 2014	145,631,068	1,456	-	-
Shares issued in relation to management contract		122,248	1	-	-
Shares issued in relation to further Equity	December 2014	104,761,904	1,048	-	-
At end of period		**470,495,220**	**4,705**	**50,000**	**50**

On 9 December 2013, Tritax Big Box REIT plc announced that it had raised £200 million through its IPO and the Ordinary Shares issued had been admitted to trading on the SFM and the Official List of the CISX. The Company's ticker symbol is BBOX. The initial raising by the Company involved the issue of Ordinary Shares to the relevant subscriber at a price of 100 pence per Ordinary Share.

On 4 June 2014, the Company issued a further 19,980,000 Ordinary Shares (the "Tap issue"), at a price of 104 pence per share. Net cash proceeds from the Tap issue amounted to £20.4 million.

On 8 July 2014, the Company announced that it had published a prospectus in relation to the issue of 145,631,068 new Ordinary Shares through a Placing, Open Offer and Offer for Subscription at a price of 103 pence per Ordinary Share to raise up to £150 million, plus the proposed future issue of up to 350 million new Ordinary Share through the Share Issuance Programme; and the proposed admission of the Company's issued and to be issued Ordinary Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange.

On 7 October 2014, the Company announced that in accordance with the terms of the management fee arrangements with the Manager, pursuant to 25% of the management fee being payable in new Ordinary Shares of £0.01, it issued a further 122,248 shares in relation to the period from IPO to 30 June 2014. The issue price per Ordinary Share was 100 pence per share (based on the most recently published net asset value of 101.85p per Ordinary Share as at 30 June 2014, less the first interim dividend declared of 1.85p per share.

On 28 November 2014, the Company announced a total of 104,761,904 new Ordinary Shares of £0.01 to be issued at price of 105 pence per share in the form of a Placing as part of the Company's Share Issuance Programme.

25. Share premium

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

		31 December 2014 £'000	31 October 2013 £'000
Balance at beginning of period		**-**	-
Share premium on Ordinary Shares issued in relation to IPO	December 2013	**198,000**	-
Share issue expenses in relation to IPO	December 2013	**(4,000)**	-
Share premium on Ordinary Shares issued in relation to Tap	June 2014	**20,579**	-
Share issue expenses in relation to Tap	June 2014	**(402)**	-
Transfer to capital reduction reserve (see note 26)		**(194,000)**	-
Share premium on Ordinary Shares issued in relation to further Equity issue	July 2014	**148,544**	-
Share issue expenses in relation to further Equity issue	July 2014	**(3,042)**	-
Share premium on Ordinary Shares issued in to management		**121**	-
Share premium on Ordinary Shares issued in relation to further Equity issue	December 2014	**108,952**	-
Share issue expenses in relation to further Equity issue (December 2014)	December 2014	**(2,216)**	-
Balance at end of period		**272,536**	-

26. Capital reduction reserve

	31 December 2014 £'000	31 October 2013 £'000
Balance at beginning of period	**-**	-
Transfer from share premium	**194,000**	-
First interim dividend for the period ended 31 December 2014	**(4,070)**	-
Second interim dividend for the period ended 31 December 2014	**(5,486)**	-
Balance at end of period	**184,444**	-

On 4 July 2014, the Company by way of Special Resolution, cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £194.0 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.

Please refer to note 14 for details of the declaration of dividends to Shareholders.

27. Retained earnings

	31 December 2014 £'000	31 October 2013 £'000
Balance at beginning of period	**-**	-
Retained profit for the period	**41,844**	-
Balance at end of period	**41,844**	-

28. Net asset value per share (NAV)

Basic NAV per share is calculated by dividing net assets in the Group Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

Net asset values have been calculated as follows:

	31 December 2014 £'000	31 October 2013 £'000
Net assets per Group Statement of Financial Position	**503,529**	50
EPRA NAV	**506,106**	50
Ordinary Shares:		
Issued share capital	**470,495**	50
Basic and diluted net asset value per share	**107.02p**	100p
Basic and diluted EPRA NAV per share	**107.57p**	100p

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

29. Operating leases

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

	Less than one year £'000	2-5 years £'000	More than 5 years £'000	Total £'000
31 December 2014	32,787	130,579	294,312	457,678
31 October 2013	-	-	-	-

30. Transactions with related parties

For the period ended 31 December 2014 all Directors plus the Partners of the Manager are considered key management personnel. The terms and conditions of the Investment Management Agreement are described in the Directors' Report. Details of all amounts paid for services provided by Tritax Management LLP ("the Manager") are provided in note 8.

Details of amounts paid to Directors for their services can be found within the Directors' Remuneration Report.

On 13 November 2014, the Board announced that it had exchanged contracts on The Range UK National Distribution Centre ("NDC") at Nimbus Park, Thorne, Doncaster for a purchase price of £48.5 million (net of acquisition costs). The vendor of the property was Tritax Prime Distribution Income Fund, a limited partnership vehicle managed by the Manager. The four controlling Partners of the Manager (or their beneficiaries), namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin had total aggregated equity interests in the limited partnership of 2.14%.

Throughout the period SG Commercial LLP ("SG Commercial") has provided general property agency services to the Group. SG Commercial has been paid fees totalling £1.71 million in respect of agency services for the period; this represents a total of 40% of agency fees paid by the Group. No fees remain outstanding as at the period end. Of the four controlling Members of the Manager, namely Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin, all except Henry Franklin are also the controlling Members of SG Commercial. While there are currently no existing contractual arrangements between the Company and SG Commercial, the Company may choose to appoint SG Commercial in the future from time to time on either a sole or joint agency basis. Any such appointments have been and will continue to be made on normal market-based contractual terms. In the event that any such appointment is proposed by the Manager, the Board has and shall continue to be consulted and asked for its approval.

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

31. Capital commitments

The Group had no capital commitments outstanding as at 31 December 2014.

32. Subsequent events

On 29 January 2015, the Company announced that it has exchanged contracts (subject to detailed planning consent) to provide forward funding for a new distribution warehouse facility located inside the M25 at Crossdox, Bronze Age Way, Erith, pre-let in its entirety to Ocado Holdings Ltd, guaranteed by Ocado Group Plc ("Ocado"). The investment price is £98.8 million, reflecting a yield of 5.25% (net of standard acquisition costs).

Ocado has an option to introduce a third part joint guarantor to the lease on the later of 30 April 2014 and the date of grant of detailed planning consent which, if exercised, would result in an increase in the investment price to £99.9 million and a reduced yield of 4.9% (net of standard acquisition costs).

On 2 February 2015 and further to the acquisition of the distribution centre in Dove Valley Park, Derby announced on 8 December 2014, the Board announced that the Company has drawn on senior debt financing secured on the asset. This facility had previously been agreed with Barclays Bank PLC to the value of £13.2 million, reflecting a loan to value ratio of approximately 43.2%.

END

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