



**LONDON
STOCK
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NS Miscellaneous

HALF-YEAR REPORT

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BWP REIT plc (ticker: **BWP**)

(the "**Company**" or the "**BWP**")

Unaudited Interim Report for the six months ended 31 March 2023

The Board of Directors (the "Board" or "Directors") is pleased to present the half year results of the Company and its subsidiaries (collectively "the Group") for the period from 1 October 2022 to 31 March 2023, and reflecting the acquisition on 16 November 2022 of Bridgewater Place ("the Property") in Leeds, UK. The financial information is the Group's first report as a public listed company and is unaudited. An audited financial statement of the Company for the period ended 30 September 2022 was submitted to Companies House, with a copy available on the Company's website.

On 16 November 2022, the Company was admitted to trading on the Wholesale Market of the International Property Securities Exchange ("IPSEX") with 35.05 million shares in issue ("Admission"). The listing raised capital of £33.60 million (net of share issue costs of £1.45 million).

On Admission, the Group acquired the Property, a c. 250,000 sq ft mixed-use asset consisting of a large office, retail and residential space, where the residential apartments were sold on a 250-year lease in 2007. The acquisition was primarily funded through a combination of capital raised from share issuance and a senior loan facility of £38.64 million with lenders, Barclays and LaSalle Investment Management. The senior loan is for an initial term of two years, maturing on 15 November 2024. Interest is payable quarterly at an initial rate of 2.75% + SONIA (per annum), increasing after twelve months to 3.25% + SONIA (per annum) for the remainder of the facility.

To mitigate against the risk of rising interest rates, the Group entered into an interest rate swap on 13 February 2023. The swap fixes the SONIA rate payable at 4.24% (per annum) until maturity on 50% of the senior loan facility.

The Group also raised £23.00 million through mezzanine loan notes which have a five-year term (expiring 19 April 2027), bear a 10.00% (per annum) coupon and are payable quarterly in arrears. The loan notes are unsecured, do not incur redemption penalties, and do not have any financial covenants or fees. The loan notes are listed on The International Stock Exchange (TISE).

Edmund Craston, Non-Executive Chairman of BWP REIT plc:

The Business Plan for Bridgewater Place, for the first three years from the IPSEX listing, is based around a comprehensive refurbishment of several key components of the building involving significant capital expenditure which will cost in the order of £23.5m. The first of these major projects is now underway and is detailed later in this report.

As with the majority of regional office investments, the valuation of Bridgewater Place fell in the period from acquisition to 31 March 2023. Avison Young reported their March 2023 valuation of £59.10 million, a fall of 5.6% compared to the acquisition price resulting from the increase in interest rates to a then 13 year high and the subsequent rebasing of UK commercial property values throughout the second half of 2022 and early part of 2023. Given the timing of major capex together with anticipated tenant movements some short-term fluctuations in NAV are to be expected but as the capex projects get underway, the value of the Property is expected to increase consistent with the expenditure on the building, irrespective of broader market conditions. The Company remains on track to execute its business plan as outlined in its Admission Document which can be found on the Company's website.

The Leeds office market continues to prove its resilience, with a shortage of available Grade A accommodation driving prime rents. Knight Frank's Future Cities Report highlights a flight to quality, with prime rents in the city expected to achieve a headline rate of £38 per square foot ("psf") and above by the end of the year, compared to the current average headline rate of £36psf. The Company's intention is to refurbish and upgrade the Property in order to meet occupier demands for Grade A office accommodation with enhanced environmental credentials and attractive amenities. Once refurbished, the upper floors will offer spectacular views of the city centre together with attractive and comprehensive tenant amenities, offering the market quality space at competitive rates when compared to prime headline rents in the city.

Around half of BWP's rental income is currently derived from international law firm, Eversheds, which together with DWF Law and Ernst & Young (EY) contribute over 80% of passing rent. EY has indicated that it will vacate the Property within the next six months and will move elsewhere in Leeds, presenting BWP with the opportunity to refurbish the floor and bring it to market, targeting an increased rental level.

The refurbishment programme for Bridgewater Place is now underway, commencing with remedial works to the cladding on the residential tower and some sections of the commercial building. While there have been some unforeseen issues discovered during the initial stages of the project, these are being resolved and are not expected to significantly impact either the timeline or the overall budget of the project. The ongoing application to the Building Safety Fund has passed Stage One of the process, with Stage Two anticipated shortly. If successful, this could result in additional funds equivalent to approximately 16 pence per share, which would be invested into the wider refurbishment programme.

The commercial refurbishment plans are still in the design phase with works underway by the architectural and mechanical & electrical teams, as well as cost consultants. Once designs have been finalised, a formal tender process will be undertaken to price the works competitively. The intention is to provide high quality, energy efficient, sustainable space in an iconic building with excellent occupier and visitor amenities.

The asset and property managers are implementing the project plan as quickly as possible consistent with minimising disruption to the existing tenants, and they are actively engaged with all the tenants through this process.

The Board's confidence about the prospects for Bridgewater Place is unchanged since listing, notwithstanding volatile financial markets. It remains fully focused on adding value to the building over the multi-year investment planned, as outlined in the Admission Document, to create a prestigious, environmentally sustainable landmark on the Leeds skyline.

Financial Highlights

- Net Asset Value ("NAV") of £24.90 million, equivalent to 71.0p at 31 March 2023 (30 September 2022: deficit of £0.4 million, equivalent to a deficit of 886.3p). A reconciliation of the NAV movement from Admission to 31 March 2023 can be found in the table below:

NAV movement from Admission to 31 March 2023		
	£ million	Pence per share (p)
Inflow:		
Proceeds from issuance of shares	35.05	100.0
Proceeds from senior loan drawdown	38.64	110.2
Proceeds from mezzanine loan drawdown	23.00	65.6
	96.69	275.8
Less: outflow		
Acquisition of Bridgewater Place	(62.57)	(178.5)
Acquisition costs	(3.79)	(10.8)
Share issue costs	(1.45)	(4.1)
Net Asset Value at Admission	28.88	82.4
Change in fair value of investment property (external valuation)	(3.78)	(10.8)
Income earned for the period	3.51	10.0
Finance costs for the period	(1.92)	(5.5)
Other expenses for the period	(2.23)	(6.4)
Other	0.44	1.3
Net Asset Value as at 31 March 2023	24.90	71.0p

- Shares were issued at 100 pence at Admission against the NAV per share of 82.4p as a result of property acquisition costs of £3.79 million being written off as unrealised losses and expenses incurred in relation to the listing. The proforma NAV disclosed in the Admission Document was £29.93 million, equivalent to 85.4p which was based on pre-Admission estimates.
- In line with the Admission Document, the Directors do not recommend the payment of a dividend.
- Loss before tax for the period was £8.21 million, equivalent to a loss per share of 31.4p, the majority of which arose from a £7.57 million reduction in the fair value of investment property in the period, including acquisition costs.

Financial Summary

	31 March 2023 (unaudited)	30 September 2022 ¹ (unaudited)
Net Asset Value/ (Deficit)	£24.90 million	(£0.44 million)
Net Asset Value/ (Deficit) per share	71.0p	(886.3p)
Investment property fair value (based on external valuation)	£59.10 million	-
Loan to gross asset value ('GAV') ^A	68.5%	98.0%

For the period ended 31 March

	31 March 2023 (unaudited)	30 September 2022 ² (unaudited)
Adjusted EPS ^A	(2.3p)	(986.0p)
Operating profit/ (loss) (excluding fair value changes)	£1.29 million	(£0.06 million)
Loss before tax	(£8.21 million)	(£0.49 million)
Loss per share	(31.4p)	(986.0p)

Annualised passing rent ^A	£5.55 million	-
Ongoing charges ^A	4.0%	-

^A Considered to be an Alternative Performance Measure. Further details can be found at the end of this section and full calculations are set out following the notes to the consolidated financial statements.

¹ As at 30 September 2022, the Company had no significant operations apart from preparing operationally to have its shares admitted to trading on the Wholesale Market of the International Property Securities Exchange. As at this date, the Company had issued 50,000 Ordinary shares of £1 each.

