

Tritax Big Box REIT plc Annual Report 2014

Thinking Big Box



TRITAX BIG BOX

Tritax Big Box REIT plc is the only real estate investment trust dedicated to investing in very large logistics warehouses in the UK, known as “Big Boxes”. We believe Big Boxes are currently one of the most exciting asset classes in the UK market. We invest in Big Boxes to provide an attractive, growing and secure income for our shareholders, together with the opportunity for capital appreciation.

Since listing in December 2013, we have been successful in implementing our investment policy having met our short-term targets and have made strong progress towards our medium-term objectives. At 31 December 2014, we owned and managed 14 modern and well-located Big Boxes, let or contracted to institutional-grade tenants including Marks & Spencer, Tesco, Sainsbury’s, Morrisons, DHL, Wolseley UK, Rolls-Royce and Next.

The Company will continue to seek 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. Through our track record, experience and established network of contacts, we are well-placed to continue sourcing attractive new opportunities, whilst remaining disciplined in our investment approach.

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.

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The Strategic Report contains information about the Group, how we generate returns for our investors and how we run the business. It gives an insight into our strategy, business model and markets, as well as our approach to governance, sustainability and risk management. It provides context for our financial statements, sets out our key performance indicators and analyses our financial performance.



Tritax Big Box Doncaster.
Acquired in June 2014 and
let to Next Group plc.

This section explains how the composition and organisation of the Company's governance structures supports the achievement of the Group's objectives. It also outlines how our Board and Board Committees operate and perform.



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The Board and Manager
are confident of delivering
excellent returns for our
shareholders through a stable
and growing income stream,
coupled with the potential for
capital appreciation”

Richard Jewson Chairman

This section presents the financial position, performance and development in accordance with applicable accounting standards for both the Group and the Company. It also contains the Independent Auditor's Report.

In this section we summarise other information useful to shareholders and set out further details about the Company including its Directors and advisers.



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For further information go to: www.tritaxbigbox.co.uk

Our achievements in brief

Since we listed in December 2013, we have successfully achieved our short-term investment aims and secured the support of our shareholders through further equity fundraisings. Set out below are our key achievements during the period.

2013

9 December

The Company's IPO raises £200.00 million through a placing of 200 million Ordinary Shares at an issue price of 100 pence per share

11 December

Acquisition of Sainsbury's Distribution Centre, Leeds, West Yorkshire, for £48.75 million

13 December

Acquisition of Marks & Spencer East Midlands Distribution Centre, Castle Donington, Leicestershire, for £82.58 million

2014

13 March

Acquisition of Tesco Distribution Centre, Chesterfield, Derbyshire, for £28.64 million

4 April

Acquisition of Tesco Distribution Centre, Didcot, Oxfordshire, for £27.20 million

30 May

Oversubscribed placing of 19.98 million new Ordinary Shares at an issue price of 104 pence per share, raising £20.78 million to enable the purchase of the Morrisons Sittingbourne asset

11 June

Acquisition of Next Distribution Warehouse, Doncaster, South Yorkshire, for £60.00 million

18 June

Acquisition of Morrisons Distribution Centre, Sittingbourne, Kent, for £97.80 million

25 July

Oversubscribed Placing, Open Offer and Offer for Subscription of 145.63 million Ordinary Shares at an issue price of 103 pence per share, raising £150 million

The Company moves to a premium listing and trading on the London Stock Exchange Main Market

8 August

Paid first interim dividend of 1.85 pence per share, for the period to 30 June 2014

20 August

Acquisition of DHL Distribution Warehouse, Skelmersdale, Lancashire, for £28.87 million

Acquisition of DHL Distribution Warehouse, Langley Mill, Nottingham, for £17.53 million

29 August

Acquisition of Wolseley Regional Distribution Centre, Ripon, North Yorkshire, for £12.24 million

29 September

Acquisition of forward funding investment in new technology and logistics facility near Bognor Regis, West Sussex, pre-let in its entirety to Rolls-Royce Motor Cars, at a price of £37.00 million

13 November

Acquisition of The Range UK National Distribution Centre, Thorne, South Yorkshire, for £48.50 million

28 November

Oversubscribed placing of 104.76 million new shares at an issue price of 105.00 pence per share, raising £110.00 million

28 November

Acquisition of Tesco Distribution Warehouse, Middleton, Lancashire, for £22.45 million

8 December

Acquisition of Kuehne & Nagel Distribution Centre, Dove Valley Park, Derby, Derbyshire, for £29.27 million

Acquisition of L'Oréal (UK) Distribution Centre, Trafford Park, Manchester, for £25.83 million

17 December

Paid second interim dividend of 1.50p per share for the period 1 July to 31 October 2014

2015

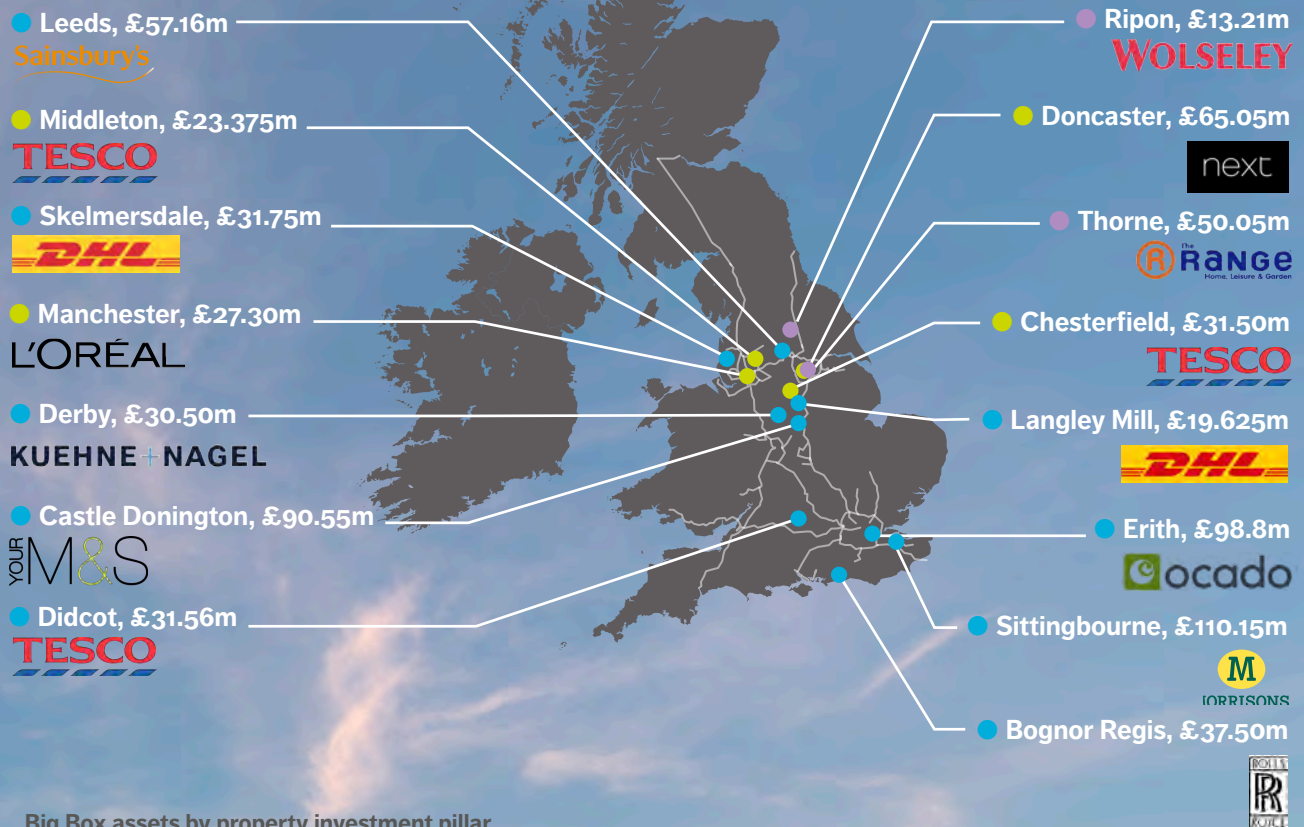
29 January

Exchanged contracts conditional on detailed planning consent for the forward funding investment of a new logistics facility at Erith, inside the M25, pre-let to Ocado, at a price of £98.80 million



Our portfolio: locations and valuations*

As at 31 December 2014



*With the exception of Erith which is stated at purchase price.



Chairman's statement

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



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

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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.”

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 on page 17.

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.

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
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. The chart below shows the take-up of UK logistics assets, including Big Boxes, by sector.

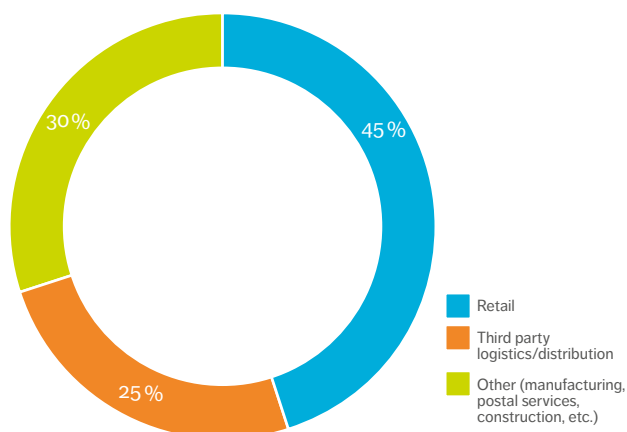
Occupiers use Big Boxes to improve their operational efficiency and the growth of online sales has also been a major factor in their uptake. As the 3PLs often use Big Boxes to support their contracts with retailers, trends in the retail market are key drivers of demand in the Big Box sub-sector. Overall, 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.

UK logistics take-up by sector (%)

Source: CBRE United Kingdom Logistics MarketView H1 2014

Our market

Retail trends

The growth in online retail has been a key driver of the increased demand for Big Boxes. As the chart on page 9 shows, 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

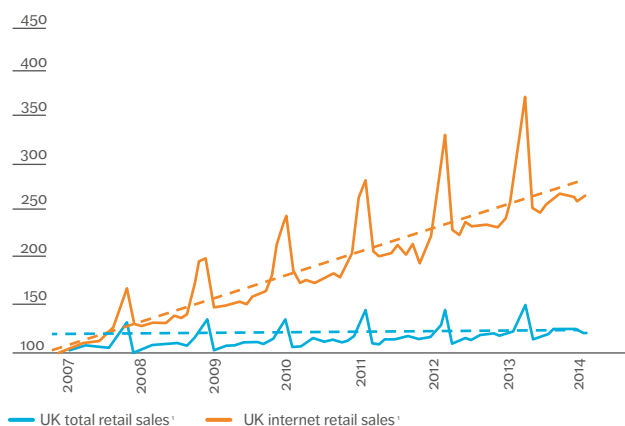
currently the only route for tenants looking to let a building of more than 500,000 sq ft.

