

**Tritax Big Box REIT plc**

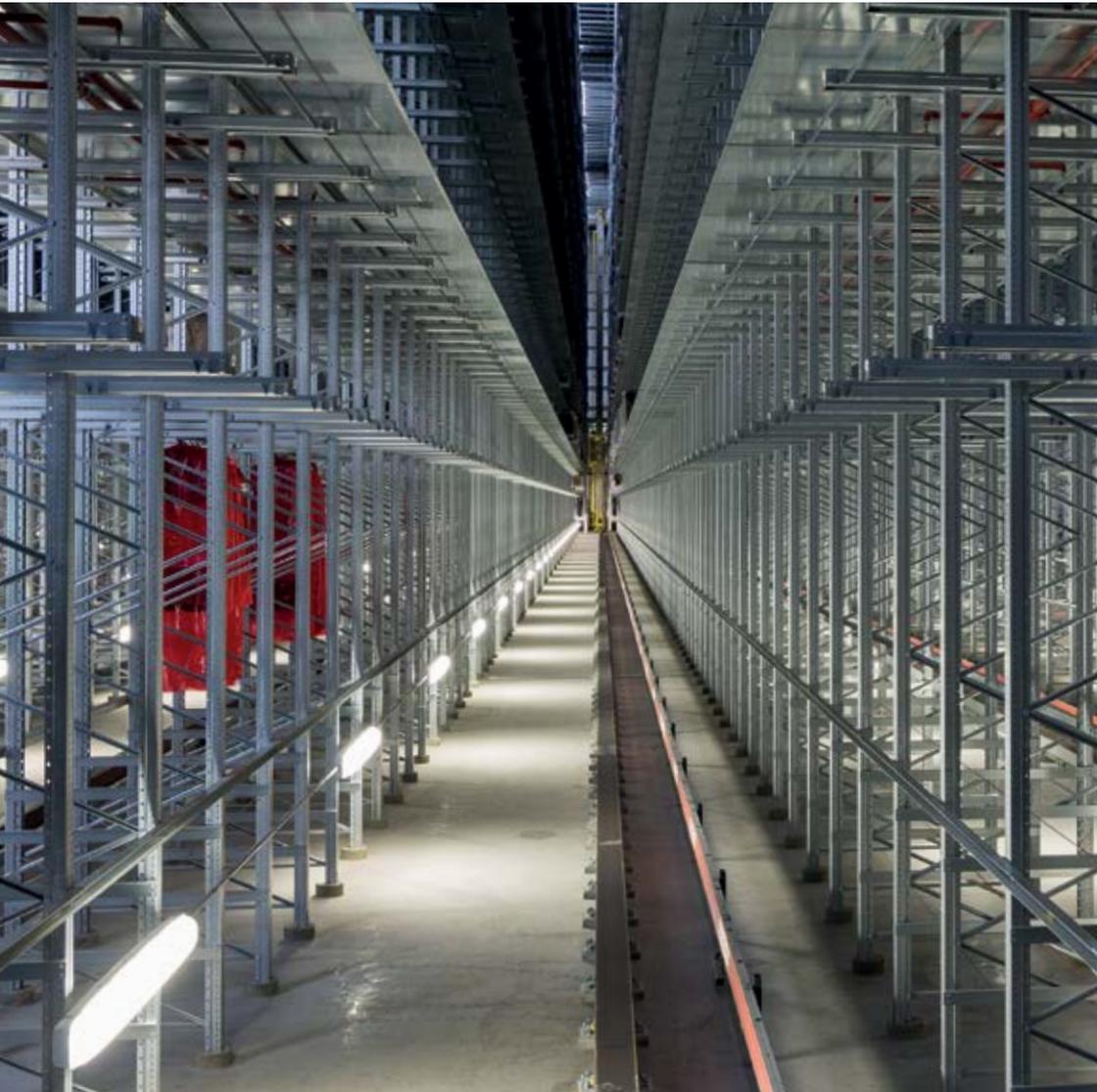
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**Tritax Big Box REIT plc**

**Interim Report 2014**

For the period 1 November 2013 to 30 June 2014



**Tritax Big Box REIT plc** is the only real estate investment company dedicated to investing in very large logistics warehouse assets (“Big Boxes”) in the UK.

The Group has acquired and manages a portfolio of six well-located, modern Big Box assets let to institutional-grade tenants including Marks & Spencer, Morrisons, Next, Sainsbury’s and Tesco, providing geographic and tenant diversification.

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#### Financial Highlights:

- The Company’s IPO in December 2013 (the “IPO”) raised gross proceeds of £200.0 million at an issue price of 100 pence per share. The Company’s shares were admitted to the Specialist Fund Market of the London Stock Exchange (“SFM”) and to the Channel Islands Stock Exchange Authority Limited (“CISEA”) on 9 December 2013.
- A follow-on equity fundraising in June 2014 raised an additional £20.8 million at an issue price of 104 pence per share.
- An interim dividend of 1.85 pence per share in respect of the period from 1 November 2013 to 30 June 2014 was declared on 8 July 2014 and paid on 8 August 2014.
- The Group’s investment properties were independently valued on 30 June 2014 at £360.7 million, representing an increase of approximately 4.6% above the aggregate acquisition price (excluding acquisition costs).
- The unaudited Net Asset Value (“NAV”) per share increased from 98.0 pence at the time of the IPO to 101.85 pence as at 30 June 2014, an increase of 3.9%.
- Loan to value (“LTV”) ratio of 43.0% as at 30 June 2014 with long-term debt drawn in the period of £155.23 million.
- Aggregate debt margin across the portfolio of approximately 1.75% over 3 month LIBOR. Interest rate cap instruments utilised to limit cost of debt.

**£200.0 million**

Gross proceeds raised at IPO in December 2013 at 100 pence/share

**£20.8 million**

Additional fundraising in June 2014 at 104 pence/share

**£360.7 million**

Valuation of investment properties at 30 June 2014

#### Operational Highlights:

- Net IPO proceeds and follow-on equity fundraising proceeds fully invested within approximately six months, in line with the Company’s stated target at launch. Over the period, the Group acquired six Big Box assets in prime logistics locations across the UK.
- Diverse covenant spread with all properties leased to institutional-grade tenants, with regular upward-only rent reviews.
- Weighted average unexpired lease term across the portfolio of over 16 years.
- High calibre of tenants, all part of a FTSE 100 group.
- Full occupancy of the portfolio for the 2013/14 period.

**1.85 pence/share**

Interim dividend

**3.9%**

Increase in NAV per share (unaudited)

**£150.0 million**

Raised in July 2014 from Placing, Open Offer and Offer for subscription

#### Post Balance Sheet Highlights:

- Additional £150.0 million of gross proceeds raised in July 2014 pursuant to an oversubscribed Placing, Open Offer and Offer for Subscription of new shares at an issue price of 103 pence per share. Listing moved from the SFM to the premium listing segment of the FCA’s Official List and to trading on the Main Market of the London Stock Exchange.
- £46.4 million of proceeds from July 2014 Placing, Open Offer and Offer for Subscription have been invested in a further two Big Box assets.