² Balances for the six months ended 31 March 2022 were not presented as the Group had not received income nor incurred any expenditure and therefore made neither profit or loss during this period. Instead, although not required by IAS 34, the comparative figures for the year ended 30 September 2022 for the Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Statement of Changes in Equity and Consolidated Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

Property Highlights

- Bridgewater Place comprises a substantial mixed-use building with 250,298 sq ft of retail, leisure, office, and residential accommodation together with ancillary basement car parking areas and a service yard.
- The Market Value of the Property was assessed by Avison Young as at 31 March 2023 to be £59.10 million. In preparing for the next valuation date, end June 2023, indications have been received from Avison Young that there is likely be an uplift in value as a result of the reversion in rents, which is dependent on the completion of the refurbishment works, getting closer. The valuation at 30 June 2023 will be shared as soon as it is available.
- The Market Rent (ERV) was last assessed at £8.6 million per annum by Avison Young as at 31 March 2023.
- The Gross (Contracted) rent was £5.72 million per annum with passing rent per annum amounting to £5.55 million as at 31 March 2023.
- The Property was 88.4% let as at 31 March 2023.
- The weighted average unexpired lease term ('WAULT') as at 31 March 2023 was 3.3 years to the earlier of break and expiry and 3.5 years to expiry.

Chairman's Statement

Overview

I am pleased to present the Group's first set of results as a listed company which are detailed in this unaudited interim report and consolidated financial statements for the period to 31 March 2023.

Our aim is to create a Grade A office asset with attractive occupier amenities and much improved sustainability criteria which will reposition the property within the Leeds office market. We are also committed to completing remedial works to the cladding on the residential tower and some sections of the commercial building, as well as to installing a new sprinkler system in the residential tower. An application has been made to the government's Building Safety Fund in respect of the cladding works for which an outcome is awaited but anticipated within the next few months and could be up to approximately 16 pence per share.

Our contractors are on-site, and works are generally progressing satisfactorily in accordance with the project plan. The Board are receiving regular updates from the Asset Manager and the professional team overseeing the project.

As is often the case, some unforeseen issues, which relate to the construction detail around the fire escape staircase in the residential tower, have been discovered during the initial stages of the project, upon which immediate steps were taken to alert relevant authorities, introduce mitigating measures and start work on designing and costing a solution. Remedial works are now underway and at this time it is not expected that these will significantly impact either the timeline or the overall project budget.

Bridgewater Place continues to generate annual contracted rental income of £5.72 million, with a weighted average unexpired lease term of 3.3 years to break and 3.5 years to expiry. Approximately 11.6% of the total floor area is vacant as at 31 March 2023. For the March quarter, 88.3% of the invoiced rent had been collected with the remaining 11.7% expected in the coming weeks.

Approximately 74% of the total floor area is occupied by the Property's three largest tenants, with international law firm Eversheds accounting for approximately 49% of this space. While we are aware the occupancy of the building will decrease in the coming months with the departure of EY, this was within the scope of the Business Plan and consistent with the asset management strategy for the Property, will allow the refurbishment and repositioning of vacant floors to commence, presenting the opportunity to access a higher ERV upon completion.

The Board remains confident regarding the outlook for this project and the future of Bridgewater Place as a prime office-led mixed-use property in this vibrant and growing regional city due to the continued occupier demand and limited new Grade A office supply as outlined above.

Financing

At 31 March 2023, the Group had a senior loan facility of £38.64 million and a mezzanine loan note of £23.00 million, contributing to total debt of £61.64 million. At 31 March 2023, the Group has complied with all senior loan covenants and there continues to be significant headroom in the interest coverage ratio. Under the facility agreement, the loan to value covenant will only be tested after practical completion of the capex works which is expected to be in the final quarter of 2024.

To manage the interest on the senior loan, on 13 February 2023 the Group entered into an interest swap agreement to fix the SONIA rate at 4.24% in respect of 50% of the facility. The interest rate swap matures on 15 November 2024.

Cash Management

Cash and cash equivalents are held with a reputable financial institution, Barclays Bank Plc (Fitch rating: A+), and earn interest at a variable market rate. The Group has organised its cash proceeds based on their intended purpose. £14.50 million of the funds raised from the listing were transferred to a holding account which is earmarked for funding the cladding remediation works. A further £9.00 million is held in situ within the general account and is intended to be used for building modernisation works toward the end of 2023. In addition to this, £0.75m is held in a separate account to mitigate interest rate rises in relation to the floating interest rate portion of the senior loan, as discussed in note 10 of the financial statements.

Valuation

The Group's Property is independently valued by Avison Young (the "Valuer") which has recognised relevant professional qualifications and recent experience on the type and location of the Property. Although the Group adopted a quarterly valuation policy on Admission, it has become apparent that much of the volatility in valuation is determined by market or external factors, such as interest rates and market rental rates, whereas the principal

driver of value for the Property will be the multi-year building modernisation and improvement plan, which remains on track and fully funded. Consequently, the Directors are reviewing the Group's policy in relation to the frequency of the Property valuation for the next financial year and expect to move from a quarterly to a semi-annual valuation process from 1 October 2023.

Dividends & Earnings

In accordance with the Admission Document and Business Plan for the Group, no dividends were paid in the quarter and there are no plans to pay any dividends until such time as the asset management improvements set out in the Business Plan have been completed.

The AIFM and the Asset Manager

The Board appointed M7 Real Estate Financial Services Ltd (the "AIFM") to provide day-to-day discretionary portfolio and risk management of the Company's investments subject to the AIFM Agreement, the Company's Articles of Association, the prospectus and to the overall supervision of the Directors.

The Board has also appointed M7 Real Estate Ltd ("M7", or the "Asset Manager") to provide day-to-day asset management and advisory services to the Group. More information about the Asset Manager and its strategy can be read at the Group's website (www.bwpreit.com).

We note the announcement made by Richard Croft in February 2023 with regards to him stepping down as Executive Chairman of M7 and will provide an update on any potential impact to the Company, in due course.

Future Growth and Outlook

The Group's strategy remains unchanged, focusing on active asset management to grow value, through medium term capital growth and income enhancement, as well as risk mitigation.

Despite the current economic uncertainty and significant increases in both inflation and interest rates, the Group is well positioned to focus on asset management initiatives supported by a strong balance sheet. As discussed above, the remedial and building modernisation works are the priority of the Group in 2023 and 2024.

The Group will continue to monitor closely both market and economic conditions and respond accordingly to any changes.

I would like to thank my fellow Directors, the Asset Manager and our other advisers and service providers who have provided professional support and services to the Group during the period.

Edmund Craston
Chairman
29 June 2023

Asset Manager's Report

Market Commentary

UK economy

- The outlook for the UK economy appears to be relatively benign midway through the second quarter of the 2023 calendar year, albeit there are potential risks attached to the future rate of inflation, interest rates and the Ukraine war particularly. The mini banking crisis towards the end of the first quarter which led to the failure of Silicon Valley Bank and the takeover of Credit Suisse by UBS appears to have subsided, at least for now.
- The Bank of England increased base rates in June 2023, from 4.5% to 5.0%, to a now 15 year high, however inflation remains stubbornly high at 8.7% through to the end of May and Core Inflation (which strips out more volatile items such as energy and food costs) rose to 7.1%. Due to the uncertainty around the inflation forecast, further increases in interest rates cannot be discounted and whilst the UK economy has so far avoided a technical recession, economic growth remains subdued. The Bank of England, in its latest quarterly Monetary Policy Report (May 2023) projects that GDP will be flat over the first half of 2023, although notably this is an improvement on the previous forecast in February.
- The principal risk to the UK economy still appears to be from the squeeze on disposable income, as a result of the increase in the cost of living. The speed at which inflation and interest rates will fall and the low rate of economic growth remain causes for concern in both the medium and long term.