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.

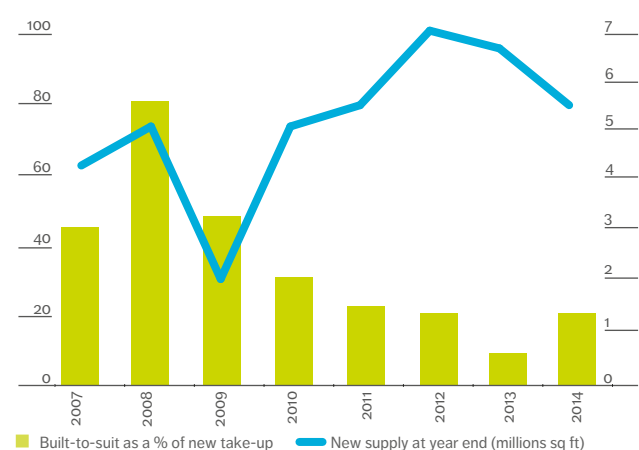
The process of building new assets is both lengthy and difficult. If a site already has outline planning consent and suitable infrastructure, then a Big Box asset can take approximately 12 months to build. However, the difficulty of finding sites of suitable size, with excellent transport links, sufficient 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

UK internet sales growth versus total retail sales growth



Built-to-suit take-up, and new build supply 2007-2014



Our market

Rising rents

Sustained demand and limited supply have inevitably led to rental growth. Data from CBRE (see table below) 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.

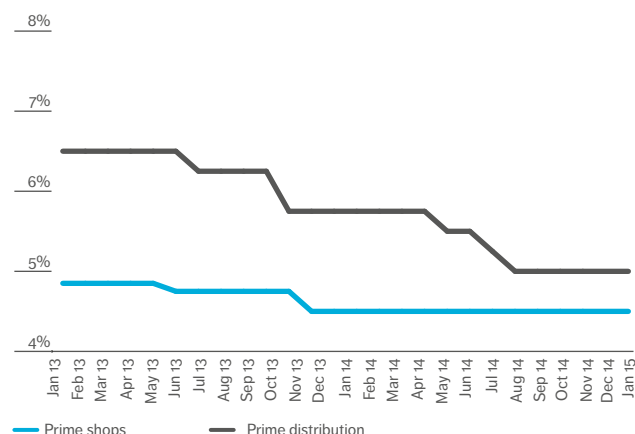
Retail versus industrial property yields

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

Prime logistics headline rents – selected locations End 2014		
LOCATION	PRIME RENT (PER SQ FT)	ANNUAL GROWTH
M25 West	£12.95	12.6%
M25 North	£9.50	15.1%
M25 East	£8.00	6.7%
Milton Keynes	£6.50	13.0%
Birmingham	£6.15	7.0%
M1/M6 Interchange	£6.00	4.4%
Warrington	£5.50	6.8%
Wakefield	£4.75	0.0%

Source: CBRE

Prime UK investment yields: retail versus industrial



Source: CBRE

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 (see below graph).

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 portfolio – net initial yield at time of acquisition (%)



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 (see page 14) 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

OUR SOURCE OF CAPITAL	THE VALUE WE ADD	OUR OBJECTIVES
SHAREHOLDER CAPITAL Our Shareholders' investment in the Company	OWN SOURCE INVESTMENTS Research Relationship building On/off-market acquisitions EXECUTION Expertise Speed and certainty INVESTMENT STRATEGY Foundation Assets Value Add	INCOME High quality rental stream paid to us by tenants GROWTH IN INCOME Buying rental income with in-built growth and creating income growth through asset management.
	MANAGE ASSET MANAGEMENT Property extensions and alterations Lease extensions Rent reviews	GROWTH IN ASSET VALUE The increase in the value of our portfolio through our active management and market changes

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.

OUTCOME	GOAL
DIVIDEND The returns we make to shareholders through dividend distributions	TOTAL SHAREHOLDER RETURN <div> DIVIDEND PAYMENTS The total value of the dividends paid to shareholders </div> <div>+</div> <div> SHARE PRICE GROWTH The increase in the value of our shares </div>
CAPITAL RETURN The change in value of our share price	TARGET 6 pence Annual dividend on the IPO price of 100 pence +9% pa Net total return over the medium term

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, as described in our business model on pages 12-13.

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

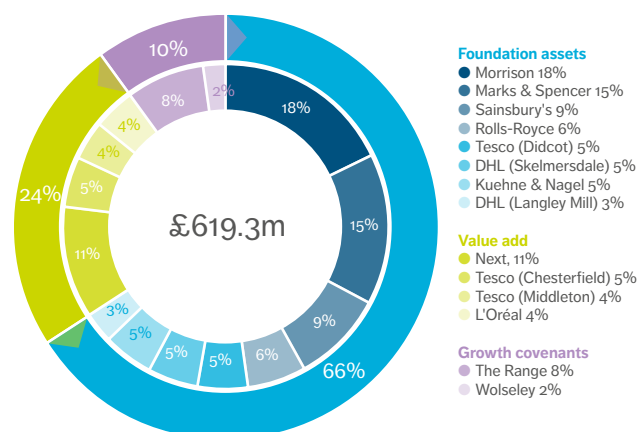
In executing our investment policy, we typically acquire property assets representing one or more of our three investment pillars:

- **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'. The categorisation shown in the graph below represents our view of the primary feature of the investment.

Our portfolio: by asset value (%)



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.	<p>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.</p> <p>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.</p>
Occupiers Develop and maintain a deep understanding of the businesses that use our space, to create long-term partnerships.	<p>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.</p> <p>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.</p>
Operational excellence Rigorously control costs and operational efficiencies, while not comprising growth or reputation.	<p>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.</p>
Capital risk management Achieve the right risk and return balance of equity and debt, to finance our business and enhance returns.	<p>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.</p> <p>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.</p>
Corporate responsibility Strive to assume our corporate responsibilities towards society and the environment, in every part of our business.	<p>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.</p>

Key performance indicators

Our objective is to deliver attractive returns to shareholders, by executing the investment policy described on page 14. 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 on page 14, 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. <small>* 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 provide a transparent and consistent basis to enable a comparison between European property companies</small>	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%.
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 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.	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.	5.52% EPRA NIY as at 31 December 2014
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.

Details of the portfolio are set out on pages 21 to 26.

Acquisitions after the period end date are described on page 26.

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.

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 portfolios 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.

Property Tenancy Schedule								
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	571,522	5.77	May 2018
Marks & Spencer plc	Castle Donington	Dec 2013	82.58	5.20	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 Morrison 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		

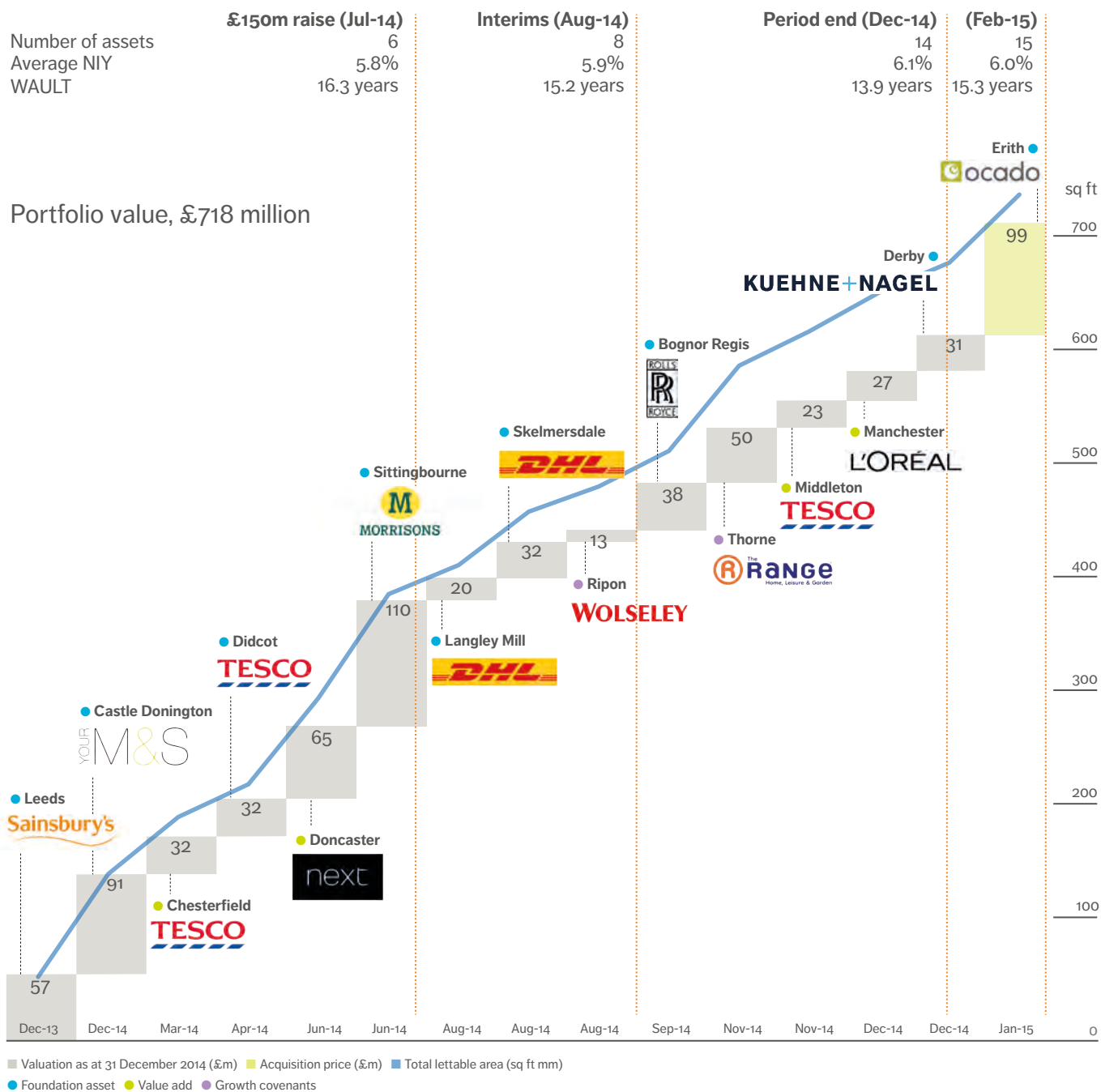
* Guaranteed by Hays Plc

Thinking Big Box > modern asset

Big Boxes are a relatively new phenomenon. They allow companies to store and distribute on a national and regional level and this has resulted in upscaling from older smaller and less efficient buildings to a format increasingly important in the growth of global goods transportation and sales.