# Tritax Big Box at a glance

## Strategy

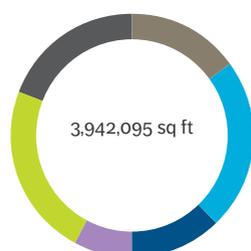
- Let or pre-let assets; no speculative development
- Institutional-grade tenants only
- Assets located in the UK, a market with features highly favourable for distribution
- Modern units to meet the requirements of major occupiers
- Leases to institutional standards providing upward-only rent reviews
- Upon any acquisition the average unexpired lease length of properties in the portfolio will typically be between 12 and 25 years, to provide long term secure income flows
- Leverage to be used prudently to improve returns to shareholders

## Overview of assets

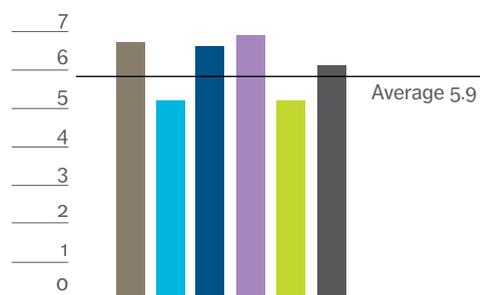
Asset value (£m)



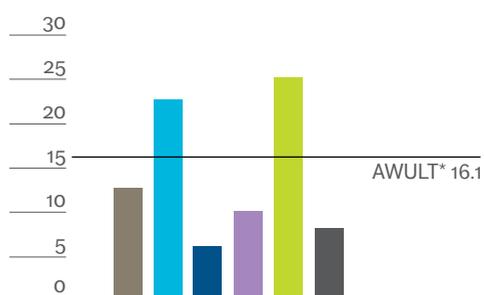
Asset size (sq ft)



Net initial purchase yield (%)



Unexpired lease term (yrs)



\*Average weighted unexpired lease term (as at 30 June 2014)

### Doncaster

1.17%\* value uplift to



£60.70 million

### Leeds

9.23%\* value uplift to



£53.25 million

### Chesterfield

6.46%\* value uplift to



£30.49 million

### Castle Donington

7.17%\* value uplift to



£88.50 million

### Didcot

7.72%\* value uplift to



£29.30 million

### Sittingbourne

0.72%\* value uplift to



£98.50 million



\*% value uplift excludes acquisition costs. Valuation as at 30 June 2014. See page 12 for further details.

# Chairman's Statement



**I am pleased to present the interim unaudited consolidated results for the Group for the period from 1 November 2013 to 30 June 2014.**

## Overview

The Company's IPO in December 2013 raised gross proceeds of £200 million (the "IPO"). The Company's Ordinary Shares ("Shares") were admitted to trading on the Specialist Fund Market of the London Stock Exchange ("SFM") and the Channel Islands Stock Exchange Authority Limited ("CISEA") and were listed on the Official List of the CISEA on 9 December 2013.

In accordance with the Company's investment policy, the net proceeds of the IPO were invested in a portfolio of large-scale distribution warehouse assets in the UK known as Big Box assets. As at 30 June 2014, the Group's portfolio consisted of six Big Box assets let to Marks & Spencer, Tesco, Sainsbury's, Next and Morrisons (the "Portfolio"). These acquisitions were funded from the proceeds of the IPO, a follow on equity fundraising of approximately £20.8 million which completed in June 2014 and the drawdown of senior debt facilities of approximately £155.2 million provided to the Group by Barclays Bank plc ("Barclays").

The Group's Portfolio has been independently valued by CBRE in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red

Book"). As at 30 June 2014, the Group's Portfolio had a market value of £360.74 million.

The Company's investment manager, Tritax Management LLP (the "Manager"), has identified a further strong pipeline of assets and, on 30 July 2014, the Company completed an additional issue of Shares, raising gross proceeds of £150 million through an oversubscribed placing, open offer and offer for subscription.

In addition, on 30 July 2014, trading in the Company's Shares was moved to the London Stock Exchange's main market for listed securities and the Company was listed on the Official List of the UK Financial Conduct Authority. As a consequence, on 5 August 2014, the Company cancelled its trading on the CISEA and its listing on the Official List of the CISEA.

## Financial Results

On the basis of International Financial Reporting Standards ("IFRS") as adopted by the European Union, operating profit for the Group for the period from 1 November 2013 to 30 June 2014 was £8.21 million, with total comprehensive income of £7.56 million. Net earnings per Share for the period were 3.73 pence (basic and diluted), which includes the net valuation gain recognised as a result of the revaluation of investment property and derivative interest rate caps.

**"Shareholders' vision in supporting the December 2013 IPO has been fully justified. The Board takes encouragement from the success of the two subsequent equity raises which brought in new shareholders, as well as demonstrating continued support from existing shareholders. The focus is now on investing the recent equity raise proceeds to diversify the Portfolio and provide opportunities for dividend growth in line with our Investment Policy."**

The unaudited Net Asset Value per Share as at 30 June 2014 was 101.85 pence, prior to adjusting for the first interim dividend of 1.85 pence per share, compared with the Net Asset Value per Share of 98.0 pence immediately following the IPO.

## Dividends

On 8 July 2014, the Company declared its first interim dividend of 1.85 pence per Share, which was paid on 8 August 2014, representing 100% of distributable profits for the period. This dividend was a property income distribution ("PID") in respect of the Group's tax exempt property rental business.

The Company is currently targeting a dividend of at least 2.3 pence per Share for the six months ending 31 December 2014. In arriving at this figure, the Directors have assumed that the net proceeds of the most recent issue of Shares are invested on a straight line basis over a four month period, with suitable assets being acquired with similar return and gearing parameters as for the existing portfolio.

## Financing

As at 30 June 2014, the Company had raised, in aggregate, £220.8 million (gross) of equity and had signed agreements with Barclays for debt facilities in relation to five separate assets amounting to, in aggregate, £155.2 million, secured on the respective assets, with an average term of over 4.5 years and reflecting a loan to value ratio ("LTV") of approximately 43% on the Portfolio.

Barclays has provided a letter of intent in respect of a further £150 million senior debt facility and the Manager is also in discussions with other lending institutions. In the medium term the Group's target LTV is 40%.

## Hedging

A significant portion of the Group's senior debt facilities has been hedged by the Group entering into a number of derivative interest rate cap instruments during the period. The total notional value of caps entered into was £144.5 million against total senior debt in place of £155.2 million. The weighted average strike rate is 2.26%, which caps the Group's weighted average cost of borrowing on senior debt at 4.01%, including the margin.

## Outlook

The Company has performed strongly since its IPO, delivering on its stated objectives. In return, we have seen significant support from existing shareholders and strong interest in the Company from prospective new investors.

The Directors believe that Big Box assets are currently one of the most attractive and secure asset classes in which to invest for income and capital preservation. Compared to other asset classes and other sectors within the property market, Big Box assets offer attractive yields.

The UK continues to be at the forefront of the transition towards online retail, which remains a key driver of the Big Box sector.

The Group has access to investment opportunities through the Manager's long-established industry contacts and an extensive knowledge of the sector. The Manager has achieved a prominent position in developing and acquiring logistics assets and properties for almost 20 years and specifically Big Box assets in the UK over the past eight years. This expertise and network of contacts provide the Manager with access to off-market transactions, special situations and specialised pre-let opportunities.

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. There is a strong pipeline of other assets which meet the Company's Investment Policy and the Manager has entered into detailed discussions with the current owners of a number of suitably attractive pipeline assets to ascertain their availability. The net proceeds of the recent and prospective fundraising will enable the Company to make further acquisitions, diversifying the Portfolio, providing strategic flexibility and capitalising on the Company's leading position in the UK Big Box market.

**Richard Jewson** Chairman  
28 August 2014

# Manager's Report

## Overview

There is currently strong occupier demand for modern Big Box assets which significantly outstrips supply. There are substantial barriers to entry for site acquisition and development, including planning permission constraints and availability of land with the requisite infrastructure and transportation links.