Commercial Real Estate

- The challenging economic circumstances in the UK continue to impact the commercial property sector and particularly the investment market at the present time. The economic data in the UK remains volatile and unpredictable. This volatility has meant that investors are still in "wait and see" mode according to the latest research from Savills with investment volumes reaching £5.6 billion in Q1 2023, the lowest quarterly volume since 2009 (excluding Q2 2020 when the onset of Covid-19 paralysed the market).
- Inflation and rising interest rates have brought about an increase in property yields as investors seek an appropriate yield gap between the risk-free rate and commercial property returns. Lower, and less certain expectations about future rental growth also add to pressure on the lowest yields, with the greatest impact seen so far on the industrial and warehouse sector.
- The Asset Manager believes, as a further consideration, that there will be no let-up in the value placed by both occupiers and investors on assets and portfolios meeting sustainability criteria. Global warming is increasingly being seen to impact upon our climate and a performance gap is emerging, which is likely to leave assets with weak ESG credentials stranded.

Leeds Offices

- Leeds is the UK's third largest and fastest growing city and is a significant contributor to the region's £64.6 billion economy with a combined population of 3 million and a workforce of 1.4 million. Over the next ten years, the local economy is forecast to grow by 21% with financial and business services set to generate over half of growth over that period. (Source: Leeds.gov.uk).
- There is a lack of availability in the market, which the agents expect to drive rents to increase in 2023 from the current prime level of £36psf, as a result of a post-pandemic flight to quality, particularly in the city centre. Prime rents are forecast by Lambert Smith Hampton to reach £40psf, and by Savills £38psf +, by the end of 2023. In contrast, there is little sign of rental growth for Grade B stock which underlines the importance of the asset management initiatives planned at Bridgewater Place. Quoted rents for Grade A/B+ refurbished space are now between £21-£34psf dependent upon location and quality, however due to rising construction costs, many refurbishment projects are on hold reducing the overall supply of quality refurbished space within the market, putting further upwards pressure on rents. This aligns with the strategy for BWP, targeting rents in excess of £30psf following the capex works.

- Local market activity: 11 & 12 Wellington Place (244,879 sq ft) reached practical completion on 1 March 2023 and saw some pre-letting activity, leaving only 19,013 sq ft available. City Square House (137,793 sq ft) is due to reach practical completion in Q4 with 83,012 sq ft already pre-let to DLA Piper. In addition, several comprehensive refurbishments are underway with One Sovereign Quay (21,603 sq ft) and The Granary (19,129 sq ft) among those expected to be completed over the course of 2023.
- The Leeds office market began the year strongly with take up of 275,000 sq ft in Q1 according to research recently published by Savills. This level of take-up is 84% above the long-term average and the best Q1 since 2007. Grade A take-up was 235,000 sq ft in Q1 or 86% of the overall total. A significant proportion of the Grade A demand came from Lloyds Bank's letting of 125,000 sq ft at 11 & 12 Wellington Place.
- Savills report that total availability stood at 741,000 sq ft at the end of Q1 2023 with prime Grade A supply at just 137,000 sq ft. For Prime Grade A space there is just 0.3 years supply based on average take up. Developers are not committing to new projects due to rising costs, and the development pipeline falls away in 2024, further exacerbating supply issues for occupiers requiring high quality space.
- The Banking sector was the most active in Q1 with the Professional sector the second most active followed by TMT and Insurance & Financial Services.

Tenants

Occupier satisfaction is a priority for the Board and Asset Manager especially whilst the refurbishment works are ongoing. The property and asset management team are in regular contact with the tenants and are ready to respond quickly to any issues arising.

The Company expects EY to serve notice to vacate the property over the next six months as EY has notified BWP of its intention to vacate the Property. This presents BWP with the opportunity to refurbish a further 30,000 sq ft, with the expectation of reletting the space at above the current passing rental rate.

ESG

The Asset Manager is committed to adopting and promoting best practice in sustainability. This is achieved both through M7's own internal policies together with promoting the same high standards in our occupiers, property managers and other service providers.

ESG remains at the forefront of investors' minds even in an uncertain political and economic environment. As the real estate industry seeks to reduce its environmental impact, a performance spread will emerge between assets with strong and weak ESG credentials.

CGP MEP have modelled draft EPC results based on a number of M&E replacement options. Through upgrading lighting, replacing FCUs and AHUs, installing VRF systems, and installing PV panels, Bridgewater Place expects to achieve an EPC A which will further underscore the attractiveness of Bridgewater Place to occupiers.

Following high level conversations with a BREEAM assessor, BREEAM 'Excellent' appears to be achievable.

Outlook

Three key areas will impact the outlook for this project:

- Cost of Work: the rate of inflation in construction materials is probably the greatest risk to the budget although an inflation contingency has been allowed.
- Office Market: whilst demand for office accommodation is currently strong, this has the potential to change over the course of the project. This is currently deemed unlikely based on the current pipeline of available space in Leeds.
- Refinancing: the current senior loan matures in November 2024 by which time it is expected that the cladding remediation works will have been completed along with other building improvements which are anticipated to significantly improve the marketability and value of the asset. The completion of these works, combined with an expected improvement in market conditions, are likely to improve the refinancing prospects with the Property being more attractive to a wider pool of prospective Lenders.

Asset management initiatives

- There are five key asset management initiatives included in the Business Plan to improve the asset which are detailed in the Admission Document. These are:
 - Fire Safety & Cladding: remedial works are required on the residential tower and together with some sections of the commercial building. The remedial works include installation/replacement of cavity barriers and improved fire stopping, replacement of various insulation materials and the installation of a sprinkler system to all residential apartments. Works commenced on site in March 2023.
 - Atrium: reconfigure the atrium to provide a more contemporary and usable amenity space for occupiers. This is currently in the design and budgeting stage.
 - Common Area Improvements: these include upgrading bathrooms, lift lobby and lift cars, together with improving shower facilities, new bike storage and locker rooms.
 - Car Park: a reconfiguration of the car park is planned to include EV chargers and cycle spaces.
 - Energy Efficiency: opportunities are being explored to reduce the carbon impact of the property through new, more efficient mechanical plant and equipment as part of end of life renewal works. As outlined above, an EPC rating of A is targeted and a BREEAM 'Excellent' rating, post the improvement works.
- Asset Repositioning**: Careful rebranding, marketing and active management, to ensure the enhanced physical qualities of the Property, its EPC, which together with new amenities, and BWP's affordability relative to newly constructed buildings will reposition the building favourably for the future with prospective tenants and investors.
- Cost of Works**: Presently, the final costs of the five key asset management initiatives are still to be finalised, although the Group are confident that the pre-acquisition estimates, along with the budgeted contingency, will be sufficient to fund these works.
- WAULT**: Several of the office occupiers have lease expiries in 2023 representing 25.0% of rental income. Thereafter there are no further lease expiries until 2027. The current WAULT is 3.3 years to break and 3.5 years to expiry as at 31 March 2023. Further details can be found in the Admission Document.

- **Building Safety Fund:** An application has been made to the Building Safety Fund (BSF) for a grant towards the cost of the fire safety remedial works. M7 is currently at Stage One (legal submission) of this two-stage process, with Stage Two anticipated to be reached within the next few months.

NAV Movements

	Half year ended 31 March 2023		Period ended 30 September 2022	
	Pence per share	£ million	Pence per share	£ million
NAV as at beginning of period	(886.3)	(0.44)	100.0	0.05
Equalisation following issuance of shares	884.9	-	-	-
Adjusted NAV	(1.4)	(0.44)	100.0	0.05
Shares issuance - net	95.9	33.55	-	-
Change in fair value of investment property	(21.6)	(7.57)	-	-
Income earned for the period	10.0	3.51	-	-
Finance costs for the period	(5.5)	(1.92)	(869.7)	(0.43)
Other expenses for the period	(6.4)	(2.23)	(116.6)	(0.06)
NAV as at the end of the period	71.0	24.90	(886.3)	(0.44)

Valuation

At 31 March 2023 the Property was valued at £59.10 million (Acquisition price: £62.57 million. In preparing for the next valuation date, end June 2023, indications have been received from Avison Young that there is likely be an uplift in value as a result of the reversion in rents, which is dependent on the completion of the refurbishment works, getting closer. The valuation at 30 June 2023 will be shared as soon as it is available. The Directors are reviewing the frequency of the Property valuation from 1 October 2023 to implement a half yearly valuation process as described earlier in this report.