Manager's Report – acquisition trajectory



Manager's Report – our portfolio

Sainsbury's, Leeds

Key facts

Acquisition price:	£48.75 million
Net initial yield:	6.65%
GIA:	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:	£82.58 million
Net initial yield:	5.20%
GIA:	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:	£28.64 million
Net initial yield:	6.60%
GIA:	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:	£27.20 million
Net initial yield:	6.90%
GIA:	288,295 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

Manager's Report – our portfolio

Next, Doncaster

Key facts

Acquisition price:	£60.00 million
Net initial yield:	6.07%
GIA:	755,055 sq ft
Eaves height:	17.5m
Built:	2003, extended 2005
Lease expiry:	expires 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:	£97.80 million
Net initial yield:	5.20%
GIA:	919,443 sq ft
Eaves height:	12.2m
Built:	2009
Lease expiry:	expires 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:	£17.53 million
Net initial yield:	6.50%
GIA:	255,680 sq ft
Eaves height:	12m
Built:	2006
Lease expiry:	expires 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:	£28.87 million
Net initial yield:	6.50%
GIA:	470,385 sq ft
Eaves height:	12.75m
Built:	2003
Lease expiry:	expires 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

Thinking Big Box > high specification

Big Boxes have evolved into technologically advanced buildings. The specification will usually include ground floor loading upwards of 50kN/m², with laser level floated floors and loading doors are designed to accommodate the latest truck specifications. Increasingly these facilities will have high power supplies, sometimes dual power supplies or on-site standby generators. High speed internet access is a must for e-commerce. Non-food buildings are getting taller, now up to 25m, which provides for the possibility of high level racking and multiple mezzanine floors.



Thinking Big Box > institutional-grade tenants

We believe that the Group has a very attractive spread of high calibre businesses as its tenants, a number of which are FTSE 100 companies. The quality of these businesses reduces the risk of our property rental income and thereby underpins confidence in shareholder dividends



Manager's Report – our portfolio

Wolseley, Ripon

Key facts

Acquisition price:	£12.24 million
Net initial yield:	6.73%
GIA:	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:	£36.98 million
Net initial yield:	6.25%
GIA:	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:	£48.50 million
Net initial yield:	6.10%
GIA:	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:	£22.45 million
Net initial yield:	8.25%
GIA:	302,111 sq ft
Eaves:	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

Manager's Report – our portfolio

Kuehne & Nagel, Dove Valley Park

Key facts

Acquisition price:	£29.27 million
Net initial yield:	6.00%
GIA:	343,248 sq ft
Eaves:	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:	£25.83 million
Net initial yield:	7.13%
GIA:	261,259 sq ft
Eaves:	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.

Thinking Big Box > sophistication

Increasingly Big Boxes have impressive environmental credentials with solar panels, wind turbines and rain water harvesting to name a few examples. The specification can be enhanced still further by the tenant and may include very sophisticated and expensive computerised ordering and mechanised picking systems to stock and retrieve products quickly and efficiently.



Thinking Big Box > prime location

Location is key for efficient market coverage and is commonly operated on a regional framework. Access to major roads or motorway junctions is a must, but alternative transportation routes via airports, sea ports or rail are increasingly important for efficient goods inwards stocking and downstream distribution.



Manager's Report

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 ratchets 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 drawn in the period			
Asset	Lender	Expiry date	Long-term debt drawn (£)
Sainsburys, 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

Manager's Report

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 page 17.

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 on page 70.

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

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.

MITIGATION

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

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.

MITIGATION

We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors 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

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.

MITIGATION

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.

Our principal risks

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

Our investment objectives include achieving the dividend and total returns targets set out on page 14.

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.

MITIGATION

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.

CORPORATE RISK

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

Corporate Governance Statement

Chairman's introduction

This section of the Annual Report sets out the principles of corporate governance that the Board has adopted. The Board is committed to the highest standards of corporate governance, which meet the statutory and regulatory requirements for companies listed in the United Kingdom.



Richard Jewson Chairman

Statement of compliance

Between its initial public offering ("IPO") in December 2013 and the period end on 31 December 2014, the Company complied with the UK Corporate Governance Code 2012 (the "UK Corporate Governance Code"), except as follows.

- A.4.1 – the appointment of a senior independent director: due to the size of the Board and the Company, the Board does not currently consider there to be any merit in appointing a senior independent director;
- D.2.1 – remuneration of executive Directors: as an externally managed investment company, the Board does not include any executive Directors. As such, the UK Corporate Governance Code's principles in respect of executive Directors' remuneration are not applicable and the Board therefore does not have a Remuneration Committee;
- B.6.1 – annual assessment of the performance of the Directors: since the Company's operations only began after its IPO in December 2013, the Board has not yet undertaken a formal assessment of its own performance. It will do so during the next financial year and on an annual basis thereafter.

Governance framework

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), which is published by The Association of Investment Companies (the "AIC"). The AIC Code, as explained by the AIC Guide, incorporates the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are specifically relevant to the Company. The Board therefore considers that reporting against the AIC Code's principles and recommendations, and by reference to the AIC Guide, will provide better information to shareholders.

The Company has complied with the AIC Code's recommendations and the relevant provisions of the UK Corporate Governance Code, except as set out in the statement of compliance above.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive Directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has, therefore, not reported further in respect of these provisions.

The main principles of the UK Corporate Governance Code have been applied as follows:

A. Leadership

A1 The Board's role

The Board formally met 32 times during the year. There is a clear schedule of matters reserved for the Board, together with delegated authorities to the Manager.

A2 A clear division of responsibilities

The Chairman, Richard Jewson, is responsible for the Board's leadership and effectiveness. Colin Godfrey, the Company's lead fund manager, is responsible for leading the Company's day-to-day management, within the strategy set by the Board.

A3 Role of the Chairman

The Chairman (in conjunction with the Manager and the Company Secretary) sets the agendas for Board meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.

A4 Role of the non-executive Directors

The Chairman promotes an open and constructive environment in the boardroom and actively invites the non-executive Directors' views. The non-executive Directors provide objective, rigorous and constructive challenge to the Manager and communicate regularly amongst themselves.

B. Effectiveness

B1 The Board's composition

The Nomination Committee regularly reviews the Board's composition. In making appointments to the Board, the Committee considers the wide range of skills, knowledge and experience required to maintain an effective Board.

B2 Board appointments

The Nomination Committee leads the appointment of new Directors to the Board. Further details of the Committee's activities can be found on page 44.

B3 Time commitments

On appointment, Directors are notified of the time commitment expected from them which, in practice, goes beyond that set out in the letter of appointment. Additional directorships must be agreed with the Chairman, as they may affect the Directors' time commitments.

B4 Training and development

All Directors receive an induction on joining the Board and their training and development needs are assessed as part of the annual effectiveness evaluation.

B5 Provision of information and support

The Chairman, in conjunction with the Company Secretary and Manager, ensures that all Board members receive accurate and timely information.

B6 Board and committee performance evaluation

As the Company is in its first period of operation, the Board has not yet carried out a review of its effectiveness. The Board intends to carry out its first annual review of effectiveness during the next financial year and will report on it at that time.

B7 Re-election of the Directors

At each annual general meeting ("AGM"), one third of the Directors (or, if their number is not a multiple of three, the number nearest to but not exceeding one third) retire by rotation. Richard Jewson will retire and stand for re-election at the AGM in April 2015. Mark Shaw was re-elected at the AGM in June 2014, as he is not an independent Director, he will stand for re-election again at the AGM in April 2015 and each year thereafter.

Corporate Governance Statement

C. Accountability

C1 Financial and business reporting

The Strategic Report is set out on pages 2 to 33 and provides information about the Company's performance, investment policy, strategy and the risks and uncertainties relating to its prospects.

C2 Risk management and internal control systems

The Board sets the Group's risk appetite and reviews annually the effectiveness of the Group's risk management and internal control systems. The Audit Committee assists the Board with its responsibilities in relation to managing risk. Its activities are summarised on pages 46 to 48.

C3 Role and responsibilities of the Audit Committee

The Board has delegated a number of responsibilities to the Audit Committee, which oversees the Company's financial reporting processes, internal control and risk management framework, and the external auditor's work. The Audit Committee chairman provides regular updates to the Board.

D. Remuneration

D1 Levels and elements of remuneration

The Board has not established a Remuneration Committee as it has no executive Directors and the Company has no employees. The Board, as a whole, is responsible for reviewing the scale and structure of the Directors' remuneration and sets remuneration appropriately, so as to attract, retain and motivate Board members.

D2 Development of remuneration policy and packages

Details of the remuneration policy can be found in the Remuneration Report on pages 49 to 50.

E. Relations with shareholders

E1 Shareholder engagement

The Manager meets regularly with shareholders and the Board receives periodic feedback on shareholder issues. The Directors make themselves available at general meetings to address shareholder queries and the Chairman makes himself available, as necessary, outside of these meetings to speak to shareholders.

E2 Constructive use of the annual general meeting

The AGM gives the Board an important opportunity to meet shareholders, who are invited to meet the Board following the meeting's formal business.

In November 2014, the Company became a member of the AIC and the Board has determined that, going forward, the Company will comply with the AIC Code. Compliance with the AIC Code is deemed to be compliance with the UK Corporate Governance Code, as required by the Listing Rules.

The UK Corporate Governance Code is available at www.frc.org.uk. The AIC Code and AIC Guide can be found at www.theaic.co.uk.