At this point in the development cycle, there is currently no speculative development of units greater than 500,000 sq ft in the sub-sector. This is principally because a distribution facility can cost upwards of £30 million to produce and there are few developers with balance sheets strong enough and the desire to accept such a significant letting risk. As a result, new Big Boxes of over 500,000 sq ft are likely to be pre-let and keenly sought after by a range of occupiers. This dynamic is squeezing incentives for tenants and applying upward pressure on rents, which should manifest itself over the next 12-24 months.

The focus of the Company's Investment Policy is to acquire well-located Big Box distribution facilities in the UK, let to tenants of sufficient size and stature on long-term leases with regular upward only rent reviews. The focus has, therefore, been to invest in high-quality assets, with the following characteristics:

- Strong tenant financial covenant;
- Terms of the lease;
  - duration (typically with an unexpired lease term remaining of at least 12 years, however shorter terms are considered on a case-by-case basis as part of an integrated value driven strategy)

– regular rent review pattern with indexation or to open market;

- Property characteristics including location, building quality and age, scale, transportation links, workforce availability and internal operational efficiencies; and
- Evidence of tenant commitment, such as extensive fit-out and the strategic value of the asset within the tenant's operations.

The focus has been to invest in assets with leases containing regular upward-only rental reviews, either linked to an index such as RPI or CPI, a fixed annual growth rate or to market rate (which has an inherent link to economic growth/inflation). Such rental reviews typically take place every five years, with the rent review delivering an increase in the rent at the relevant growth rate, compounded over the period.

## Investment Activity

The Company has acquired six assets between the IPO and 30 June 2014, at which time the Portfolio comprised the properties in the table below.

These are modern assets, of high quality with geographical spread and tenant diversification. The Portfolio presents a variety of asset management opportunities which have the potential to provide income growth and/or capital appreciation.

Details regarding the current Portfolio and associated opportunities are set out on pages 7-11. Acquisitions after the balance sheet date are set out on page 12.

Tenant	Location	Month of acquisition	Annual passing rent (£)	Size (sq ft)	Rent per sq ft (£)	Tenure	Next rent review date
Sainsbury's Supermarket Ltd	Leeds	Dec 2013	3,295,716	570,800	5.77	Freehold	May 2018
Marks & Spencer plc	Castle Donington	Dec 2013	4,351,723	906,240	4.80	Freehold	Dec 2016
Tesco Stores Ltd	Chesterfield	Mar 2014	1,999,804	501,751	4.00	Freehold	May 2015
Tesco Distribution Limited	Didcot	Apr 2014	1,920,000	288,259	6.67	Freehold	Aug 2014
Next Group Plc	Doncaster	Jun 2014	3,854,857	755,602	5.10	Freehold	Mar 2018
Wm Morrison Supermarkets Ltd	Sittingbourne	Jun 2014	5,419,974	919,443	5.90	999 year leasehold	Jun 2015
<b>Total</b>			<b>20,842,074</b>	<b>3,942,095</b>			

## Current Portfolio Analysis

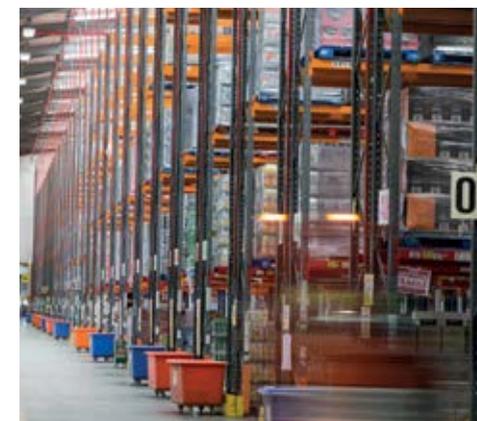


### Sainsbury's, Leeds

The freehold interest in a regional distribution facility in Sherburn-in-Elmet, Leeds, let to Sainsbury's Supermarkets Limited ("Sainsbury's") was acquired at a purchase price of £48.75 million (net of acquisition costs). The acquisition was initially funded out of equity proceeds, however, in April 2014, Barclays provided £23.5 million of senior debt, secured against the property.

The unit is one of Sainsbury's main regional distribution hubs distributing groceries to supermarket and "local" store formats. It is strategically located with transportation connections via road (A1(M) motorway), rail and air for central UK distribution for both e-commerce and national stores

The unit was constructed in 2000 and comprises approximately 570,800 sq ft of ground floor area with 13 metre eaves height, extending over four buildings with associated loading and parking. It had an unexpired lease term of approximately 12.5 years as at 30 June 2014, which is subject to five-yearly upward-only open market rent reviews. The current passing rent is £5.77 per sq ft, with next rent review falling due in May 2018.



Sainsbury's has indicated a potential requirement for additional space as its local demand increases. With low site density of circa 31%, the site could be extended (subject to planning). There is also potential to re-gear the lease and, with these available opportunities, secure a longer lease commitment from the tenant.

## Manager's Report

continued

Marks &amp; Spencer, Castle Donington



Marks &amp; Spencer, Castle Donington



### Marks & Spencer, Castle Donington

The freehold interest in a national distribution facility within the East Midlands Distribution Centre at Castle Donington, Leicestershire, let to Marks & Spencer plc ("Marks & Spencer") was acquired for a purchase price of £82.58 million (net of acquisition costs). The purchase was initially funded from equity, however, in June 2014, Barclays provided £49.3 million of senior debt, secured against the property.

The facility was purpose-built for Marks & Spencer in 2011 and comprises 906,240 sq ft of ground floor area with 25 metre eaves height, with associated offices, car park and a vehicle maintenance unit and the benefit of an adjacent rail freight terminal and sidings. It is strategically located with transportation connections via road (M1 motorway), rail and air for central UK distribution of general merchandise for both e-commerce and national stores.

The lease has an unexpired term of approximately 22.5 years as at 30 June 2014, which is subject to five-yearly, upwards only, open market rent reviews with a minimum increase equivalent to 1.5% and a maximum increase equivalent to 2.5% per annum (in each case on a compounded basis). The passing rent is £4.80 per sq ft, with the next rent review falling due in December 2016.

With low site density of circa 41% there is potential for extension and/or a rail terminal building.

Tesco, Chesterfield



### Tesco, Chesterfield

The freehold interest in a distribution facility at Barlborough Links, Chesterfield, Derbyshire, which is let to Tesco Stores Limited a subsidiary of Tesco PLC ("Tesco"), was purchased for £28.64 million (net of acquisition costs).

The facility was developed in 2005 and immediately leased to Tesco for a term of 15 years. It comprises 501,751 sq ft with 15 metre eaves height, cross dock loading and extensive fit out. It is strategically located at Junction 30 of the M1 motorway for central UK distribution of general merchandise to Tesco's regional distribution hubs.

The lease had an unexpired term of approximately six years as at 30 June 2014, which is subject to a five-yearly, upwards only, open market rent review in May 2015. The current low rent of £4.00 per sq ft presents an opportunity for rental growth. When combined with the shortage of logistics units of this size and calibre within the vicinity, plus the potential for lease re-gearing, this asset has the potential to deliver to the Company a longer lease commitment from the tenant.

## Manager's Report

continued



### Tesco, Didcot

The freehold interest in a logistics facility located at Southmead Industrial Estate, Didcot, let to Tesco Distribution Limited (a subsidiary of, and with a guarantee from, Tesco PLC), was purchased for £27.2 million (net of acquisition costs). The purchase was initially funded out of equity proceeds, however, in June 2014, Barclays provided a £12.2 million senior debt facility, secured against the property.