M7 Real Estate Limited
29 June 2023

Principal Risk and Uncertainties

The Group hold the leasehold ownership of the commercial element of Bridgewater Place, a mixed-use building providing a combination of retail, leisure, office, and residential accommodation together with ancillary basement car parking areas and a service yard. The Group also has an option to acquire the freehold of the entire building once the cladding remediation works are complete, for £1. The Group's principal risks are therefore related to the general property market and its tenants.

The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal controls, which is operated by the AIFM and, where appropriate, the Asset Manager. The Group's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Group faces.

The Board undertakes a risk review, at least biannually, with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the AIFM's and, where appropriate, the Asset Manager's risk management and internal controls processes.

An analysis of the principal risks and uncertainties is set out in the table below. This does not purport to be exhaustive as some risks are not yet known and some risks are not deemed material but could turn out to be material in the future. A comprehensive list of considered risks can be found in the Admission Document.

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
1. Development		
As a result of an investigation of the Property following the Grenfell Tower fire in London, it was determined that a substantial part of the cladding needed to be remediated to conform with new fire-retardant material guidelines. A contract has been agreed to replace this cladding.	The Asset Manager would require Board approval prior to executing any redevelopments, expansions, or refurbishments. Prior to seeking Board approval, an appropriate analysis would be prepared, and a thorough tender process would be executed to ensure any works are competitively priced. Additionally, the Asset Manager will closely monitor the progress of the works and ensure that suitable insurance is in place. Supply chain risk is being monitored and the development team have purchased in advance the majority of the materials necessary to undertake the cladding remediation works. This will allow the management of costs, and also the timeliness of use and application of materials as the projects progress.	Probability: Low to Moderate Impact: High
With any contract, there are a number of risks including: <ul style="list-style-type: none">• Ability to complete the programme of works set out in the Cladding Contract on time due to technical difficulties, supply of materials and manpower.• Ability to complete the works within the estimate or contracted amount resulting from inflationary costs of materials and unforeseen delays.		

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
<ul style="list-style-type: none"> Obtaining all necessary approvals from Building Regulations, the Fire Brigade and other parts of Leeds City Council. Risks of contractors and subcontractors being unable to complete works due to financial difficulties. <p>A further exposure relates to supply chain risk. A direct risk may relate specifically to obtaining the timely supply and required volume of the materials necessary to complete the cladding repair work. An indirect risk may relate to the accuracy of forecasting requirements and timing of undertaking the works.</p> <p>Problems with completing the works on time and on budget could affect the valuation of the Property, the ability to let vacant space or renew tenancies thus harming the cash flows of the Group and shareholder returns.</p>		
2. Debt refinancing		
Senior debt matures in September 2024 at which point the Group will refinance its debt arrangements. Due to fluctuations in interest rates and market conditions, there is a prevailing risk that the Group will be unable to refinance at the same or better terms with the existing or new lender.	<p>The Asset Manager works proactively with the senior lenders to maintain a positive working relationship. The Group may look at the timing of completing any refinancing depending on market conditions which could assist with risk mitigation.</p> <p>The Asset Manager expects that following the completion of the cladding and building modernisation works, the value and marketability of the asset will significantly improve which would, in turn, improve the refinancing prospects of the Group.</p>	Probability: Moderate Impact: High
3. Tenant default and concentration		
The Property has a high concentration of key tenants, with the top three tenants accounting for 73.9% of the Property's total floor area (and a higher proportion of current contracted rent). A loss of a key tenant or failure by tenant to comply with their rental obligations would therefore have a material adverse effect on the Group's business, financial condition, results of operations, ability to complete its Asset Management strategy and thus could affect the valuation of the Property.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading its tenant concentration and mitigating risk. The Group acknowledge that there is currently heightened exposure to professional services, however there is a continuous dialogue with tenants to ensure their needs are met.	Probability: Low to Moderate Impact: High
4. Interest rates		
<p>Since the financial crisis the interest rate environment in the UK has been low.</p> <p>However, in the second half of 2022, the economy was exposed to increasing interest rates and volatile markets.</p> <p>The June 2023 increase in the Bank of England base rate was the 13th consecutive hike in as many MPC meetings and took rates to a 15-year high of 5.00% with a cumulative rise of 4.90% from 0.10% in March 2020.</p>	<p>Exposure to interest rate risk is continually monitored.</p> <p>The Group has a combination of fixed and variable rate interest. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in debt markets and there is therefore no exposure to fair value of interest rate risk.</p> <p>The Group will periodically manage its exposure to changes in variable interest rates either through the use of an interest rate caps, or swaps.</p> <p>The Group holds a substantial amount of cash and cash equivalents to fund the building modernisation and cladding repair works. Such amounts may earn interest at a variable rate.</p>	Probability: High Impact: Moderate to High
5. Inflation		
<p>There may be an impact on the business from the current macro-economic climate largely due to significant inflationary pressures.</p> <p>Cost inflation has been exacerbated by the conflict in Ukraine.</p>	<p>Inflationary pressures will be monitored on an ongoing basis.</p> <p>While the Group has an indirect exposure to events outside of the UK, geopolitical uncertainties can lead to rising inflationary pressures that can have onshore consequences such as higher energy</p>	Probability: Moderate to High Impact: Moderate to High

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
<p>This may impact tenants in terms of rising energy prices resulting in reduced free cash flows to satisfy rent demands.</p> <p>In addition, the supply chain difficulties arising from China's Covid-related lockdown which was only relaxed in December 2022 may indirectly impact on the performance of tenants if there is a significant reliance on consumer facing products, as such inflationary pressures may affect consumer spending.</p> <p>Continued cost inflation across the supply chain may result in higher cost for the cladding and building improvement projects.</p>	<p>costs which are outside the Group's control.</p> <p>The expected costs for the cladding project will be fixed to a certain extent by purchasing materials up front. A labour inflation contingency has been factored into the construction cost budget.</p> <p>There are regular re-evaluations by the AIFM and Asset Manager as the Ukraine conflict evolves and all material decisions are made with the approval of the Board.</p>	
6. Property Defects		
<p>Due diligence may not identify all the risks and liabilities in respect of an asset (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Group's profitability, the NAV and the Group's share price. Furthermore, there is a reliance on third party property and facility managers to ensure property defects are identified and rectified.</p>	<p>The Group's due diligence and ongoing maintenance relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties that have appropriate Professional Indemnity cover in place. All works in this regard are monitored by the Asset Manager.</p>	<p>Probability: Low Impact: Moderate</p>
7. Property Market		
<p>Any property market recession or future deterioration in the property market could, inter alia, (i) lead to an increase in tenant defaults, (ii) make it harder for the Group to attract new tenants for its property, and (iii) delay the timings of the Group's realisations. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective. Furthermore, the wider market developments, the addition of new properties to the local market and tenants' intentions to relocate could also have adverse effects on the Group.</p>	<p>The investment objective is to develop the asset and generate returns through capital appreciation.</p> <p>Looking specifically at tenants, the Asset Manager is actively engaged with tenants to ensure their needs are met and that they are satisfied with the space. There is an emphasis placed on tenant health and the Asset Manager utilises third parties to evaluate existing tenant risk on an ongoing basis.</p> <p>Furthermore, asset management improvements will make the Property more attractive to existing and prospective tenants while becoming more competitive in the local market.</p>	<p>Probability: Moderate Impact: Moderate to High</p>
8. Property Valuations		
<p>The valuation of a property is inherently subjective and uncertain due to the individual nature of each property, its location and the expected future rental revenues from that particular property, among other things. The valuation may fluctuate from time to time due to a variety of extraneous factors, such as macro-economic conditions or developments within the same market as the subject property.</p> <p>Any reduction in the valuation of the Property may have a material adverse effect on the Group's business, financial position and the expected return of its Exit Strategy.</p>	<p>The Group uses an independent valuer (Avison Young) to value the property at fair value in accordance with accepted RICS independent appraisal and valuation standards.</p> <p>The Group expects that capital appreciation will be realised following the ongoing development and asset management strategies however market movements and yield shifts can produce fluctuations in property valuations which may affect the Exit Strategy.</p>	<p>Probability: Low to Moderate Impact: Moderate to High</p>

Directors' Responsibility Statement

This interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the IPSX rules for issuers and the Disclosure Guidance and Transparency Rules ("DTR") of the United Kingdom's Financial Conduct Authority.