Leadership

The Board

The Board determines the Company's investment objectives and investment policy and has overall responsibility for the Company's activities, including reviewing investment activity, performance, business conduct and strategy, as well as developing and complying with the principles of good corporate governance. The Board is also responsible for controlling and supervising the Manager, Tritax Management LLP (the "Manager" or "Tritax").

The Board consists of four non-executive Directors. All the Directors are independent of the Manager with the exception of Mark Shaw, who is a partner of the Manager. He does not vote at any Board meetings on any matter in which he may have a material interest or an actual or potential conflict of interest.

Each Director has been appointed for a term of three years. Following appointment to the Board, each Director must be elected by shareholders at the Company's AGM and submit for re-election at every third AGM thereafter. As required by the Listing Rules, any non-independent Director is subject to annual re-election. Furthermore, at each AGM, one third of the Directors (or, if their number is not a multiple of three, the number nearest to but not exceeding one third) is required to retire by rotation.

The Directors to retire by rotation include any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election; the Director who has been longest in office since his last re-election (determined by agreement or lot if more than one Director was last re-elected on the same day); and any Director who, in the absence of any such retirement, would continue in office for a period in excess of three years. A retiring Director is eligible for re-election. Any Director who has served on the Board for more than nine years will be subject to re-election at each subsequent AGM.

The Directors believe that the Board is well balanced and that between the Directors it possesses sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one Director. Biographical information on each Director is set out on page 41.

The Board recognises that its composition is fundamental to providing strong and effective leadership. It has, therefore, formed a Nomination Committee to review its composition and to assess whether the balance of skills, experience, knowledge and independence is appropriate and enables it to operate effectively. The Nomination Committee's report is included on page 44.

The Board has approved a schedule of matters reserved for its consideration and approval. These matters include:

- reviewing and approving Board membership and powers, including the appointment of Directors;
- approving the budget, financial plans and annual and interim financial reports; reviewing property valuations and valuations of its interest rate derivatives;
- overseeing treasury functions;
- managing the Company's capital structure;
- managing and controlling the Manager;
- approving the dividend policy; and
- approving all investment decisions.

The Manager

Under the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager. To ensure open and regular communication between the Manager and the Board, the Manager is invited to attend all Board meetings to update the Board on the Company's investments.

The Board formally reviews the Manager's performance each year, to allow the Board to state, if appropriate, that the Manager's continued appointment is in shareholders' interests and is in accordance with the Listing Rules.

Board meetings

The Board holds formal scheduled meetings each quarter, with additional ad hoc meetings as required. These meetings are typically held at the Manager's office and are subject to a quorum of two Directors.

During the period ended 31 December 2014, there were 32 Board meetings. The table on page 38 shows each Director's attendance. The Company is currently in its growth phase, so the Board convened a substantial number of ad hoc meetings during the period, to consider and implement equity fundraisings and to consider investment opportunities.

The Board follows a formal agenda at its quarterly meetings, which the Company circulates in advance of the meeting. This agenda includes reviewing investment performance, assessing the progress of new investment opportunities, reviewing the Company's strategy, reviewing the Company's historical financial performance and future forecasting, an update on investor relations and an update on any regulatory or compliance issues advised by the Manager or other advisers. When considering investment opportunities, the Board reviews detailed proposals prepared by the Manager and approves investment decisions, as appropriate.

Leadership

Board committees

The Board has delegated a number of responsibilities to its Audit, Nomination and Management Engagement Committees. The Board reviews the terms of reference for each committee as necessary but at least every two years. Copies are available from the Company Secretary or the Company's website.

The Board has not established a Remuneration Committee as it has no executive Directors and the Company has no employees. The Board as a whole is responsible for reviewing the scale and structure of the Directors' remuneration. Details of the Directors' remuneration for the period ended 31 December 2014 is included in the Directors' Remuneration Report on pages 49 and 50.

Audit Committee

For the period to 31 December 2014, the Audit Committee comprised all four Directors, with Jim Prower as its Chairman. In January 2015, Mark Shaw resigned from the Committee, which now comprises only the three independent Directors.

The Audit Committee meets at least twice a year. It helps the Board to meet its responsibility for ensuring that the Company's financial systems provide accurate and up-to-date information on its financial position and that the Company's published financial statements are a true and fair reflection of this position. It also helps the Board to ensure that the Company has appropriate accounting policies, internal financial controls and compliance procedures. The Committee receives regular financial information from the Manager, along with reports from the external auditor as part of the half year review and full year audit. The Audit Committee's report is included on pages 46 to 48.

Nomination Committee

The Nomination Committee comprises all four Directors, with Richard Jewson as its Chairman. It meets at least once a year. The Committee's main function is to regularly review the Board's structure, size and composition and to consider succession planning for Directors. The Committee's report is included on page 44.

Management Engagement Committee

The Management Engagement Committee comprises all four Directors, with Stephen Smith as its Chairman. It meets at least once a year. As a partner of the Manager, Mark Shaw does not vote at any meeting of the Management Engagement Committee on any matter in which he may have a material interest or an actual or potential conflict of interest.

The Committee's main function is to review and make recommendations on any proposed amendment to the Investment Management Agreement, to review the Manager's performance and to examine the effectiveness of the Company's internal control systems. The Committee also reviews the performance of the Group's other key service providers. The Committee's report is included on page 40.

Attendance at Board and Committee meetings during the period ended 31 December 2014

The following table shows the Directors' attendance at Board and Board Committee meetings, where they were eligible to attend, during the period:

Attendance at Board and Committee meetings		Board meetings eligible to attend	Board meetings attended	Audit Committee	Nomination Committee	Management Engagement Committee
For the period to 31 December 2014						
Meetings held		32	–	3	1	2
Richard Jewson	<i>(appointed 8 November 2013)</i>	31	25	2	1	2
Jim Prower	<i>(appointed 8 November 2013)</i>	31	29	3	1	2
Stephen Smith	<i>(appointed 13 November 2013)</i>	30	25	3	1	2
Mark Shaw		32	26	2	1	0**
Colin Godfrey*	<i>(resigned 8 November 2013)</i>	2	1	N/A	N/A	N/A
Henry Franklin*	<i>(resigned 8 November 2013)</i>	2	2	N/A	N/A	N/A

* Colin Godfrey and Henry Franklin resigned prior to the formation of any of the Board committees.

** As a partner of the Manager, Mark Shaw did not attend the Management Engagement Committee meetings, given his conflict of interest.

All Directors are expected to attend all Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend meetings, their comments are provided to the Board before the meeting.

Because of the significant number of ad hoc meetings during the period, it was not logistically feasible for all the Directors to attend every meeting. The Nomination Committee is satisfied that all the Directors, including the Chairman, have sufficient time to meet their commitments to the Company.

Financial and business information

The Board is responsible for preparing the Annual Report. As the Directors' Responsibility Statement confirms, the Board believes that this Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess the Company's performance.

Anti-bribery and corruption

The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. In considering The Bribery Act 2010, at the date of this report, the Board had assessed the perceived risks to the Company arising from bribery and corruption and to identify aspects of business which may be improved to mitigate such risks.

Management Engagement Committee Report

The Management Engagement Committee met twice in the period to 31 December 2014, primarily to review the Company's relationships with its main service providers and the terms thereof. In particular, it considered the Company's relationships with the Manager and Tritax Securities LLP (the "Investment Adviser"), in its capacity as the Company's investment adviser, from the IPO in December 2013 until July 2014.

The Financial Conduct Authority ("FCA") authorised the Manager as an Alternative Investment Fund Manager ("AIFM") on 1 July 2014. Following the authorisation, on 2 July 2014 the Property Management and Services Agreement between the Company and the Manager was replaced by the Investment Management Agreement, which permits the Manager to carry out certain additional regulated activities necessary for the Company's management. As a result, the Investment Advisory Agreement between the Company and the Investment Adviser was terminated, pursuant to a deed of termination effective on 2 July 2014.

The Committee also met to reconsider the terms of the Investment Management Agreement, to ensure it properly reflected the commercial arrangements agreed between the Company and the Manager. The Committee recommended certain non-material amendments to the Investment Management Agreement, which was revised via a deed of amendment in December 2014.

Under the Investment Management Agreement, the Manager is entitled to a management fee in consideration for its services. This is payable in cash by the Company each quarter and is calculated as a percentage of the Company's Net Asset Value ("NAV"), disregarding cash or cash equivalents, announced before the end of the relevant quarter. If the Group buys or sells any assets after the date at which the relevant NAV is calculated, the NAV is adjusted pro rata for the net purchase or sale price, less any third-party debt drawn or repaid.

The management fee as a percentage of NAV is as set out below:

NAV	Relevant percentage
Up to and including £500 million	1.0%
Above £500 million and up to and including £750 million	0.9%
Above £750 million and up to and including £1 billion	0.8%
Above £1 billion	0.7%

The management fee paid each quarter is 25% of the amount calculated, based on the information below.

For the period from the start of the Company's operations to 30 June 2014, the Company paid the Manager an agreed fee that recognised that the Company was in a ramp-up phase and that there was no published NAV prior to 30 June 2014.

During specified periods after publication of the Company's annual or half year results, the relevant members of the Manager (and/or their connected parties) will use 25% of the management fee (net of any VAT, personal taxation liabilities and dealing costs, including stamp duty or stamp duty reserve tax) (the "net cash amount"), to subscribe for Ordinary Shares in the Company. The price will be equivalent to the prevailing NAV per share, adjusted for any dividend declared after the NAV per share is announced. Where this would result in the Company issuing Ordinary Shares at a price below the NAV per share, the Company's broker will be instructed to acquire Ordinary Shares in the market for those persons, to the value as near as possible equal to the net cash amount.

On 9 October 2014, the Company issued 122,248 Ordinary Shares in respect of the net cash amount, relating to the period from commencement of operations to 30 June 2014. The issue price was 100 pence per Ordinary Share, which was the most recently published NAV of 101.85 pence per share less the first interim dividend of 1.85 pence per share. Following this, the relevant members of the Manager as at the period end had the following beneficial interests:

Tritax Partner	Number of shares held	Percentage of issued share capital as at 31 December 2014
Mark Shaw	172,821	0.04%
Colin Godfrey	134,185	0.03%
James Dunlop	134,185	0.03%
Henry Franklin	106,057	0.02%

The Management Engagement Committee will meet in 2015, after the end of the Company's first full year of operation, to review the continuing appointment of all of the Company's service providers and ensure they are in the best interests of shareholders as a whole. To date, the Committee has not identified any material weaknesses.