The facility was specifically developed for Tesco which committed to an initial 35 year term. The unit comprises a purpose-built distribution warehouse with integral two storey ancillary offices plus extensive parking over approximately 13.82 acres, on a rentalised area of 288,259 sq ft. The warehouse has 11 metre eaves height, cross dock loading and extensive fit out by the tenant, including a cold store facility.

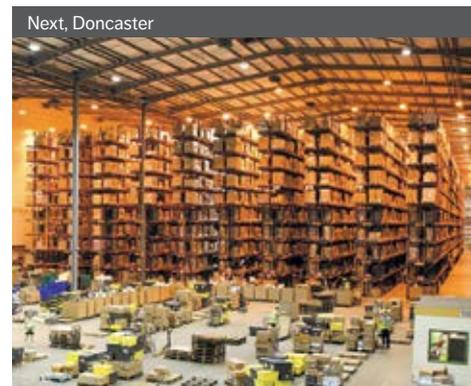
The unit is strategically located in a core south east location which benefits from transportation connections via road (adjacent to the A34 dual carriageway linking junction 13 of the M4 and junction 9 of the M40 motorways), rail and air for central UK distribution of food to Tesco's store network.

The unexpired lease term was 10.0 years at 30 June 2014. The passing rent is £6.67 per sq ft



and the lease is subject to five-yearly open market rent reviews, with the current rent review falling due in August 2014.

The site has a low density of circa 45% and, together with the adjoining land, which is owned by Tesco, combined site density reduces to circa 37%. The combined site could facilitate a unit extension and this, together with a lease re-gear opportunity in conjunction with the rent review, could deliver a longer-term lease commitment from the tenant.



### Next, Doncaster

The freehold interest in a regional distribution centre at West Moor Park, Doncaster, South Yorkshire let to Next Group plc ("Next") was purchased for £60 million (net of acquisition costs). The purchase was partially funded by a £16.43 million loan provided by Barclays, secured against the property.

The property was developed in 2003 and extended in 2005. The unit was leased upon completion to Next for a term of 20 years. The facility comprises 755,602 sq ft with a low site cover of approximately 45%, 17.5 metre eaves height, cross dock loading, ancillary office accommodation and parking. The building has additional first and second floor mezzanine storage areas of approximately 106,500 sq ft, with a sophisticated automated storage system. It is strategically located for road (M18 5 miles away), rail (Doncaster rail freight is 1 mile south) and air transport (via Robin Hood Airport).

The unexpired lease term was approximately 8.8 years as at 30 June 2014, which is subject to five yearly open market rent reviews. The passing rent is £5.10 per sq ft with the next rent review falling due in March 2018.

This is a strategic site for Next which has committed to the location and is considering the development of a new adjoining unit of circa 600,000 sq ft. This opportunity may be used to deliver a longer-term lease commitment from the tenant.



### Morrisons, Sittingbourne

A 999 year leasehold interest in a regional distribution warehouse facility at Sittingbourne, Kent, let to Wm Morrison Supermarkets PLC ("Morrisons") was purchased for £97.8 million (net of acquisition costs). The purchase was partially funded by a £53.8 million loan provided by Barclays, secured against the property.

The unit was purpose built for Morrisons in 2009 which acquired it from the developer. The facility comprises 919,443 sq ft across two large units which are used for ambient goods and chilled food, with 12 metre eaves height and modern design features. It is strategically located with transportation connections via road (M2 and M25) and deepwater/port facilities (Sheerness, Dover, Thames Estuary and Thames Gateway). The Channel Tunnel also lies 31 miles to the South East, providing easy access to mainland Europe.

Morrisons undertook a sale and leaseback for 25 years, which is subject to annual rent reviews linked to RPI, subject to a 2% cap, compounded annually. The passing rent is £5.90 per sq ft.

Morrisons has expressed an interest in an on-site freezer facility and with low site density of circa 42%, there is room for further development.

## Manager's Report

continued

### Acquisitions after balance sheet date

On 20 August 2014, the Company announced that it had exchanged contracts on a distribution centre in Langley, Nottingham, let to DHL Supply Chain Limited, at a purchase price of £17.53 million (net of acquisition costs), with an unexpired lease term of 10.0 years.

On 20 August 2014, the Company also announced that it had exchanged contracts on a distribution centre in Skelmersdale, Lancashire, let to DHL Supply Chain Limited, at a purchase price of £28.87 million (net of acquisition costs), with an unexpired lease term of 10.0 years.

### Valuation

The Company's Portfolio has been independently valued by CBRE in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). As at 30 June 2014, the Company's Portfolio had a market value of £360.74 million as compared with the combined purchase price of the Portfolio of £344.97 million (excluding purchase costs), an increase of £15.77 million or 4.6%. This increase in valuation reflects a combination of the prevailing supply and demand imbalance which is applying upward pressure on rents, with yields hardening on the expectation of capturing this market improvement, as well as the advantage of the Manager's approach in sourcing negotiated, off-market deals.

The following table sets out the respective valuation uplifts (excluding purchase costs) as at 30 June 2014:

Tenant	Location	Purchase price	Valuation*	Value uplift (%)
Sainsbury's Supermarket	Leeds	£48.75m	£53.25m	9.23%
Marks & Spencer plc	Castle Donington	£82.58m	£88.50m	7.17%
Tesco Stores	Chesterfield	£28.64m	£30.49m	6.46%
Tesco Distribution	Didcot	£27.20m	£29.30m	7.72%
Next Group	Doncaster	£60.00m	£60.70m	1.17%
Wm Morrison Supermarkets	Sittingbourne	£97.80m	£98.50m	0.72%
<b>Total</b>		<b>£344.97m</b>	<b>£360.74m</b>	<b>4.57%</b>

\*as at 30 June 2014

### Financial Results

On an IFRS basis, operating profit for the interim period, was £8.21 million. The main driver of this positive performance was the strong rental income generated by the Portfolio, which equates to a running yield based on book cost of 5.85%.

The results were also impacted by the gain recognised on the revaluation of investment properties of £4.01 million across the Portfolio, covering all costs associated with the Portfolio purchases.

Administrative and other expenses, which includes the Manager's fee and other costs attributable to the running of the Company for the period, were £1.48 million, equivalent to 0.41% of the market value of the Portfolio as at 30 June 2014.

The total profit before tax for the period of £7.56 million, equates to an earnings per share (basic and diluted) of 3.73 pence.

### Financing and Hedging

During the period, the Company has drawn five senior debt facilities with Barclays with total long-term bank borrowings of £155.23 million as at 30 June 2014. The weighted average margin across these loans is 1.75% over 3 month LIBOR. The LTV ratio, based on long-term debt drawn as at 30 June 2014, is 43%, which is marginally lower than the Group's initial LTV target of 45%. The Group's medium term target is to reduce the LTV ratio to a more conservative level of 40% against the Group's gross asset value. The Group also had short-term bank borrowings in place with Barclays totalling £11.5 million. This was drawn to fund the VAT paid on the acquisition of the Morrisons asset. This short-term debt will be repaid in the second half of the calendar year once the VAT has been reclaimed.

The Company has negotiated significant headroom on its loan-to-value covenants. The covenants contain LTV thresholds which affect the margin over LIBOR up to an income sweep level of 65% and a hard default level of 70% LTV for each asset. As at 30 June 2014, the Group could afford to suffer a fall in

property values of 21% on the asset with least headroom and 61% on the asset with most headroom, before being in breach of its LTV covenants.

Each loan is an interest only facility and secured against the subject property and shares of the property owning entity. Each property owning entity is either directly or ultimately owned by the Company. None of the properties are currently cross-collateralised.