The Directors confirm that to the best of their knowledge these consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and International Accounting Standard 34, 'Interim Financial Reporting' and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

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

This interim report was approved by the Board of Directors on 29 June 2023 and signed on its behalf by:

Edmund Craston
Chairman
29 June 2023

Consolidated Statement of Comprehensive Income

For the half year ended 31 March 2023

	Notes	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Income			
Rental and other income	3	3,513	-
Property operating expense	4	(1,361)	-
Net rental and other income		2,152	-
Other operating expenses	4	(865)	(58)
Operating profit/(loss) before fair value change		1,287	(58)
Change in fair value of investment property	8	(7,572)	-
Operating loss		(6,285)	(58)
Finance expenses - net	5	(1,921)	(435)
Loss before tax		(8,206)	(493)
Taxation	6	-	-
Loss for the half year/period		(8,206)	(493)
Loss per share (pence) (basic and diluted)	7	(31.4p)	(986.0p)
Adjusted EPS (pence) (basic and diluted)	7	(2.3p)	(986.0p)

The Group did not trade in the period ended 31 March 2022 and as such the Group received no income and incurred no expenditure and therefore made neither profit or loss during this period.

All items in the above statement are derived from continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	31 March 2023 £'000	30 September 2022 £'000
Assets			
Non-Current Assets			
Investment property	8	59,100	-
Loan receivable	9	556	-
Fair value of financial instruments	10	23	-
Other assets	10	750	-
		60,429	-
Current Assets			
Trade and other receivables	11	3,154	6,720
Cash and cash equivalents	12	26,359	14,470
		29,513	21,190
Total Assets		89,942	21,190

Non-Current Liabilities			
Interest bearing loans and borrowings	13	(61,265)	(20,770)
Current Liabilities			
Trade and other payables	14	(3,778)	(863)
Total Liabilities		(65,043)	(21,633)
Net Assets/(liabilities)		24,899	(443)
Equity			
Share capital (net of issue costs)	15	2,053	50
Share premium	16	31,545	-
Retained deficit		(8,699)	(493)
Total Equity/(deficit)		24,899	(443)
Net Asset Value per share (pence)	7	71.0p	(886.3p)

The accompanying notes form an integral part of these unaudited consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 29 June 2023 and were signed on its behalf by:

Edmund Craston
Chairman

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2023

	Notes	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total capital and reserves attributable to equity holders of the Group £'000
For the period ended 30 September 2022					
Balance as at 1 January 2022		50	-	-	50
Total comprehensive loss		-	-	(493)	(493)
Balance as at 30 September 2022		50	-	(493)	(443)
For the period ended 31 March 2023					
Balance as at 30 September 2022		50	-	(493)	(443)
Share issued	15,16	3,500	31,500	-	35,000
Reclassification	15,16	(45)	45	-	-
Share issue costs	15	(1,452)	-	-	(1,452)
Total comprehensive loss		-	-	(8,206)	(8,206)
Balance as at 31 March 2023		2,053	31,545	(8,699)	24,899

The accompanying notes form an integral part of these unaudited consolidated financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 March 2023

	Notes	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Cash flows from operating activities			
Loss before tax		(8,206)	(493)
Adjustment for:			
Finance expenses - net	5	1,921	435
Adjustment to spreading of tenant incentives	8	(79)	-
Change in fair value of investment properties	8	7,572	-
Operating results before working capital changes		1,208	(58)

Change in working capital			
Increase in trade and other receivables		(3,098)	(6)
Increase in trade and other payables		2,277	606
Net cash generated from operating activities		387	542
Cash flows from investing activities			
Purchase of investment property	8	(55,903)	(6,664)
Capitalised acquisition costs	8	(3,792)	-
Capitalised borrowing cost	8	(234)	-
Issuance of loan	9	(556)	-
Net cash used in investing activities		(60,485)	(6,664)
Cash flows from financing activities			
Proceeds from issue of share capital	15,16	35,000	-
Share issue costs	15	(1,452)	-
Secured bank loans drawn in the period	13	38,639	-
External debt arrangement fees	13	(462)	-
Mezzanine borrowings drawn in the period	13	2,230	20,770
Amounts transferred to blocked account	10	(750)	-
Interest paid		(1,200)	(178)
Other finance costs paid		(18)	-
Net cash generated from financing activities		71,987	20,592
Net increase in cash		11,889	14,470
Cash at beginning of period		14,470	-
Cash at end of period		26,359	14,470

The accompanying notes form an integral part of the unaudited consolidated financial statements.

Notes to the unaudited Consolidated Financial Statements

for the period to 31 March 2023

1. Corporate Information

BWP REIT plc (the "Company") is a public limited company which was incorporated on 20 August 2020 and is domiciled in the UK and registered in England and Wales. The registered office of the Company is C/O Alter Domus (UK) Limited, 10th Floor, 30 St Mary Axe, London, United Kingdom, EC3A 8BF. The principal activity of the Group is to provide an attractive level of total shareholder return, principally through capital growth by investing in Bridgewater Place (the "Property").

BWP REIT plc listed on the Wholesale Market of the International Property Securities Exchange ("IPsx") on 16 November 2022. As part of the listing, the Group issued Ordinary Share Capital of £35,000,000. On the same day, the Company obtained REIT status.

This financial information (the "consolidated financial statements") is the Company and its subsidiaries (collectively "the Group") first report as a public listed company and for the period from 1 October 2022 to 31 March 2023. Audited financial statements of the Company for period ended 30 September 2022 were submitted to Companies House, a copy is available on the Company's website.

The consolidated financial statements for the period ended 31 March 2023 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and have not been audited nor reviewed by the Company's auditor.

2. Accounting policies

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standard ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and IAS 34 "Interim Financial Reporting". The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, as modified by the recognition of investment properties and derivative financial instrument at fair value.

Although not required by IAS 34, the comparative figures for the period ended 30 September 2022 for the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and related notes have been included on a voluntary basis.

2.2 Consolidation

(i) Basis of consolidation

The consolidated financial statements include all activities of the Group for the period ended 31 March 2023.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity and cease to be consolidated from the date on which control is transferred out of the Group. The subsidiaries may have differing accounting principles to the Company and, where necessary, the accounts of these underlying entities have been adjusted or reclassified on consolidation to be consistent with the accounting principles of the Company.

The cost of investment in the subsidiaries is eliminated against the Company's share of equity in these subsidiaries. All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

(ii) Business combinations

The Group may elect to apply the optional concentration test in IFRS 3 to assess whether an acquisition must be accounted for as a business combination. When substantially all of the fair value of the gross assets

acquired is concentrated in a single asset (or a group of similar assets), the transaction is accounted for as an asset acquisition. The consideration paid is allocated to the identifiable assets and liabilities acquired on the basis of their relative fair values at the acquisition date. Where an acquisition does not satisfy the concentration test and the acquired set of activities meets the definition of a business, the Group applies the acquisition method of accounting.

(iii) Asset acquisitions

On 16 November 2022, the Group acquired the Property. The transaction was assessed to be an asset acquisition.

2.3 New standards, amendments and interpretations

The following new accounting amendments have been applied in preparing these condensed consolidated financial statements:

Standards effective from 1 October 2022

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022)
- Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16) (effective 1 January 2022)
- Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022)

Forthcoming requirements

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 statements:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)
- Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17) (effective 1 January 2023)
- Classification of liabilities as current or non-current (Amendments to IAS 1) (effective 1 January 2024)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective 1 January 2024)
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective 1 January 2024)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Optional)

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the consolidated financial statements. 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 in the future.