Stephen Smith

Management Engagement Committee chairman

23 February 2015

The Board of Directors



Richard Jewson Chairman

Richard has served as a non-executive director and chairman of a number of public companies, following a long career at the helm of Jewsons Limited and its holding group, Meyer International plc. Richard is currently Chairman of Raven Russia Limited, which is listed on the Official List of the UKLA and specialises in commercial real estate in Russia, in particular high-quality class A warehouse complexes. He is also senior non-executive director of Temple Bar Investment Trust plc, where he chairs the audit committee.

In 2014, Richard retired from Archant Limited after 32 years on the board. He was Archant's Chairman for 17 years and also chaired the remuneration and nomination committees. His significant leadership experience also includes 18 years on the board of Grafton Group plc, ten years as the Chairman of Savills plc and 14 years as a non-executive director and Deputy Chairman of Anglian Water plc.

Richard sits on all the Board committees and chairs the Nomination Committee.



Jim Prower

Jim has worked in Industry and commerce since 1985, having qualified in 1978 as a chartered accountant at Peat, Marwick, Mitchell & Co. He has acted as Finance Director and Company Secretary at several public companies; Minty plc (1987-1989), Creston Land & Estates plc (1989-1995) and NOBO Group plc (1995-1997), before joining Argent Group in the same roles.

Since 2009, Jim has been involved with the development of King's Cross Central (a joint venture between London & Continental Railways, DHL Supply Chain and Argent King's Cross Limited Partnership), for which he has been primarily responsible for raising debt for working capital, development and investment. Since late 2012, Jim has been a member of Argent (Property Development) Services LLP and Argent Investments LLP, which acquired Argent Group's property development and management businesses.

Jim sits on all the Board committees and, given his financial background, chairs the Audit Committee. Jim is also a non-executive director of Empiric Student Property plc.



Stephen Smith

Stephen brings to the Board a wealth of experience in real estate investment. From 2010 to 2013, he was Chief Investment Officer of British Land Company PLC, the FTSE 100 REIT, with responsibility for the group's property and investment strategy. He was formerly Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for running a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed-end funds. Prior to joining AXA in 1999, Stephen was Managing Director at Sun Life Properties for five years.

Stephen is currently non-executive Chairman of Starwood European Real Estate Finance Limited, a London listed closed-end investment company. He is also a non-executive director of Gatehouse Bank plc, a London-based wholesale investment bank that specialises in global real estate.

Stephen sits on all the Board committees and chairs the Management Engagement Committee.



Mark Shaw

Mark is Chairman of Tritax Management LLP, the Company's Manager. He has played a prominent role in developing and marketing property investments benefiting from government sponsored tax reliefs, such as enterprise zone property unit trusts, business premises renovation allowances and capital allowances generally.

He is highly experienced in a range of commercial, banking and investment operations, which he gained while working as general manager of a major Kuwaiti investment bank in the late 1970s and 1980s. Returning to the UK in 1985, Mark joined a team initiating investment in the newly created enterprise zones, which in due course became a subsidiary of London & Edinburgh Trust PLC. Mark later established Collective Investments Limited to continue this activity, which became the Tritax group in 1995.

In January 2015, Mark stepped down from the Audit Committee but sits on both other Board committees.

The Manager of the Company

The Manager provides all management and advisory services to the Company, under the Investment Management Agreement. The FCA authorised the Manager as an AIFM on 1 July 2014.

The Manager is 100% owned by Mark Shaw, Colin Godfrey, James Dunlop and Henry Franklin. Between them, this team of property, legal and finance professionals has more than 140 years of experience in the real estate sector. They have a track record of creating value for their clients by procuring

the right type of assets and by actively managing them. The core management team (whose details are set out below) is supported by a team of other accounting, marketing, public relations, administrative and support staff.



Colin Godfrey BSc MRICS Partner, Fund Manager

Colin has overall responsibility for providing investment management and advisory services to the Company and is the Manager's lead partner. He began his career with Barclays Bank before joining Conran Roche in the late 1980s. Following this, he obtained a degree in Urban Estate Management, before training with Weatherall Green & Smith (now BNP Paribas Real Estate).

After qualifying as a chartered surveyor, Colin specialised in portfolio fund management, with particular responsibility for the £1 billion of assets under management of the British Gas Staff Pension Scheme and the property assets of the Blue Circle Pension Fund. In 2000, Colin was a founding director of niche investment property agent SG Commercial, along with James Dunlop, in which capacity he worked closely with the Tritax group. In 2004, Colin became a partner in the Tritax group and is responsible for investment selection and product development. Colin is one of the Manager's founding partners.



James Dunlop BSc MRICS Partner, Property Sourcing

James has overall responsibility for identifying, sourcing and structuring investment assets for the Company. He read Property Valuation and Finance at City University, before joining Weatherall Green & Smith (now BNP Paribas Real Estate) where, in 1991, he qualified as a chartered surveyor in its Investment Development and Agency division.

In 2000, James formed SG Commercial with Colin Godfrey, and became a partner in the Tritax group in 2005. In his role with SG Commercial, James is regularly in contact with all the leading firms of agents and is retained by foreign and domestic institutions and wealthy individuals to buy and sell commercial property investments. James is responsible for identifying sectors and specific properties, negotiating on approved opportunities and handling the disposal of assets in due course. Along with Colin, James is one of the Manager's founding partners.



Henry Franklin BA CTA Partner, Structuring and Legal

Henry is responsible for structuring the Tritax group funds, providing general legal counsel and overseeing compliance activities and product development. He is a qualified solicitor, who completed his articles with Ashurst LLP in 2001, specialising in taxation, mergers and acquisitions.

Henry also qualified as a chartered tax adviser in 2004 before moving to Fladgate LLP in 2005, where he became a partner in 2007. At Fladgate LLP, Henry specialised in structuring commercial property funds and advised on the formation of funds in excess of £500 million. Henry joined the Tritax group as a partner in 2008.



Petrina Austin BSc MRICS Partner, Asset Management

Petrina is responsible for strategically managing the investment portfolio, identifying and progressing value enhancing initiatives to protect and maximise investor returns. She is also responsible for managing third-party professionals engaged in the process of property and asset management.

Following a degree in Estate Management from Reading University, Petrina joined Carter Jonas to continue her professional training and qualified as a chartered surveyor in 1998. Petrina moved to King Sturge in 1999, to concentrate on institutional portfolio management. As a partner at Knight Frank from 2002, she was responsible for the team managing central London trophy assets. Her remit also included development consultancy appointments, both in the UK and overseas. Petrina joined the Tritax group in 2007.



Bjorn Hobart MA BSc (Hons) MRICS Partner, Property

Bjorn is responsible for identifying and sourcing suitable investments for the Company, then financially modelling and appraising the returns, to establish their validity within the context of the portfolio assets. He also manages day-to-day due diligence during the acquisition process.

After completing a Geography degree from the University of Leeds in 2001, Bjorn started his career at Faber Maunsell (now AECOM). Having gained exposure to large scale developments, Bjorn received an MA in Property Valuation and Law at Cass Business School, London. He undertook his professional training at Atisreal (now BNP Real Estate) in London, where he qualified as a chartered surveyor in 2005. In 2007, Bjorn joined SG Commercial, where he advised on large scale investment and development transactions in excess of £500 million. During this time, Bjorn worked closely with the Tritax group, advising on its portfolio acquisitions and disposals. Bjorn joined the Tritax group in 2011.



Edward Plumley MBA MSc MRICS Assistant Fund Manager

Ed is responsible for assisting the Fund Manager with acquisitions and disposals, transaction management, debt origination, financial modelling and due diligence. He started his career at Knight Frank on the graduate bursary scheme, after completing an MSc in Estate Management at London South Bank University. He qualified as a chartered surveyor in 2010 with Jones Lang LaSalle (now JLL).

Ed's investment career began when he joined Ereira Mendoza in 2011, advising on investment and development transactions. He joined Tritax in May 2014, having completed an MBA with Distinction in Construction & Real Estate from the University of Reading. Ed has been a full member of the Investment Property Forum since 2012.



Frankie Whitehead ACA Fund Controller

Frankie joined the Tritax group in 2014 and is responsible for the Company's day-to-day financial matters, including all aspects of financial accounting, monthly and year end reporting, and financial compliance.

Frankie previously spent three years as Financial Controller at Primary Health Properties PLC, a healthcare focused REIT, which had assets under management of over £1 billion. He qualified as a chartered accountant with PKF (UK) LLP, which subsequently merged with BDO LLP, where he acted as Assistant Manager for a real estate focused client base.

Effectiveness

Board performance and evaluation

As the Company has only just completed its first period of operation, the Board has not yet reviewed its own effectiveness. The Board intends to do this during the next financial year, taking into account the Board's balance of skills, experience, independence, knowledge of the Company and diversity, as well as how the Board works together as a unit and other factors relevant to its effectiveness.

Development

The Board believes that the Directors should develop their skills and knowledge by attending courses and by holding other positions. The Chairman is responsible for reviewing and discussing each Director's training and development needs. Upon appointment, all Directors took part in discussions with the Chairman and other Directors to understand their responsibilities and the Company's business and procedures. The Company also provides regular opportunities for the Directors to obtain a thorough understanding of its business, by meeting senior representatives of the Manager and other service providers, both in person and by phone.

Nomination Committee Report

The Nomination Committee comprises all four Directors and is chaired by Richard Jewson.

The Committee is responsible for reviewing the Board's structure, size and composition regularly, and for considering succession planning for Directors. The Committee also identifies and approves candidates to fill Board vacancies, using external search consultants where appropriate.

Meetings and activities during the year

The Committee met once during the year, to consider the Board's structure. No changes were deemed necessary and the Board is considered to have appropriate experience and knowledge for the Company.

Appointment process

As no new Director has been appointed since the Company's launch and the Committee does not believe there is a gap to fill, no appointment process has been formalised. However, the Committee expects that the process will involve identifying gaps in the Board's composition, then reviewing the skills of potential candidates. When renewing current appointments, all Directors except the individual in question are able to vote at the general meeting.

Board diversity

The Nomination Committee considers that, together, the Directors have a balance of skills, qualifications and experience which are relevant to the Company. The Committee supports the recommendations of the Davies Report and believes in the value and importance of diversity in the boardroom but does not consider it appropriate or in the interest of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.