A summary of each senior debt facility secured and drawn in the period is shown below:

Asset	Expiry Date	Long-term debt drawn (£)
Sainsbury's, Leeds	June 2018 <sup>1</sup>	£23,500,000
Marks & Spencer, Castle Donington	June 2019 <sup>2</sup>	£49,275,000
Tesco, Didcot	June 2018 <sup>1</sup>	£12,240,000
Next, Doncaster	June 2018 <sup>1</sup>	£16,429,250
Morrisons, Sittingbourne	June 2019 <sup>2</sup>	£53,790,000
		<b>£155,234,250</b>

<sup>1</sup> 12 month extension option available

<sup>2</sup> Extension option available of up to 24 months

All senior debt facilities are currently provided by Barclays. The Manager is in discussions with other lending institutions with a view to broadening the Company's debt funding relationships whilst seeking to broaden the tenor of its debt facilities in order to reduce refinancing risk.

The Company's debt strategy has been designed to minimise the effect of a significant rise in underlying interest rates by utilising a series of derivative interest rate cap instruments. During the interim period, the Company entered into five 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 2.26%, which when combined with the average margin equates to a capped all-in rate of borrowing of 4.01%. The total premium paid during the period to secure these caps was £3.56 million. By entering into the derivative interest rate caps, the Company has effectively hedged 93.1% of its long-term debt in place at 30 June 2014.

### Dividend

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

The Company is targeting a final dividend for the six months ending 31 December 2014 of at least 2.3 pence per Share, on the assumption that the proceeds of the recent equity raise can be fully invested within a four-month period. All ordinary shares will rank fully for such final dividend.

### Asset Management

The Big Box investment concept is underpinned by an in-depth working knowledge of the UK's leading Big Box occupiers' business activities and related operational requirements. The Manager's close working knowledge of an occupiers' activities and operational requirements, allows it to identify, unlock and execute asset management opportunities which have the potential to provide income growth and/or capital appreciation.

Asset management opportunities tend to be linked to one or more of the following:

- The tenant requires an extension to the existing unit on site or a new additional unit on site which can be levered to enhance both the overall annual contracted rent and lease length.
- Lease extensions which provide the occupier with an opportunity to protect both their logistic function from the site and their capital commitment within the unit.
- Lease extensions negotiated in conjunction with a significant rental uplift derived from a rent review.
- Maximising value from a tenant's request to alter the existing layout or specification of the unit.

The shortage of existing Big Box stock throughout the UK has led occupiers to seek to maximise the operational benefits and efficiencies from their existing sites which allows an informed landlord to unlock latent value.

## Manager's Report

continued

### Market Outlook

#### Big Box Market Sector

The Directors and the Manager believe that a significant opportunity exists in the UK logistics market, owing to strong tenant demand in high growth areas of the economy, as well as limited stock supply, especially for new, large scale Big Box facilities. Big Box assets facilitate the competitive operation of many of the largest and most effective operators in online retail, conventional retail and logistics provision in the UK. Such facilities offer the tenant previously unavailable benefits in terms of efficiency, economies of scale, flexibility and low cost of use.

The UK has been one of the fastest global adopters of online retail and continues to exhibit significant growth in the sector, driving new demand for logistics real estate including Big Box assets.

Successful large-scale retailers (online and conventional) and logistics providers are increasingly relying on the Big Box asset and demand is evident from companies up-scaling to such facilities. However, long lead-in times and challenges related to potential planning constraints and financing have impacted the supply of new and speculatively developed Big Box assets.

#### Operational Efficiency

Businesses have faced a more difficult environment in recent years and have therefore sought to rationalise their operations. This drive has led occupiers of logistics assets to review their distribution network and use space more efficiently. In many instances, the response has been to centralise logistics facilities into fewer, larger units.

The use of Big Box assets allows occupiers to capture economies of scale by consolidating various previously dispersed functions, optimise stock management and expand product range. For example, over recent years, Marks & Spencer has been consolidating its logistics network in the UK from over 100 depots of varying sizes into three large distribution centres at Sheffield, Bradford and Castle Donington.

Third-party logistics companies ("3PLs") are also increasingly focusing on Big Box assets to run multi-user facilities and operate more efficiently. The centralisation of multiple contracts delivers economies of scale. Larger multi-user facilities such as Clipper Wynyard and DHL's DIRFT Campus are enabling the operator to tender more competitively and with enhanced flexibility.

#### Online

The growth in online retail has been a key driver of the increase in Big Box facilities. According to research by Conlumino, online transactions accounted for around 12% of total retail sales in the UK in 2013, and this is expected to increase by approximately 25% by 2017.

"Pure-play" online retailers, such as Amazon, ASOS and Ocado, have led the way in the development of advanced facilities. However, the majority of the UK's largest online retail operations still belong to high street retailers. These "hybrid" retailers need to combine the requirements of conventional and online retail logistics. There is a preference amongst some retailers to segregate online and offline operations, but many co-locate these different operations under a single roof to achieve economies of scale. Hence, both pure-play online retailers and hybrid retailers increasingly rely on Big Box assets in their respective distribution networks.

#### Supply

Supply levels for logistics property peaked in 2009 following a spate of speculative development in the run up to the economic downturn. Following strong occupational demand resulting from the recent economic recovery there is now a significant shortage.

Whilst there have been recent tentative steps towards the speculative development of smaller floorplate buildings, speculative Big Box development in general has been minimal in recent years, both due to credit constraints and the increasingly challenging development and planning considerations associated with the scale of such projects.

Only one previously unoccupied high-quality building remains available that can accommodate a requirement of over 500,000 sq ft under a single roof in the UK: LPP Corby comprising 528,000 sq ft, although this is likely to be acquired for occupation in Q3 2014.

#### Demand

Demand for logistics warehouses in recent years has been particularly strong. The underlying drive from occupiers towards Big Box units has been a desire for greater operational efficiencies in the face of rising cost pressures on businesses. In many instances this has been achieved through the centralisation of facilities into fewer, larger units. This trend towards centralisation has, additionally, been boosted by the growth of online sales and the need for retailers to integrate this sales channel within their existing distribution networks. Whilst the pace of growth in online sales is expected to slow relative to the strong growth seen over the past decade, it is a part of the retail sector that continues to expand.

With the increased demand for Big Box units, we have also seen an upturn in the amount of space acquired through Design and Build ("D&B") solutions, where the facility is built to the specification of the tenant under an agreement for lease. The market for D&B has formed an increasing proportion of take-up of new warehouse space, with in excess of 70% of new space in units of over 100,000 sq ft acquired in this manner in both 2012 and 2013. This has been a direct result of the decline in ready-to-occupy new build space following a position of over-supply in 2009. Since then, existing buildings have gradually been acquired by occupiers to the extent that key regions now have no new build supply. Additionally, whilst there have been recent tentative steps into speculative development, the number of sites remains low and due to high vacancy costs (business rates and security), any speculative developments are focused on smaller buildings, with little or no impact on the Big Box market.

With virtually no speculative development of large warehouses since 2009, until relatively

recently, supply levels in some regions have been exceptionally low. No large, modern units remain in the North West or South East. Those left in the Midlands are in more peripheral locations such as Wolverhampton and Corby, some distance away from the traditional "Golden Triangle" locale.