Estimates

The estimates and associated assumptions that have a significant effect on the amounts recognised in the consolidated financial information outlined below.

Valuation of investment property

The fair value of investment property is determined, by external 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. 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. Factors include current market conditions, annual rentals, the contractual terms of the leases and their lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 2.7h.

Provision for expected credit losses ('ECL') of trade receivables

In determining the provision on a tenant-by-tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. The Group also considers the risk factors associated by sector in which the tenant operates and the nature of the debt. Based on sector and rent receivable type a provision is provided in addition to full provision for maximum risk tenants or known issues.

Judgment

Principal versus agent considerations - services to tenants

The Group arranges for certain services to be provided to tenants. These arrangements are included in the contract the Group enters into as a lessor. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. The Group has determined that it is primarily responsible for fulfilling these services as it directly deals with tenants' complaints and is primarily responsible for the quality or sustainability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

REIT status

The Group is a Real Estate Investment Trust ("REIT") and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

Share issue costs

The Directors have performed an assessment of the expenditure incurred as part of the listing of the Company to determine that which is directly attributable to the issue of new shares, and that which is related to the listing. In accordance with IAS 32, the Company has recognised those costs determined to be directly attributable to the issue of new shares as a deduction to equity. Listing costs have been expensed.

2.5 Segmental information

The property held by the Group is reported to the chief operating decision maker. In the case of the Group, the chief operating decision maker is considered to be the Directors. The review process for segmental

information includes the monitoring of key performance indicators applicable across the property. These key performance indicators include Net Asset Value, Earnings per Share and valuation of property. The internal financial reports received by the Directors cover the Group and all the property and do not differ from amounts reported in the financial statements.

2.6 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the consolidated financial statements and the accompanying notes.

The Asset Manager on behalf of the Board has projected the Group's cash flows for the period up to 30 June 2024, challenging and sensitising inputs and assumptions to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment. The scenarios applied were designed to be severe but plausible, and to take account of the availability of mitigating actions that could be taken to avoid or reduce the impact or probability of the underlying risks.

The Group is currently in a net current asset position of £24.9m and made a loss of £8.2m for the period to 31 March 2023. The net loss mainly relates to a reduction in the fair value of the investment property in the period and various one-off costs relating to listing.

The Directors do not forecast a breach of loan covenants over the next 12 months.

Considering the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have continued to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.7 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

a) Foreign currency translation

(i) Functional and presentational currency

These Consolidated Financial Statements are presented in Sterling, which is the functional and presentational currency of the Company. The functional currency of the Company is principally determined by the primary economic environment in which it operates. The Company did not enter into any transactions in foreign currencies during the period.

(ii) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within finance expenses. All foreign exchange gains and losses are presented net in the consolidated statement of comprehensive income.

b) Revenue recognition

Revenue includes rental income, service charge income, insurance refunds, fees receivable from early termination of leases, and fees receivable for compensation of dilapidation of property.

Rental income from operating leases are recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is capitalised and recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service charge income is recognised in the accounting period in which the services and the associated expenses are rendered. Service costs billed to tenants are presented gross in the consolidated statement of comprehensive income, as the Group is acting as principal whereby it controls a promised service before the Group transfers the service to a tenant.

Insurance income is recognised in the accounting period in which the services and the associated expenses are rendered. Insurance costs billed to tenants are netted off in the consolidated statement of comprehensive income against the relevant expense, as the Group is acting as an agent.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of comprehensive income when the right to receive them arises.

c) Financing income and expenses

Interest income and expenses are recognised within 'net finance costs' of the consolidated statement of comprehensive income using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

d) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

e) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as an investment property.

Investment properties are valued using the following methods:

- i) measured initially at its cost, including related transaction costs and, where appropriate, borrowing costs; and
- ii) revalued frequently by a third-party valuer with appropriate qualifications and carried at fair value.

The fair value of investment property reflects, amongst other things, rental income from current leases and other assumptions market participation would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

Amortised lease incentives are not recognised on the consolidated statement of financial position; instead they are recognised in the fair value of the investment property.

Changes in fair values are recognised in the consolidated statement of comprehensive income.

Investment properties are derecognised when they have been disposed. When the Group disposes of a property at fair value in an arm's length transaction, the profit or loss is calculated by comparing net proceeds to the carrying value. This is recognised in the consolidated statement of comprehensive income on completion of the sale.

f) Assets held for sale

Investment properties are classified as held for sale if it is highly probable that they will be recovered primarily through sale within 12 months of the consolidated statement of financial position date, rather than held for long-term rental yields, and the Group has actively marketed the properties for sale.

Investment properties held for sale are measured at fair value.

g) Financial instruments

(i) Recognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

(ii) Classification

In accordance with IFRS 9, the Group classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iii) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss (FVPL) are recorded in the consolidated statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Group measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL within profit and loss. Interest and dividends earned or paid on these instruments are recorded separately in profit and loss.

Financial assets and liabilities (other than those classified as at FVPL) are subsequently measured at amortised cost using the effective interest method.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Group's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

(a) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Included in this category are trade and other receivables which are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method.

(b) Financial assets at FVPL

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss. Derivative financial assets and liabilities comprise interest rate swaps. They are measured at fair value through profit or loss.

(vii) Financial liabilities

A financial liability remains largely the same under IFRS 9 compared to IAS 39. Two measurement categories continue to exist: FVPL and amortised cost.

(a) Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category trade and other payables and loans and borrowings which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are derecognised when the obligation under the liability is discharged or cancelled or expires.

(b) Financial liabilities at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. Except for derivatives as previously disclosed, there are no other financial liabilities measured at fair value through profit or loss.

Debt instruments, other than those classified as FVPL, are measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process. Financial liabilities, other than those classified as FVPL, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

h) Fair value measurement

The Group measures financial instruments (such as derivatives) and non-financial assets such as investment properties at fair value at each reporting date.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined in IFRS 13 Fair Value Measurement as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on methods described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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 fair value measurement as a whole:

The fair value hierarchy:

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

For assets and liabilities that are recognised in this financial information at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(i) Investment property

The valuation of investment property is performed by a third-party valuer who is deemed to have the relevant professional qualifications and with recent experience in the location and category of the investment property being valued.

(ii) Loans and borrowings

The techniques used in the valuation of loans and borrowings is a comparison of debt stock to the marginal cost of debt (from main funding markets) in addition to discounting using the zero-coupon discount curve of the relevant currency.

(iii) Derivatives

The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate caps and forward foreign exchange contracts. The models incorporate various inputs including counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves.

i) Impairment

An assessment will be performed at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment.

Under IFRS 9, the Group shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The amount of the loss is recognised in the consolidated statement of comprehensive income. If in subsequent periods the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

j) Expenses

Expenses are recognised in the consolidated statement of comprehensive income in the period in which they are incurred (on an accruals basis).

k) Leases

(i) Group is the lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position in accordance with their nature.

The Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis.

At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. These letting fees are capitalised and are amortised over the lease term.

l) Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

m) Taxation

The tax income and expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company obtained REIT status on 16 November 2022, at which point any gains or losses arising from property business are exempt from UK corporation tax.

Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property.

n) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

o) Deferred Income

Revenue received in advance is recognised as deferred income and is released to the consolidated statement of comprehensive income when the revenue is due to the Group.

p) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable. In accordance with the Admission Document and Business Plan for the asset, no dividends were paid in the period and there are no plans to pay any dividends until such time as the cladding and other development projects have been completed.

q) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity.

3. Rental and other income

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Gross rental income	2,228	-
Spreading of lease incentives	21	-
Total	2,249	-
Service charges and direct recharges (note 4)	1,264	-
Total rental and other income	3,513	-

All rental, service charges and direct recharges and other income are derived from the United Kingdom.