Richard Jewson

Nomination Committee chairman

23 February 2015

Accountability

Internal controls review

The Directors acknowledge their responsibility for maintaining the Company's system of internal control and risk management, in order to safeguard the Company's assets. This system is designed to identify, manage and mitigate the financial, operational and compliance risks that are inherent to the Company. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board and the Manager have together reviewed all financial performance and results notifications. Non-financial internal controls include the systems of operational and compliance controls maintained by the Company's administrator, Capita Sinclair Henderson Limited (the "Administrator"), and by the Manager in relation to the Company's business, as well as the management of key risks referred to in the Directors' Report.

The Board has contractually delegated responsibility for accounting services to the Administrator and for company secretarial services to Taylor Wessing Secretaries Limited. These entities have their own internal control systems relating to these matters, which the Board has reviewed as part of its Financial Position and Prospects Procedures memorandum.

Internal control assessment process

The Board regularly monitors the effectiveness of the Company's internal controls and ensures their adequacy. This includes reviewing reports from the external auditor. The Board will also conduct a formal risk assessment each year. The Board confirms that, in accordance with the UK Corporate Code and, going forward, the AIC Code and Guide, it has established a continuing process for identifying, evaluating and managing the risks the Company faces and has reviewed the effectiveness of the internal control systems.

AIFM Directive

The Alternative Investment Fund Managers Directive became part of UK law in 2013. It regulates AIFMs and imposes obligations on managers who manage alternative investment funds ("AIF") in the EU or who market shares in AIFs to EU investors. Under the AIFM Directive, the AIFM must comply with various organisational, operational and transparency obligations.

On 1 July 2014, the FCA authorised the Manager as an AIFM. The Manager can now provide all relevant management and advisory services to the Company, including regulated activities.

AIFM Remuneration policy applied by the Manager

As a full scope AIFM, the Manager must apply a remuneration policy in line with its business strategy, objectives, values

and interests, as well as those of the AIFs it manages or their investors. The policy must include measures to avoid conflicts of interest.

The Manager's partnership board therefore meets at least twice a year to discuss the remuneration of its entire staff. Staff are remunerated in accordance with their seniority, expertise, professional qualifications, responsibilities and performance. They are paid salaries in line with market rates and, in profitable years, awarded a discretionary bonus from a bonus pool of 5% of the Manager's profits. This means that staff remuneration is predominantly fixed and the variable element is determined by the Manager's profitability, rather than the performance of a particular AIF.

The Manager's partners are entitled to their partnership share of its profits and losses. None of the partners are entitled to additional partnership drawings that depend on the performance of any AIF managed by the partnership. The partners' remuneration therefore depends on the Manager's profitability, rather than the performance of the AIF. This ensures that the partners have a vested interest in ensuring the Manager remains financially sound.

The Company is the only AIF that the Manager is responsible for. The annual fee paid by the AIF is based on a percentage of NAV, as set out in the Management Engagement Committee Report on page 40. In addition, the Manager's partners are required to invest 25% of that fee (net of tax and certain other costs, as described on page 40 in the Company's shares. Those shares are subject to a 12 month lock-in period. This aligns the interests of the Manager's partners with the strategy and interests of the Company.

Going concern

The Strategic Report on pages 2 to 33 describes the Group's financial position, cash flows, liquidity position and borrowing facilities. The Group currently has substantial headroom against its borrowing covenants, with a Group LTV of 32.9% as at 31 December 2014. It also benefits from a secure income stream from leases with long average unexpired terms, which are not overly reliant on any one tenant. The Company's cash balance as at 31 December 2014 was £98.62 million, of which £94.31 million was readily available, it also had an undrawn four-year debt facility of a further £13.2 million. As a result, the Directors believe that the Company is well placed to manage its financing and other business risks. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Audit Committee Report

Composition of the Audit Committee

For the period to 31 December 2014, the Audit Committee comprised all four Directors, including the Chairman of the Board, to enable his greater understanding of the issues facing the Company. The Committee was chaired by Jim Prower, who is considered to possess recent and relevant financial experience for the purpose of the UK Corporate Governance Code. Details of Jim Prower's experience can be found in his biography on page 41. In January 2015, Mark Shaw resigned from the Committee, which now comprises only the three independent Directors, with Jim Prower as its Chairman.

Activities of the committee

The Audit Committee operates within defined terms of reference, which are available on request from the Company Secretary. The Committee met three times during the period. These meetings were attended by Committee members, as well as representatives of the Manager, the Company Secretary and the external auditor.

During the period, the work undertaken by the Audit Committee included:

- Reviewing the internal controls and risk management systems. These systems were formalised in the Financial Position and Prospects Procedures memorandum, which the Board approved at IPO and updated in July 2014;
- Reviewing the historical financial information for the period to 31 May 2014, which was included in the prospectus dated 8 July 2014;
- Reviewing the interim and audited financial statements, including considering key accounting policies and areas of significant judgement, compliance with statutory obligations and accounting standards, and consistency throughout the report;
- Reviewing the process undertaken to ensure that the Board can confirm that the annual financial statements are fair, balanced and understandable; and
- Reviewing and approving the external auditor's terms of engagement, remuneration and tenure of appointment.

External auditor

During the year, the Audit Committee considered the appointment, compensation, performance and independence of the Company's external auditor, BDO LLP ("BDO").

BDO was appointed as part of the IPO, following a formal tender process. During the period, the Audit Committee met key members of the audit team and BDO formally confirmed its independence, as part of the annual reporting process. The Audit Committee liaises regularly with the lead audit partner, to discuss any issues arising from the audit as well as its cost effectiveness.

The Committee acknowledges that, in some circumstances, the external auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work and, therefore, engaging the external auditor for non-audit services has been considered. To ensure that providing these services does not impair BDO's independence and objectivity, the Audit Committee has developed the Company's policy on this issue. The policy allows the external auditor to provide routine tax compliance and advisory services.

In developing the policy, the Committee has considered the Financial Reporting Council's Ethical Standard Number 5 (revised). This relates to non-audit services provided to audited entities and sets out the six principal threats to objectivity and independence. For example, the auditor cannot act as management or audit its own work. The Audit Committee has reviewed the level of non-audit fees paid to BDO in the period, which totalled £356,000. It has also reviewed the terms under which BDO is able to perform non-audit services and has acknowledged that tax advice and corporate due diligence is provided by separate teams within BDO. The Committee is therefore satisfied that the audit is independent, objective and effective.

The Committee will keep this issue under constant review, particularly at the time of new engagements, to ensure that the auditor's independence and objectivity is not impaired.

Of the £356,000 non-audit fees paid to BDO, the significant expenditure that was authorised in the year is outlined below:

Work undertaken	Rationale for using the external auditor	Fee (£)
Reporting accountant on the Company's IPO	One-off piece of work. Low risk of self-interest and self-review threat, as the work is not used in the audit of the financial statements.	£100,000
Reporting accountant on the Company's secondary offering	Detailed knowledge and understanding of the business and the requirements of the exercise, having completed the Company's IPO. Low risk of self-interest and self-review threat, as the work is not used in the audit of the financial statements.	£115,000
Financial and tax due diligence on the corporate acquisitions of Baljean Properties Limited, The Sherburn RDC Unit Trust, Sonoma Ventures Limited and Tritax Ripon Limited and advice on other acquisitions	Detailed knowledge and understanding of the business and the requirements of the exercises. The work was performed by a team independent of the audit team. The audit team places no reliance on these procedures.	£81,000

The Audit Committee has recommended that a resolution to reappoint BDO is proposed to shareholders at the next AGM.

Internal audit

Due to the Company's size and structure and the nature of its activities, the Audit Committee has concluded that an internal audit function is unnecessary. However, the Committee will consider the need for this function each year and make recommendations to the Board as appropriate.

Financial reporting and significant judgements

The Audit Committee monitors the integrity of the financial information published in the interim and annual financial statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed. In assessing this, it considers whether management has made suitable and appropriate estimates and judgements, and seeks support from the external auditor to assess them.

Valuation of property portfolio

The Group had property assets of £586.18 million at 31 December 2014, as detailed on the Group Statement of Financial Position. As explained in note 15 to the financial statements, CBRE independently valued the properties in

accordance with IAS 40: Investment Property. The total portfolio valuation including forward funded commitments at the period end was £619.28 million. The Audit Committee has reviewed the assumptions underlying the property valuations and discussed these with management, and has concluded that the valuation is appropriate.

Valuation of interest rate derivatives

The Group mitigates its exposure to interest rate risk by entering into interest rate hedging arrangements. The Group accounts for these instruments in accordance with IAS 39 and makes additional required disclosures under IFRS 7 Financial Instruments Disclosures. The valuations are provided by the relevant institutions to which the loans are hedged. The Board has reviewed and approved these valuations.

Revenue recognition

Revenue is the Group's rental income arising from operating leases on investment property and is recognised on a straight-line basis. Any increases in rent following rent reviews are recognised as and when the rent reviews are settled. Tenant lease incentives are recognised on a straight-line basis over the term of the lease.

Audit Committee Report

Conclusions in respect of the Company's Annual Report

The production and audit of the Company's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Company's financial statements are fair, balanced and understandable, as required under the UK Corporate Governance Code, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report fulfils these requirements. In outlining its advice, the Committee has considered the following:

- The comprehensive documentation that outlines the controls in place for the production of the Annual Report, including the verification processes to confirm the factual content;
- The detailed reviews undertaken at various stages of the production process by the Manager, Administrator, joint financial advisers, Auditor and the Audit Committee, which are intended to ensure consistency and overall balance;
- Controls enforced by the Manager, Administrator and other third-party service providers, to ensure complete and accurate financial records and security of the Company's assets;

- The satisfactory control report produced by the Administrator for the period ended 31 December 2013, which has been reviewed and reported upon by the Administrator's external auditor, to verify the effectiveness of the Administrator's internal controls, such as the Audit and Assurance Faculty (AAF) Report; and
- A letter provided by the Administrator that there have been no changes to its control environment since 31 December 2013 and that all internal controls in place as at the time of the last review remain active.

As a result of the work performed, the Audit Committee has concluded and reported to the Board that the Annual Report for the period ended 31 December 2014, 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. The Board's conclusions in this respect are set out in the Directors' Responsibilities Statement on page 54.