#### Investment Yields

According to IPD, European logistics, driven by a strong UK market, was the best performing commercial property sub-sector during 2013. This strong performance has continued into 2014. According to CBRE the prime yield (modern building, prime location, 15 year lease let to a strong tenant) has sharpened from 6.25% in September 2013 to 5.25% in August 2014. CBRE is forecasting that yields will harden still further. This expectation comes not only from a belief that rental growth will drive a large component of total returns but also due to "weight of money"; the sector has witnessed significant allocation increases due to UK institutions being underweight, with inflows reported at £1.7 billion for the first five months of 2014, £950 million of which was received in April and May alone. In addition, the UK logistics sector has become increasingly attractive to overseas buyers seeking long leases to prime covenants at yields offering a positive yield gap above the cost of borrowing. The ultra-prime benchmark was set in Q2 2014 with L&G's forward funded purchase of Gazeley's development, of 938,449 sq ft at Milton Keynes let to Waitrose for 30 years with annual uplifts (min 1.5%, max 2.5% pa); the price paid for a lot of circa £110m was reputedly 4.6%. As Manager, we continue to seek and deliver institutionally covenanted long-term leases with a target yield range of 5-7%, which meet the Company's Investment Policy and which offer value for the Company's shareholders.

#### Rents

Despite falling supply levels, rents have remained reasonably stable in recent years. However, there is recent evidence of decreasing tenant incentives and upward pressure on rents particularly in markets close to the South East, where competition from other land uses is at its greatest.

## Manager's Report

continued

### Prime Logistics Headline Rents – Selected Locations

Location	Prime rent (per sq ft)
M25 West	£11.50
M25 North	£8.25
Milton Keynes	£5.75
Bristol	£5.75
M1/M6 Interchange	£5.75
Warrington	£5.25
Wakefield	£4.75

Source: CBRE Report, May 2014 – Market Overview – Big Box Distribution

The table above provides an indication of current rental levels in selected locations/regions. For Big Box units taken through a pre-let or D&B process, a premium above the prevailing rental level for an existing unit is typical. There is significant variation between deals, but in recent years, on average, this premium has been in the order of 15-20%.

As the UK has started its recovery, rental growth prospects for prime logistics buildings has significantly increased. In tandem, investor expectations for improved total returns have increased. Aside from buying well, benefitting from yield compression and value add opportunities through asset management, our primary focus is on delivering a stable, reliable high quality income return with opportunity for growth. This requires a balance between fixed or CPI/RPI linked income (which is often capped under the lease) whilst seeking to capture the potential for strong rental growth in prime locations through increasing exposure to open market rent reviews.

### Focus of Acquisitions

The Big Box asset has remained attractive to investors due in part to the typical long length of lease commitments, upward-only rent growth, strong occupier covenants and relatively high yields. The potential for rental growth in light of the current market dynamic of diminishing supply and increasing occupier demand should fuel further asset price growth. The imbalance between supply and demand is unlikely to be reversed in the short to medium term as the strengthening economic outlook supports occupational demand.

The focus of the Manager's investment activity broadly comprises three strategic pillars:

- **“Foundation assets”**: Long leased to tenants with excellent covenant strength providing core low-risk income. Buildings are usually modern, in prime locations and leases have regular upward-only rent reviews which can often be linked to CPI/RPI indices, or have fixed uplifts.
- **“Value add” opportunities**: Typically let to tenants with strong covenants but offering asset management opportunities to enhance capital value or income through initiatives such as increasing the unexpired lease term, refurbishment, extending the buildings on low density sites or acquiring expansion land. These assets are usually highly re-lettable.
- **“Growth covenants”**: Well-located buildings let to tenants which are currently perceived to be undervalued and which the Manager considers have opportunity for improving financial strength. Examples might include young e-retailers or companies which appear to have strong growth prospects as the UK economy recovers, therefore offering value enhancement through yield compression.

The Manager is also focussing on consolidating and developing existing tenant relationships with a view to extending the Company's reputation as a leader in this sector of the market.

### 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 AIFM.

### Tritax Management LLP Manager

28 August 2014

## Principal Risks

The Prospectus issued in July 2014 (available from the Company's website) includes details of what the Group considers to be the key principal risks faced by the business. However, as the Group has a limited operating history some risks are not yet known and some that are currently not deemed material, could later turn out to be material. A summarised list of the principal risks is set out below:

### Property Market Risks

- Both the condition of the real estate market and the overall UK economy will impact on the returns of the Group.
- Market conditions may also negatively impact on revenues earned from property assets and the price at which the Group is able to dispose of these assets.
- The Group will continue to focus exclusively on the UK Big Box sector, a sub-sector of the UK logistics market, therefore it will have direct reliance on the online and general retailer requirements in the UK.
- Other competitors in the sector may have greater financial resources than the Group or greater ability to borrow or leverage funds to acquire properties. With a limited supply of Big Box assets existing in the UK, competition for available properties in the UK may be strong, hence no assurance that the Group will be able to secure suitable assets at competitive prices.

### Funding Risks

- The Group's strategy anticipates incurring debt with interest payable based on LIBOR and it intends to hedge or partly hedge interest rate exposure on borrowings. However, such measures may not be sufficient to protect the Group from adverse movements in prevailing interest rates.
- Acquisition of properties may be funded partly by borrowings. If the value of the Group's assets falls, the NAV of the Group will reduce. Furthermore, the borrowings which the Group uses contain loan to value covenants, if the Groups assets decrease in value there is a risk that such covenants could be breached.
- Without the continued availability of debt on acceptable terms, the Group may be unable to progress investment opportunities as they arise and continue to grow the Group in line with the long-term strategy.

### Operational Risks

- The REIT Group will continue to be reliant on the management and advisory services the Group receives from the Manager. As a result, the Group's performance will, to a large extent, be dependent upon the ability of the Manager and retention of its key staff by the Manager.

### Taxation Risks

- If the Group breaches any of the REIT regulations, this may lead to the Group losing its REIT status and therefore members of the Group may be subject to UK corporation tax.

## Directors' Responsibility Statement

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

- an indication of important events that have occurred during the first eight months of the financial period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
- material related party transactions in the first eight months.

A list of the current Directors is shown on page 36. Shareholder information is as disclosed on the Tritax Big Box REIT plc website, [www.tritaxbigboxreitplc.co.uk](http://www.tritaxbigboxreitplc.co.uk).

For and on behalf of the Board

**Richard Jewson** Chairman  
28 August 2014

## Independent Review Report to Tritax Big Box REIT plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the eight months from 1 November 2013 to 30 June 2014 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes.

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

### Directors' responsibilities

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

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

### Our responsibility

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

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of interim financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose.

No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the eight months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### BDO LLP

Chartered Accountants and Registered Auditors  
London, United Kingdom  
28 August 2014

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

## Unaudited Condensed Group Statement of Comprehensive Income

For the eight months ended	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Gross rental income	5,669	–
Service charge income	125	–
Service charge expense	(125)	–
<b>Net rental income</b>	<b>5,669</b>	<b>–</b>
Administrative and other expenses	(1,476)	–
<b>Operating profit before changes in fair value of investment properties and interest rate derivatives</b>	<b>4,193</b>	<b>–</b>
Changes in fair value of investment properties	7	–
<b>Operating profit</b>	<b>8,207</b>	<b>–</b>
Finance income	39	–
Finance expense	4	(141)
Changes in fair value of interest rate derivatives	4	(546)
<b>Profit before taxation</b>	<b>7,559</b>	<b>–</b>
<b>Tax charge on profit for the period</b>	<b>5</b>	<b>–</b>
<b>Total comprehensive income (attributable to the shareholders)</b>	<b>7,559</b>	<b>–</b>
<b>Earnings per share – basic and diluted</b>	<b>6</b>	<b>3.73p</b>
<b>EPRA earnings per share – basic and diluted</b>	<b>6</b>	<b>2.02p</b>