4. Expenses

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Property operating expenses	97	-
Service charges and direct recharges (see note 3)	1,264	-
Property operating expenses	1,361	-
Professional fees	326	7
Asset management fees	211	-
Other operating costs	102	2
Fund administration	73	38
Directors' remuneration	50	-
Auditor remuneration	40	11
Insurance	37	-
Subscription Fees	24	-
Bank Charges	2	-
Other operating expenses	865	58
Total operating expenses (excluding service charges and direct recharges)	962	58
	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Directors' remuneration		
Directors' fees	40	-

Social security	3	-
Other fees*	7	-
Total fees due to the Directors	50	-

* Amount relates to additional fees paid to the Directors for their assistance in the listing process.

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Fees paid to the auditors		
Statutory audit**	40	11
Non-audit services relating to listing ***	24	66
Total fees due to the auditors	64	77

** Haysmacintyre LLP has been appointed as the auditor for the Company for the period ending 30 September 2023. The £40,000 shown as statutory audit represents the amount accrued for the year to date.

*** £20,000 of the current period amount was recognised as an issue cost deducted from share capital and the remaining amount forms part of the professional fees above. Prior year amount of £65,000 was recognised as Other Assets and £1,000 lies in other operating costs.

5. Finance expenses - net

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Interest payable on secured bank loan (note 13)	924	-
Interest payable on mezzanine borrowings (note 13)	914	435
Change in fair value of derivative financial instruments (note 10)	(23)	-
Amortisation of loan arrangement fees (note 13)	88	-
Swap interest paid (note 10)	7	-
Other finance costs	11	-
Total	1,921	435

6. Taxation

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Tax charge comprises:		
Analysis of tax charge in the period		
Loss before tax	(8,206)	(493)
Theoretical tax at 25.0% (2022: 19.0%)	(2,052)	(94)
Non-taxable income	-	-
Non-deductible expense	13	-
Unrecognised deferred tax asset	-	94
Unutilised losses extinguished upon REIT status	21	-
Effects of tax-exempt items under REIT regime	2,018	-
Tax charge	-	-

The Group obtained REIT status on 16 November 2022, following which any gains or losses arising from property business are exempt from UK corporation tax.

Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

7. Earnings per share and NAV per share

	Half year ended 31 March 2023 £'000	Period ended 30 September 2022 £'000
Loss per share:		
Total comprehensive loss (£'000)	(8,206)	(493)
Weighted average number of shares (Number)	26,166,484	50,000
Loss per share (basic and diluted) (pence)*	(31.4p)	(986.0p)
Adjusted EPS:		
Total comprehensive loss (£'000)	(8,206)	(493)
Adjustment to total comprehensive income:		
Change in fair value of investment properties (£'000)	7,572	-
Change in fair value of financial instruments (£'000)	(23)	-
Spreading of lease incentives (£'000)	(21)	-

Amortisation of finance costs (£'000)	88	-
Adjusted loss (basic and diluted) (£'000)	(590)	(493)
Adjusted EPS (basic and diluted) (pence)	(2.3p)	(986.0p)

* Loss per share is calculated by dividing loss for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period.

Adjusted EPS is a measure used by the Board to assess the level of the Group's dividend payments. This metric adjusts earnings for non-cash items in arriving at an Adjusted EPS as supported by cash flows.

	31 March 2023 £'000	30 September 2022 £'000
NAV per share:		
Net assets (£'000)	24,899	(443)
Ordinary shares (number)	35,050,000	50,000
NAV per share (pence)	71.0p	(886.3p)

8. Investment property

	31 March 2023 £'000	30 September 2022 £'000
At the beginning of the period	-	-
Acquisition of property	62,567	-
Capitalised acquisition costs	3,792	-
Capitalised borrowing costs (note 13)	234	-
Revaluation of investment property	(7,493)	-
Valuation provided by Avison Young	59,100	-
Change in fair value of investment property		
Change in fair value before adjustments for lease incentives	7,493	-
Adjustment to spreading of tenant incentives	79	-
	7,572	-

9. Loan receivable

	31 March 2023 £'000	30 September 2022 £'000
Loan receivable	556	-

On 16 November 2022, the Group has entered into a Development Funding Agreement with CPPI Bridgewater Place General Partner Limited and CPPI Bridgewater Place Nominee Limited (collectively "the Borrower"). Under the agreement the Group will provide funding to the Borrower by way of a loan in order to enable them to undertake the remedial cladding works on the Group's investment property. The payment of the loan is dependent on the outcome of the application filed to the Building Safety Fund (grant funding for fire safety remedial works). The loan is interest free.

10. Fair value of financial instruments

	31 March 2023 £'000	30 September 2022 £'000
Interest rate swap	23	-

Fair value of financial instruments

The Group does not apply hedge accounting in accordance with IFRS 9. Nevertheless, interest rate swaps are part of economic hedge relationships. Interest rate swaps are used to fix the interest payments of variable debt instruments. On 13 February 2023, the Group entered into an interest swap agreement to fix the SONIA rate at 4.24% for a notional amount of £19.32m, equivalent to 50% of the senior loan facility. The interest rate swap matures on 15 November 2024.

The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate caps and forward foreign exchange contracts. The models incorporate various inputs including counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves.

Valuations of derivative instruments are performed on a quarterly basis by an external specialist. Significant inputs into models are market observable and are included within Level 2 of the fair value hierarchy.

The fair value gain on financial instruments in the half year amounts to £23,314.

As part of the hedging agreement, the Group has deposited an amount of £0.8m into a bank account locked in favour of the counterparty to cure any deficiency on the interest payments if the rate was to rise significantly in relation to the floating portion of the loan.

11. Trade and other receivables

	31 March 2023 £'000	30 September 2022 £'000
Tenant receivables	1,588	-
Cash held by the property manager	1,397	-
Prepayments	76	-

Other receivables	93	6,714
VAT receivable	-	6
Total	3,154	6,720

Cash held by the property manager relates to service charge monies and rent collected from tenants.

Other receivables at 30 September 2022 represent the deposit paid relating to the acquisition of the property, Bridgewater Place.

12. Cash

Cash includes deposits held at call with banks. Included in the cash balance is an amount of £13.94m held on a restricted account earmarked to fund the remedial cladding works on the Group's investment property.

13. Interest bearing loans and borrowings

	31 March 2023 £'000	30 September 2022 £'000
At the beginning of the period	20,770	-
Secured bank loans drawn in the period	38,639	-
Mezzanine borrowings drawn in the period	2,230	20,770
Unamortised loan issue costs	(462)	-
Amortisation of loan issue costs	88	-
Total at end of period	61,265	20,770
Repayable between 1-2 years	38,639	-
Repayable between 2-5 years	23,000	20,770
Repayable in over 5 years	-	-
Total	61,639	20,770

Secured bank loan

On 16 November 2022, the Group entered into a £38.64m two-year loan facility with Barclays Bank plc and LaSalle Investment Management that is secured against the Group's investment property.

Interest is payable quarterly at an initial rate of 2.75% + SONIA, and from 15 November 2023, the rate increases to 3.25% + SONIA. During the period, a total of £0.92m (2022: £nil) interest was incurred, of which £0.50m (2022: £nil) was outstanding at 31 March 2023.

Mezzanine loan note

Mezzanine loan note relates to an external loan from Minorities Finco Ltd with a facility of £23.00m. At 31 March 2023, the loan has been fully utilised (2022: £20.77m utilised). The loan notes have a five-year term and bear an interest of 10% per annum. During the period, interest of £0.91m (2022: £0.44m) was incurred with £0.40m (2022: £0.44m) outstanding as of 31 March 2023.

14. Trade and other payables

	31 March 2023 £'000	30 September 2022 £'000
Deferred income	1,273	-
Trade creditors	1,014	36
Interest payable	895	257
Accrued expenses	374	56
VAT payable	208	-
Other creditors	14	514
Total	3,778	863

15. Share capital (net of issue costs)

	31 March 2023		30 September 2022	
	£'000	Number of Shares	£'000	Number of Shares
Ordinary Shares issued				
At the beginning of the period	50	500,000	50	50,000
Subdivision of shares	-	-	(50)	(50,000)
Subdivided Ordinary shares at 10 pence par value	-	-	5	50,000
Subdivided deferred shares at 10 pence par value			45	450,000
Reclassification to share premium (note 16)	(45)	(450,000)	-	-
Issuance of 35,000,000 shares at 10 pence par value	3,500	35,000,000	-	-
At end of the period	3,505	35,050,000	50	500,000
Share issue costs	(1,452)	-	-	-
Share capital (net of issue costs)	2,053	35,050,000	50	500,000

On 30 June 2022, a subdivision of the existing shares was performed whereby the 50,000 Ordinary shares then in issue were subdivided into 50,000 Ordinary shares of £0.1 each and 450,000 deferred shares of £0.1 each.