Jim Prower

Audit Committee chairman

23 February 2015

Relations with Shareholders

The Board recognises the importance of maintaining strong relationships with Shareholders and the Directors place a great deal of importance on communication. The Manager, the Company's broker and the Company's joint financial adviser regularly meet shareholders and take calls from them. The Board also receives periodic feedback from its broker and joint financial adviser on shareholder issues.

Shareholders are encouraged to attend and vote at the Company's general meetings, so they can discuss governance and strategy and the Board can enhance its understanding of shareholders' issues. The Board makes itself available at the Company's general meetings to answer any shareholder questions and the Chairman makes himself available, as necessary, outside of these meetings to speak to shareholders.

The Company ensures that any price sensitive information is released to all shareholders at the same time and in accordance with regulatory requirements. The Company's annual and interim results are dispatched to shareholders by mail and are also available to download from the Company's website www.tritaxbigbox.co.uk.

Directors' Remuneration Report

Annual statement

As the Board has no executive Directors, it does not consider it necessary to establish a separate Remuneration Committee. The Board as a whole is therefore responsible for discussions regarding remuneration. The Directors' remuneration is disclosed in this Remuneration Report, which will be presented at the AGM for shareholders' consideration and approval.

Directors' remuneration policy

Under the Company's Articles of Association, all Directors are entitled to the remuneration set out in the Company's prospectus dated 8 July 2014, or as the Company may determine by ordinary resolution. This remuneration will not exceed an aggregate of £125,000 for the 12 months from 30 July 2014.

Subject to this limit, the Company's policy is to determine the level of Directors' fees with regard to those payable to non-executive Directors in the industry generally, individual Directors' Board and Audit Committee responsibilities, and the time each Director dedicates to the Company's affairs.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

Annual report on remuneration

Each Director has been appointed pursuant to a letter of appointment dated 18 November 2013, except for Mark Shaw whose letter of appointment is dated 8 November 2013. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

Each Director, other than Mark Shaw, is entitled to receive a fee from the Company at a rate determined in accordance with the Articles. The Directors are each paid an annual fee of £30,000 per annum, other than the Chairman (Richard Jewson) who is currently entitled to a fee of £60,000 per annum, and the Chairman of the Audit Committee (Jim Prower), who is currently entitled to a fee of £35,000 per annum.

Directors' Remuneration Report

The fees paid to the current Directors in the 14-month period to 31 December 2014, which have been audited, are set out in the table below. Colin Godfrey and Henry Franklin, who both resigned as Directors on 8 November 2013, were not entitled to receive a fee.

Richard Jewson (Chairman)	£68,500
Jim Prower	£39,180
Stephen Smith	£33,583
Mark Shaw*	£0
Total	£141,263

* As Chairman of the Company's Manager, Mark Shaw is not entitled to receive a fee.

In addition, each Director is entitled to recover all reasonable expenses properly incurred in connection with performing his duties as a Director. Directors' expenses for the period to 31 December 2014 totalled £1,532. No other remuneration was paid or payable during the year to any Director.

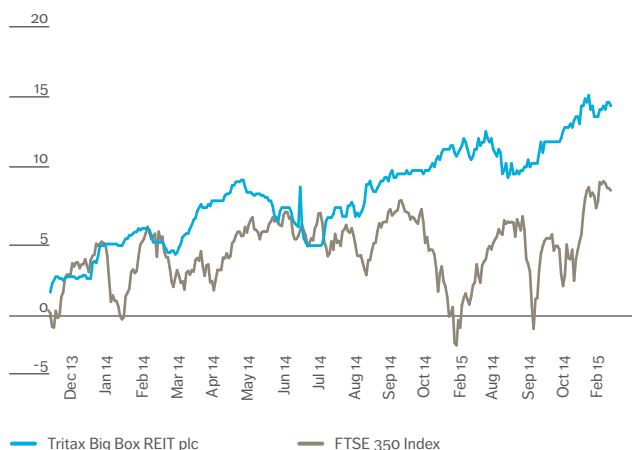
Statement of voting at general meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company will seek the reasons for any such vote and will detail any resulting actions in the Directors' Remuneration Report.

The AGM to be held on 15 April 2015 will be the first opportunity for shareholders to vote on the Directors' Remuneration Policy.

The following graph compares for the period since IPO, the total shareholder return (as required by company law) of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE 350.

Total Shareholder Return



Total Shareholder Return is the measure of returns provided by a Company to shareholders reflecting share price movements and assuming reinvestment of dividends.

Statement of Directors' shareholding and share interests

At 31 December 2014, the Directors held the following interests in the Company's shares:

Director	Number of shares held	Percentage of issued share capital as at 31 December 2014
Richard Jewson (Chairman)*	40,000	0.01%
Jim Prower*	23,760	0.01%
Stephen Smith	0	n/a
Mark Shaw	172,821	0.04%

* The shareholdings of Richard Jewson and Jim Prower are not significant and, therefore, do not compromise their independence.

Other items

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

Richard Jewson

Chairman

23 February 2015

Directors' Report

Introduction

The Directors are pleased to present their Annual Report, including the Company's audited financial statements as at, and for the period ended, 31 December 2014.

The Directors' Report, together with the Strategic Report on pages 2 to 33, comprise the 'Management Report', for the purposes of Disclosure and Transparency Rule 4.1.5R.

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference, as indicated in the relevant section.

Financial results and dividends

The financial results for the period can be found in the Group Statement of Comprehensive Income on pages 58.

During the year, an interim dividend of 1.85p per share per share was declared on 8 July 2014 and paid on 8 August 2014. A further interim dividend of 1.50p per share was declared on 20 November 2014 and paid on 17 December 2014.

An additional interim dividend of 0.80p per share was declared on 23 February 2015, to be payable on 18 March 2015 to shareholders on the register on 6 March 2015.

Directors

The names of the Directors who served during the period are set out on page 41, together with their biographical details.

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

Directors' interests in shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report on page 50.

Future developments

An indication of the likely future developments of the Company's business is set out in the Strategic Report on pages 2 to 33.

Political donations

No political donations were made during the year.

Employees

The Group has no employees and therefore no employee share scheme.

Financial instruments

Details of the Group's financial risk management objectives and policies, together with its exposure to material financial risks, are set out in note 22 to the consolidated financial statements.

Share capital

As part of the Company's IPO on 9 December 2013, the Company issued 200,000,000 Ordinary Shares at a price of 100 pence per share. The shares were admitted to trading on the Specialist Fund Market of the London Stock Exchange and the Channel Islands Stock Exchange Authority Limited ("CISEA") and listed on the Official List of the CISEA. This was followed by the placing of an additional 19,980,000 Ordinary Shares in June 2014.

On 30 July 2014, the Company's shares were listed on the premium segment of the Financial Conduct Authority's Official List and were admitted to trading on the Main Market of the London Stock Exchange. The Company simultaneously issued 145,631,068 Ordinary Shares, approved a share issuance programme under which the Company is authorised to issue up to 350,000,000 Ordinary Shares between July 2014 and July 2015, and approved the cancellation of its trading on the CISEA and of its listing on the Official List of the CISEA, which both took effect on 5 August 2014. Pursuant to the share issuance programme, the Company issued 104,761,904 Ordinary Shares in December 2014. As at 31 December 2014, there were 470,495,220 Ordinary Shares in issue.

Ordinary Shares	Number	Gross proceeds (£)
Balance at start of the period	–	–
Shares issued in December 2013	200,000,000	200,000,000
Shares issued in June 2014	19,980,000	20,779,200
Shares issued in July 2014	145,631,068	150,000,000
Shares issued to the Manager in October 2014*	122,248	122,248
Shares issued in December 2014	104,761,904	110,000,000
Balance at end of the period	470,495,220	480,901,448

* In line with the Manager's remuneration policy.

Directors' Report

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except as a result of:

- the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- the Company's Articles of Association, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or the Manager breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Going concern

The Directors believe that the Company is well placed to manage its financing and other business risks. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate. Please refer to the Accountability section as covered within Governance on page 45 for greater detail.

Greenhouse gas emissions reporting

The Board has considered the requirement to disclose the Company's measured carbon emissions sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the period ended 31 December 2014:

- Any emissions from the Group's properties have been the tenants' responsibility rather than the Group's, so the principle of operational control has been applied;
- Any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Manager's responsibility; and
- The Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such, the Board believes that the Company has no reportable emissions for the period ended 31 December 2014.

Substantial shareholdings

As at 10 February 2015, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital:

Investor	No. of Ordinary Shares	% holding of Issued Share Capital
Aviva plc	47,011,022	9.99%
Quilter Cheviot Limited	26,251,375	5.58%
East Riding of Yorkshire Council	26,097,353	5.55%
Smith & Williamson Holdings Limited	25,096,720	5.33%
Vestra Wealth LLP	21,862,215	4.65%
Killik & Co LLP	21,512,256	4.57%
Brooks Macdonald Group plc	18,608,622	3.96%
CCLA Investment Management Limited	18,260,520	3.88%
Baillie Gifford & Co Limited	17,616,000	3.74%
Artemis Investment Management LLP	15,256,711	3.24%

Amendment of Articles of Association

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

The Board will manage the Company's business and may exercise all the Company's powers, subject to the Articles, the Companies Acts and any directions given by the Company by special resolution.

Powers in relation to the Company issuing its shares

At a general meeting on 25 July 2014, the Directors were granted authority to allot Ordinary Shares in accordance with section 551 of the Companies Act 2006 inter alia, up to an aggregate nominal amount of £3,500,000 (based on a further 350,000,000 shares issued with a nominal amount of £0.01 per share) pursuant to the share issuance programme and for premium management purposes. The Directors were also granted authority to issue those shares non-pre-emptively and wholly for cash.

Change of control

Under the Group's financing facilities, any change of control at the borrower or immediate parent company level may trigger a repayment of the outstanding amounts to the lending banks. In certain facilities, the change of control provisions also include a change of control at the ultimate parent company level.

Appointment and replacement of Directors

Details of the process by which Directors can be appointed or replaced are included in the Corporate Governance Statement on page 44.

Events subsequent to the period end date

For details of events since the period end date, please refer to note 32 on page 82.

Independent auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2015. A resolution relating to this appointment will be tabled at the forthcoming AGM.

Manager and service providers

The Manager during the period was Tritax Management LLP. Details of the Manager and the Investment Management Agreement are set out in the Management Engagement Committee Report on page 40.

The Company's administration was delegated to Capita Sinclair Henderson Limited.

Disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report have confirmed that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual general meeting

The Company's AGM will be held at the offices of Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW at 10:00am on 15 April 2015.

This report was approved by the Board on 23 February 2015.

Taylor Wessing Secretaries Limited

Company Secretary

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 Strategic Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations. These can be found at pages 51, 49 and 34 respectively.

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

Independent Auditor's Report

to the members of Tritax Big Box REIT plc

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2014 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements of Tritax Big Box REIT plc for the period from 1 November 2013 to 31 December 2014 comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

Our assessment of risks of material misstatement and overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team who performed full scope audit procedures on investment property, the Group's only component. We identified the following risks that have had the greatest impact on our audit strategy and scope:

Independent Auditor's Report

to the members of Tritax Big Box REIT plc

Risk	How the scope of our audit responded to the risk
<p>The Group has acquired a portfolio of properties which are held as investment properties. Investment properties, including those in the course of development, are held at fair value in the Group financial statements.</p> <p>Determination of the fair value of investment properties is considered a significant audit risk due to the subjective nature of certain assumptions inherent in each valuation.</p> <p>Each valuation requires consideration of the individual nature of the property and its location along with assumptions including future rental income and the appropriate discount rate. The valuer also makes reference to market evidence of transaction prices for similar properties.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • reviewing the treatment of all property acquisitions, particularly those with non standard arrangements, and confirming that these are being treated in accordance with applicable accounting standards; • meeting with the Group's external valuer, who valued all of the Group's investment properties, to understand the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions; • assessing the competency, independence and objectivity of the external valuer which included making inquiries regarding interests and relationships that may have created a threat to the external valuer's objectivity; • using our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used. This included establishing our own range of expectations for the changes in valuation of investment property based on externally available metrics, comparable organisations and wider economic and commercial factors. We considered whether the overall movement in the investment property valuation indicated potential management bias to either overstate or understate the valuation. We assessed the movement of all properties against our own expectation and challenged those valuations which fell outside of our range of expectation. Explanations received from the external valuer and management supporting these valuations were corroborated to third party evidence where appropriate; and • agreeing the key observable valuation inputs used by the external valuer back to source documentation, which included title deeds and lease agreements.
<p>Rental income is recognised on a straight line basis over the lease term. The most significant accounting estimate concerning revenue recognition is management's assessment of the lease term over which incentives are recognised.</p> <p>The lease term is the non-cancellable period for which a lessee has contracted to lease a property together with any further terms for which a lessee has an option to continue to lease the property, with or without further payment, when at the inception or acquisition of the lease it is reasonably certain that a lessee will exercise the option.</p> <p>Management assess the most appropriate period over which to recognise revenue based on their assessment of lease terms and whether lessees will exercise break options.</p>	<p>We carried out analytical and other substantive testing over rental income including reviewing underlying lease documentation. We reviewed all leases.</p> <p>For each lease incorporating an incentive we challenged the determination of the period over which the incentive was being amortised and ensured that it was based upon a reasonable assessment of the characteristics of the tenant and lease.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £6m. This was determined with reference to a benchmark of Group total assets (of which it represents 0.8%) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £600,000 to apply to those classes of transactions and balances which impact on EPRA earnings.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £75,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 34 to 36 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 52, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Richard Levy (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

23 February 2015

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

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

These financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:

Richard Jewson
Chairman

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		Total £'000
	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'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 on pages 2 to 33.

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.

2.1. Going concern

The consolidated financial statements are prepared on a going concern basis as explained in the Directors' Report on page 52.

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.

3. Significant accounting judgements, estimates and assumptions (continued)

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.

Notes to the Consolidated Accounts

4. Summary of significant accounting policies (continued)

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.

Notes to the Consolidated Accounts

4. Summary of significant accounting policies (continued)

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 on page 40.

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	–

Notes to the Consolidated Accounts

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 on pages 49 to 50. 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	–	–

Notes to the Consolidated Accounts

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:

	Net profit attributable to Ordinary Shareholders £'000	Weighted average number of Ordinary Shares ¹ Number	Earnings per share Pence
For the period 1 November 2013 to 31 December 2014			
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 page 18 of the Strategic Report.

Notes to the Consolidated Accounts

15. Investment property (continued)

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.

Notes to the Consolidated Accounts

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	–	–	–

20. Bank borrowings (continued)

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 on page 29.

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.

Notes to the Consolidated Accounts

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%	–

21. Interest rate derivatives (continued)

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) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Asset measured at fair value:					
Interest rate derivatives	31 December 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.

Notes to the Consolidated Accounts

22. Financial risk management (continued)

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.

Notes to the Consolidated Accounts

24. Share capital (continued)

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.

Notes to the Consolidated Accounts

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 on page 40. 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 page 50.

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%.

Company Balance Sheet

	Note	At 31 December 2014 £'000	At 31 October 2013 £'000
Non-current assets			
Investment in subsidiaries	5	284,694	–
Total non-current assets		284,694	–
Current assets			
Trade and other receivables	6	135,190	–
Called up share capital not paid		–	50
Cash and cash equivalents	7	71,121	–
Total current assets		206,311	50
Total assets		491,005	50
Current liabilities			
Trade and other payables	8	(2,213)	–
Loans from Group companies		(18,203)	–
Total current liabilities		(20,416)	–
Non-current liabilities			
Loans from Group companies		(619)	–
Total non-current liabilities		(619)	–
Total liabilities		(21,035)	–
Total net assets		469,970	50
Equity			
Share capital	9	4,705	50
Share premium reserve	10	272,536	–
Capital reduction reserve	11	184,444	–
Retained earnings		8,285	–
Total equity		469,970	50
Net asset value per share – basic and diluted	12	99.89p	100.00p
EPRA net asset value per share – basic and diluted	12	99.89p	100.00p

These financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:

Richard Jewson
Chairman

Company Reconciliation of Movement in Shareholders' Funds

	Undistributable reserves		Distributable reserves		Total £'000
	Share capital £'000	Share premium £'000	Capital reduction reserve	Retained earnings £'000	
1 November 2013	50	–	–	–	50
Total comprehensive income	–	–	–	8,285	8,285
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	200	20,579	–	–	20,779
Share issue expenses in relation to Tap	–	(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 year period 31 December 2014 (1.85p)	–	–	(4,070)	–	(4,070)
Second interim dividend for the year period 31 December 2014 (1.50p)	–	–	(5,486)	–	(5,486)
31 December 2014	4,705	272,536	184,444	8,285	469,970
1 March 2013	50	–	–	–	50
Profit for the year	–	–	–	–	–
Total comprehensive income	–	–	–	–	–
31 October 2013	50	–	–	–	50

Notes to the Company Accounts

1. Accounting policies

Basis of preparation

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

The Company has taken advantage of the Companies Act 2006 exemption from presenting a Company Profit and Loss Account together with related profit and loss notes. The Company has also taken advantage of the exemption from preparing a Cash Flow Statement, under the terms of FRS 1 (Revised 1996) "Cash Flow Statements".

During the period the Company has adopted FRS 26 'Financial Instruments: Recognition and Measurement'. The impact on the financial statements has only been in relation to presentation and disclosure.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the period from 1 November 2013 to 31 December 2014 amounted to £8.28 million (period from 1 March 2013 to 31 October 2013: £nil).

Currency

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

Dividends

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.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

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

Investments in subsidiaries

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

Notes to the Company Accounts

2. 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.

3. Taxation

	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	–	–

4. 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	–

Notes to the Company Accounts

5. Investments

	Shares £'000	Loan £'000	Total £'000
As at 1 November 2013			
Increase in investments via share purchase	254,424	–	254,424
Increase in investments via loan	–	30,270	30,270
As at 31 December 2014	254,424	30,270	284,694
As at 31 March 2013 and 31 October 2013	–	–	–

As at 31 December 2014, the principal subsidiaries, held directly or indirectly by the Company, were as follows:

	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.

6. Trade and other receivables

	31 December 2014 £'000	31 October 2013 £'000
Loans to Group companies due within one year	135,035	–
Prepayments	16	–
Other receivables	139	–
	135,190	–

7. Cash and cash equivalents

	31 December 2014 £'000	31 October 2013 £'000
Cash held at bank	71,121	–

Notes to the Company Accounts

8. Trade and other payables

	31 December 2014 £'000	31 October 2013 £'000
Trade and other payables	823	–
Accruals	1,390	–
	2,213	–

9. 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 an agreed 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 101.85 pence per Ordinary Share as at 30 June 2014, less the first interim dividend declared of 1.85 pence 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.

Notes to the Company Accounts

10. 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	198,000	–
Share issue expenses in relation to IPO	(4,000)	–
Share premium on Ordinary Shares issued in relation to Tap	20,579	–
Share issue expenses in relation to Tap	(402)	–
Transfer to capital reduction reserve (see note 26 of the Group accounts)	(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 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)	(2,216)	–
Balance at end of period	272,536	–

11. 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 of the Group accounts for details of the declaration of dividends to Shareholders.

Notes to the Company Accounts

12. Net asset value per share (NAV)

Basic NAV per share amounts are calculated by dividing net assets in the Company Balance Sheet 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 Company Balance Sheet	469,970	50
EPRA NAV	469,970	50
Ordinary Shares:		
Issued share capital	470,495	50
Basic and diluted net asset value per share	99.89p	100p
Basic and diluted EPRA NAV per share	99.89p	100p

EPRA NAV is calculated as net assets per the Company Balance Sheet excluding fair value adjustments for debt-related derivatives.

13. Related party transactions

The Company has taken advantage of the exemption available in FRS 8 Related Party Disclosures not to disclose transactions with other members of the Group, as the Company's own financial statements are presented together with its consolidated financial statements.

For all other related party transactions please make reference to note 30 of the Group accounts on page 82.

Financial calendar

18 March 2015	Payment of third interim dividend in respect of the period ended 31 December 2014
15 April 2015	Annual General Meeting
May 2015	Trading Update to be issued
30 June 2015	Half Year End
August 2015	Announcement of Half Year Results
November 2015	Trading Update to be issued
31 December 2015	Full Year End

Company information

Company Registration Number: 08215888
Incorporated in the United Kingdom

Directors, Management and Advisers

Directors

Richard Jewson (Non-Executive Chairman)
Jim Prower (Non-Executive Director)
Mark Shaw (Non-Executive Director)
Stephen Smith (Non-Executive Director)

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