## Unaudited Condensed Group Statement of Financial Position

For the eight months ended	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
<b>Non-current assets</b>		
Investment property	7	360,740
Interest rate derivatives	10	3,008
<b>Total non-current assets</b>	<b>363,748</b>	<b>–</b>
<b>Current assets</b>		
Trade and other receivables	8	20,140
Called-up share capital not paid	–	50
Cash and cash equivalents	–	13,974
<b>Total current assets</b>	<b>34,114</b>	<b>50</b>
<b>Total assets</b>	<b>397,862</b>	<b>50</b>
<b>Current liabilities</b>		
Deferred rental income	–	(4,855)
Trade and other payables	–	(4,194)
Bank borrowings	9	(11,452)
<b>Total current liabilities</b>	<b>(20,501)</b>	<b>–</b>
<b>Non-current liabilities</b>		
Bank borrowings	9	(153,310)
<b>Total non-current liabilities</b>	<b>(153,310)</b>	<b>–</b>
<b>Total liabilities</b>	<b>(173,811)</b>	<b>–</b>
<b>Total net assets</b>	<b>224,051</b>	<b>50</b>
<b>Equity</b>		
Share capital	11	2,200
Share premium reserve	12	214,292
Retained earnings	–	7,559
<b>Total equity</b>	<b>224,051</b>	<b>50</b>
<b>Net Asset Value per share basic and diluted</b>	<b>14</b>	<b>101.85p</b>
<b>EPRA Net Asset Value per share basic and diluted</b>	<b>14</b>	<b>102.10p</b>

## Unaudited Condensed Group Cash Flow Statement

For the eight months ended	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
<b>Cash flows from operating activities</b>		
Profit for the period (attributable to equity shareholders)	7,559	–
Less: changes in fair value of investment properties	(4,014)	–
Add: changes in fair value of interest rate derivatives	546	–
Less: finance income	(39)	–
Add: finance expense	141	–
Accretion of tenant lease incentive	(401)	–
Increase in trade and other receivables	(20,176)	–
Increase in trade and other payables	5,822	–
<b>Cash used in operations</b>	<b>(10,562)</b>	–
Taxation paid	–	–
<b>Net cash flow used in operating activities</b>	<b>(10,562)</b>	–
<b>Investing activities</b>		
Purchase of investment properties	(354,901)	–
Interest received	39	–
<b>Net cash flow used in investing activities</b>	<b>(354,862)</b>	–
<b>Financing activities</b>		
Proceeds from issue of ordinary share capital	220,779	–
Cost of share issue	(4,287)	–
Bank borrowings drawn	166,734	–
Loan arrangement fees paid	(1,935)	–
Interest rate cap premium paid	(1,893)	–
<b>Net cash flow generated from financing activities</b>	<b>379,398</b>	–
<b>Net increase in cash and cash equivalents for the period</b>	<b>13,974</b>	–
<b>Cash and cash equivalents at start of period</b>	<b>–</b>	–
<b>Cash and cash equivalents at end of period</b>	<b>13,974</b>	–

## Unaudited Condensed Group Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
<b>1 November 2013</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>50</b>
Profit for the period	–	–	7,559	7,559
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>7,559</b>	<b>7,559</b>
Issues of Ordinary Shares	2,150	218,579	–	220,729
Share issue costs	–	(4,287)	–	(4,287)
<b>30 June 2014 (unaudited)</b>	<b>2,200</b>	<b>214,292</b>	<b>7,559</b>	<b>224,051</b>
<b>1 March 2013</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>50</b>
Profit for the period	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>31 October 2013 (unaudited)</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>50</b>

# Notes to the Financial Statements

## 1. Basis of preparation

### General information

The condensed interim financial statements for the eight months ended 30 June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

The financial information for the prior period to 31 October 2013 has been extracted from the Company's dormant accounts filed at Companies House.

The condensed consolidated financial statements for the Group for the eight months ended 30 June 2014 have been reviewed by the Company's Auditor and approved for issue on 28 August 2014.

### Basis of preparation

The Group's financial information has been prepared on a historical cost basis, except for investment property and derivative interest rate caps which have been measured at fair value.

### Convention

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.

### Going concern

The Group's Portfolio is let to tenants with excellent covenant strength with all leases subject to upward only rent reviews. In the period the Group has raised £220.8 million and applied senior debt gearing at an average 43% across the Group, with the average maturity of the Group's banking facilities being over four-and-a-half years. The current average LTV is well below the maximum available of 70% across the Portfolio. Subsequent to the year period the Group has raised a further £150 million (gross of costs) and the acquisition pipeline is strong.

The Directors are therefore satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, of a period of not less than 12 months from the date of this report.

## 2. Significant accounting judgements, estimates and assumptions

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

### 2.1. Judgements

In the process of applying the Group's accounting policies, the directors have 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 real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

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

#### Operating lease contracts – the Group as lessor

The Group has acquired investment properties which 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 market value of investment property is determined by real estate 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. Each property has been valued on an individual basis. The valuation experts use recognised valuation techniques and the principles of IFRS 13.

The valuations have been prepared in accordance with the 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 7.

#### Fair value of derivative interest rate caps

In accordance with IAS 39 the Group values its derivative interest rate caps at fair value. The fair values are estimated by Barclays on behalf of the Group, using a number of assumptions based upon market data, including the forecast yield curve whilst discounting expected future cashflows.

## 3. Summary of significant accounting policies

### 3.1. Basis of consolidation

The consolidated financial information comprises the financial information of the Group and its subsidiaries as at 30 June 2014 and its comparative period. Control is achieved when the Group is

exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the group statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

## Notes to the Financial Statements

continued

The financial information of the subsidiaries is prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

### 3.2. Borrowing costs

Borrowing costs in relation to interest charges on bank borrowings are expensed in the period to which they relate. Fees incurred in relation to the arrangement of bank borrowings are capitalised and expensed on a straight line basis over the term of the loan.

### 3.3. 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.

### 3.4. Investment property

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 measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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 income statement in the year in which they arise, including the corresponding tax effect.

Investment property is derecognised when it has

been disposed of or permanently withdrawn 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 income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period's financial information.

### 3.5. Rent and other receivables

Rent and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortised cost. A provision is made when there is objective evidence that the Group will not be able to recover balances in full.

### 3.6. 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, and – for the purpose of the statement of cash flows – bank overdrafts.

### 3.7. Rental income

The Group is the lessor in operating leases. 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 income statement 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.

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 receivable from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when the right to receive them arises.

### 3.8. Service charges, management charges 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 management charges and other such receipts are included in net rental income, as the directors consider that the Group acts as principal in this respect.

## 4. Finance expense

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
For the eight months ended		
Interest on bank borrowings	113	–
Amortisation of loan arrangement fees	16	–
Amortisation of interest rate derivative premiums	9	–
Other bank charges	3	–
	<b>141</b>	<b>–</b>
Changes in fair value of interest rate derivative	(546)	–
	<b>(546)</b>	<b>–</b>

## 5. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the period ending 30 June 2014, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

### 3.9. Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in the group statement of comprehensive income except to the extent that it relates to items recognised as direct movement in equity, in which case it is also recognised as a direct movement in equity.

Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

## Notes to the Financial Statements

continued

### 6. 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 outstanding 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:

	30 June 2014 (unaudited)	31 October 2013 (unaudited)
For the eight months ended		
<b>Net attributable to Ordinary Shareholders</b>		
Total comprehensive income (£'000)	7,559	–
Number of Ordinary Shares <sup>1</sup>	202,644,412	50,000
Basic and diluted earnings per share <sup>2</sup> (pence)	3.73p	–
Adjustments to remove:		
Surplus on revaluation of investment property (£'000)	(4,014)	–
Loss on revaluation of interest rate derivatives (£'000)	546	–
EPRA earnings (£'000)	4,091	–
Number of Ordinary Shares <sup>1</sup>	202,644,412	50,000
EPRA <sup>3</sup> basic and diluted earnings per share <sup>2</sup> (pence)	2.02p	–

<sup>1</sup> Based on the weighted average number of Ordinary Shares in issue from the date of IPO to 30 June 2014

<sup>2</sup> There is no difference between basic and diluted earnings per share

<sup>3</sup> European Public Real Estate Association

### 7. Investment property

In accordance with IAS 40: Investment Property, the valuations have been independently valued at fair value by CBRE, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 (“the Red Book”). The valuers have sufficient current local and national knowledge of the particular property markets involved, and have the skills and understanding to undertake the valuations competently.

The valuation models prepared in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

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

	Investment properties freehold £'000	Investment properties long leasehold £'000	Total £'000
As at 1 November 2013	–	–	–
Property Additions	252,935	103,390	356,325
Fixed rental uplift adjustment <sup>1</sup>	401	–	401
Change in fair value during the period	8,904	(4,890)	4,014
<b>As at 30 June 2014 (unaudited)</b>	<b>262,240</b>	<b>98,500</b>	<b>360,740</b>
As at 1 March 2013	–	–	–
Property additions	–	–	–
<b>As at 31 October 2013 (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> Included within the carrying value of investment property is £.401,000 in respect of accrued contracted rental uplift income. This balance arises as a result of the IFRS treatment of leases with fixed rental uplifts, 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.

### 8. Trade and other receivables

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Trade receivables	576	–
VAT recoverable	19,368	–
Prepayment and other receivables	196	–
	<b>20,140</b>	<b>–</b>

## Notes to the Financial Statements

continued

## 9. Bank borrowings

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

	Bank borrowings drawn £'000	Bank borrowings undrawn £'000	Total £'000
As at 1 November 2013	–	–	–
Bank borrowings drawn in the period	166,734	–	166,734
<b>As at 30 June 2014 (unaudited)</b>	<b>166,734</b>	<b>–</b>	<b>166,734</b>
As at 1 March 2013	–	–	–
Bank borrowings drawn in the period	–	–	–
<b>As at 31 October 2013 (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>

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:

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Bank borrowings drawn: due within one year	11,500	–
Less: unamortised costs	(48)	–
<b>Current liabilities: total bank borrowings</b>	<b>11,452</b>	<b>–</b>
Bank borrowings drawn: due in more than one year	155,234	–
Less: unamortised costs	(1,924)	–
<b>Non-current liabilities: total bank borrowings</b>	<b>153,310</b>	<b>–</b>

## 10. Interest rate derivatives

The Group uses interest rate derivatives to mitigate exposure to interest-rate risk. The fair value of these contracts is recorded in the balance sheet 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 balance sheet date. There have not been any transfers of assets or liabilities between levels of fair value hierarchy in the period.

Fair value measurements at 30 June 2014 are below, along with the determination of the fair value hierarchy:

	Level 1 <sup>1</sup> £'000	Level 2 <sup>2</sup> £'000	Level 3 <sup>3</sup> £'000	Total £'000
<b>Assets</b>				
<b>30 June 2014 derivative interest rate swaps</b>	<b>–</b>	<b>3,008</b>	<b>–</b>	<b>3,008</b>
31 October 2013 derivative interest rate swaps	–	–	–	–

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

## Notes to the Financial Statements

continued

### 11. Share capital

	30 June 2014 (unaudited) Number	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) Number	31 October 2013 (unaudited) £'000
<b>Issued and fully paid at 1p each (formerly £1 each)</b>	<b>219,980,000</b>	<b>2,200</b>	<b>50,000</b>	<b>50</b>
At beginning of period – £1 Ordinary Shares	50,000	50	50,000	50
Conversion to 1p Ordinary Shares	4,950,000	–	–	–
Shares issued – 1p Ordinary Shares	195,000,000	1,950	–	–
Shares issued in relation to the Tap issue – 1p Ordinary Shares	19,980,000	200	–	–
<b>At 30 June 2014 (unaudited)</b>	<b>219,980,000</b>	<b>2,200</b>	<b>50,000</b>	<b>50</b>

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 1p shares ("Tap issue"), at an agreed price of 104 pence per share. Net cash proceeds from the Tap issue amounted to £20.4 million.

Subsequent to the balance sheet date the Company issued further shares following completion of the Placing, Open Offer and Offer for Subscription. The Company's Ordinary Shares were also transferred from the SFM to the main market for listed securities of the London Stock Exchange and listed on the premium listing segment of the Official List of the Financial Conduct Authority. Please refer to note 15 for further details.

### 12. Share premium

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

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Balance at the beginning of the period	–	–
Issue of Ordinary Shares	218,579	–
Share issue costs	(4,287)	–
	<b>214,292</b>	<b>–</b>

Subsequent to the balance sheet date the Company cancelled £194.0 million of its share premium account which was transferred into the capital reduction reserve account. Please refer to note 15 for further details.

### 13. Transactions with related parties

The fees calculated and payable for the period to the Manager were as follows:

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
For the eight months ended		
Tritax Management LLP	923	–

## Notes to the Financial Statements

continued

### 14. Net Asset Value per share (NAV)

Basic NAV per share is calculated by dividing net assets in the 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:

	30 June 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Net assets per Group Balance Sheet	224,051	50
EPRA NAV	224,597	50
Ordinary Shares:		
Issued share capital	219,980	50
Basic and diluted Net Asset Value per Share (pence)	101.85p	100.0p
Basic and diluted EPRA NAV per Share (pence)	102.10p	100.0p

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

### 15. Subsequent events

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

On 8 July 2014, of the Company published a prospectus in relation to the issue of up to 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; the proposed future issue of up to 350 million new Ordinary Shares through the Share Issuance Programme; and the proposed admission of the Company's issued and to be issued ordinary share capital 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 the same date, the Company declared a dividend in respect of the period from admission of the share capital of the Company to trading on the SFM on 9 December 2013 to 30 June 2014 of 1.85 pence per Ordinary Share<sup>1</sup>. This was paid on 8 August 2014 to Ordinary Shareholders on the register on 18 July 2014.

On 25 July 2014, the Company announced the successful completion of the Placing, Open Offer and Offer for Subscription which raised its maximum targeted gross proceeds of £150 million and was oversubscribed.

On 30 July 2014, trading in the Company's Ordinary Shares was transferred from the SFM to the main market for listed securities of the London Stock Exchange and listed on the premium listing segment of the Official List of the Financial Conduct Authority. Consequently on 5 August 2014, the Company's listing on the Official List of the CISEA was cancelled and the Ordinary Shares ceased trading on the CISEA.

On 20 August 2014, the Company announced that it had exchanged contracts on a distribution centre in Langley, Nottingham, let to DHL Supply Chain Limited, at a purchase price of £17.53 million (net of acquisition costs), with an unexpired lease term of 10.0 years.

On 20 August 2014, the Company announced that it had exchanged contracts on a distribution centre in Skelmersdale, Lancashire, let to DHL Supply Chain Limited, at a purchase price of £28.87 million (net of acquisition costs), with an unexpired lease term of 10.0 years.

<sup>1</sup> This is calculated based on the Ordinary Shares in existence at the period end not the weighted average number of Ordinary Shares during the period which is used to calculate the earnings per share (as set out in note 6 on page 28).

# 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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### Manager

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### Joint Financial Adviser and Corporate Broker

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### Joint Financial Adviser

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### Auditor

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### Company Secretary

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