On 16 November 2022, the Company issued a further 35,000,000 Ordinary shares of £0.1 each which are fully paid up and redeemed the 450,000 deferred shares through a reclassification to share premium.

Transaction costs arising on share issue were £1,452,182 and shown as a deduction from equity.

16. Share premium

	31 March 2023 £'000	30 September 2022 £'000
At the beginning of the year	-	-
Reclassification from share capital	45	-
Issuance of shares	31,500	-
At end of the period	31,545	-

17. Investment in subsidiaries

The Company has two wholly owned subsidiaries as disclosed below:

Name and company number	Country of registration and incorporation	Date of incorporation	Principal activity	Ordinary Shares held
M7 BWP HoldCo Limited (Company number 12706840)	UK	30 June 2020	Holding Company	3,500,001*
M7 BWP Propco Limited (Company number 12711254)	UK	1 July 2020	Real Estate Company	3,500,001*

* Ordinary shares of £1 each.

The Company at 31 March 2023 owns 100% controlling stake of M7 BWP HoldCo Limited.

M7 BWP HoldCo Limited holds 100% of M7 BWP Propco Limited.

18. Capital commitments and contingent liabilities

The Group and the Borrower have agreed on a programme of works to replace insulation behind the cladding (the "Cladding Works"). The total cost of the work is estimated to be approximately £14.5 million. The Borrower (as developer) entered into a conditional contract with Clearline to implement the Cladding Works. The costs of the Cladding Works are funded by the Group through a provision of loan to the Borrower referred to in note 9.

In addition to the Cladding Works, the Group will undertake building modernisation and fire safety works with an estimated cost of £9.0 million.

The Cladding Works began in February 2023 and are expected to complete in the final quarter of 2024, with the building modernisation works to begin later this year. At 31 March 2023, £0.6m of the Cladding Works have been funded.

Prior to the acquisition of the investment property by the Group, the seller made an application to the Building Safety Fund for a money grant for the Cladding Works. If application is successful and a grant is made, it is expected that the seller will use the proceeds from the grant to repay the loan, net of a deferred consideration equivalent to 42.5% of the grant.

19. Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Directors

Directors of the Group are considered to be related parties. Directors' remuneration is disclosed in note 4.

Asset Manager

M7 Real Estate Ltd was appointed as Asset Manager on 14 November 2022. The asset management fee is calculated at a rate equivalent of 0.50% per annum of the gross asset value payable quarterly in arrears. During the period, the Group incurred Asset Management fees of £0.2m, of which £0.1m was outstanding at 31 March 2023.

Alternative Investment Fund Manager

M7 Real Estate Financial Services Ltd was appointed as Alternative Investment Fund Manager (AIFM) on 14 November 2022. The AIFM fee is fixed at £50,000 per annum. During the period, the Group incurred AIFM fees of £31,300, of which £12,500 was outstanding at 31 March 2023.

20. Events after reporting date

There are no material events arising after the date of the Statement of Financial Position that require disclosure in these financial statements.

Alternative Performance Measure (APM) Calculations

APMs are numerical measures of the Group's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Group's applicable financial framework is IFRS. The Directors assess the Group's performance against a range of criteria which are reviewed as particularly relevant for a closed-end REIT.

Adjusted EPS

Adjusted EPS is a measure used by the Board to assess the level of the Group's dividend payments. This metric adjusts earnings for non-cash items in arriving at an Adjusted EPS as supported by cash flows. Please refer to note 7 for the Adjusted EPS calculation.

Loan to GAV

Loan to GAV measures the value of loans and borrowings utilised (excluding amounts held as restricted cash and before adjustments for issue costs) expressed as a percentage of the Group's property portfolio (as provided by the valuer) and the fair value of other assets.

		31 March 2023	30 September 2022
Borrowings - note 13 (£'000)	a	61,639	20,770
Total assets (£'000)	b	89,942	21,190
Loan to GAV	(a/b)	68.5%	98.0%

Annualised Gross Passing Rental Income

The annualised gross passing rent is the rent roll at the reporting date, taking account of any in-place rent free incentives or step rents annualised on a straight-line basis over the following 12-month period.

Ongoing Charges

The ongoing charges ratio is the total for all operating costs expected to be regularly incurred expressed as a percentage of the average quarterly NAVs of the Group for the financial period.

		31 March 2023	30 September 2022
Other operating expenses for the period (£'000)	a	865	58
Ongoing charges- annualised where required (£'000)	b	996*	33
Average net assets/(liabilities) (£'000)	c	24,899	(443)
Ongoing charges ratio	(b/c)	4.0%	-

* Non-recurring costs of £0.4 million have been excluded in the annualised amount for 31 March 2023. These costs mainly relate to listing cost.

Company Information

Share Information	Total Voting Rights: 35,050,000 SEDOL Number: BQ1NFW6 ISIN Number: GB00BQ1NFW69 CFI Code: ESVUFR
Share Prices	The Company's Ordinary Shares are traded on the Wholesale Market of the International Property Securities Exchange ("IPSX")
Directors	Edmund Craston (Independent Non-Executive Chairman) Andrea O'Keeffe (Independent Non-Executive Director) Ian White (Independent Non-Executive Director)
Company secretary	Alter Domus (UK) Limited 10th Floor, 30 St Mary Axe, London, EC3A 8BF
Company number	12827322
Registered office	c/o Alter Domus (UK) Limited 10th Floor, 30 St Mary Axe, London, EC3A 8BF
Alternative Investment Fund Manager	M7 Real Estate Financial Services Limited 10 Queen Street Place, London, EC4R 1AG
Asset Manager	M7 Real Estate Limited 10 Queen Street Place, London, EC4R 1AG
Administrator	Alter Domus Fund Services (UK) Limited 10th floor, 30 St Mary Axe, London, EC3A 8BF
Depository	Alter Domus Depositary Services (UK) Limited 10th floor, 30 St Mary Axe, London, EC3A 8BF
IPSX Lead Adviser	WH Ireland Limited 24 Martin Lane, London, EC4R 0DR
Financial PR Advisor	FTI Consulting LLP 200 Aldersgate, Aldersgate Street, London EC1A 4HD
Registrar	Equiniti Limited Aspect House, Spencer Road, Lancing, West Sussex, United Kingdom, BN99 6DA Helpline: +44 (0)371 384 2030 Lines are open Monday - Friday from 8.30 a.m. - 5.30 p.m. (excluding bank and public holidays in England and Wales) Website: www.shareview.co.uk
Independent auditors	Haysmacintyre LLP 10 Queen Street Place, London, EC4R 1AG
Solicitors to the Company	Simmons & Simmons LLP One Ropemaker Street, London, EC2Y 9SS
Property	Bridgewater Place, multi-tenanted asset located on Water Lane, Leeds, West Yorkshire, LS11 5BZ
Company website	https://www.bwpreit.com/

Glossary

Alternative Investment
Fund Manager or AIFM

M7 Real Estate Financial Services Ltd.

Company	BWP REIT plc.
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Group's external valuer is Avison Young (UK) Limited.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
Gross Asset Value ('GAV')	The aggregate value of the total assets of the Group as determined in accordance with IFRS.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.
Asset Manager	M7 Real Estate Limited.
IPO	The admission to trading on the International Property Securities Exchange of the share capital of the Company on 16 November 2022.
IPSX	International Property Securities Exchange.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically, this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules, the value of the lease incentive is amortised through the Consolidated Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Net Asset Value per share	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
Net equivalent yield	Calculated by the Group's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net Initial Yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
Passing rent	The gross rent less in-place lease incentives.
pps	Pence per share.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Wholesale Market on IPSX.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

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