BRIDGEWATER INVESTMENT HOLDINGS PLC
(PREVIOUSLY: BWP REIT PLC)

ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2023

Company Number: 12827322

Directors' Report

The Board of Directors of Bridgewater Investment Holdings Plc ("BWP" or the "Company") is pleased to present the audited annual report and consolidated financial statements (the "Report") of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2023.

Principal activity

The principal activity of the Company is the ownership through its subsidiaries of the leasehold of the Property.

Directors

The Directors in office during the period and at the date of this report are:

Edmund Craston, Chairman and Independent Non-Executive Director
Alison Lambert, Non-Executive Director (appointed: 29 February 2024)
Jack Thoms, Non-Executive Director (appointed: 29 February 2024)
Andrea O'Keeffe, Independent Non-Executive Director (resigned: 1 March 2024)
Ian White, Independent Non-Executive Director (resigned: 1 March 2024)

The Board wishes to thank Andrea O'Keeffe and Ian White for their hard work and invaluable contributions while serving as Directors of the Company.

Performance, Results and Dividends

In accordance with section 414C(11) of the Companies Act 2006, a report of the Group's performance during the year, significant events following the year end, future developments and principal risks and uncertainties are included within the Strategic Report on pages 4 to 19.

In accordance with the Business Plan for the Group, no dividends were paid in the year 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.

Post balance sheet events

Subsequent events are disclosed in note 21 of the consolidated financial statements.

Financial Risk Management objective policies

The Group financial risk management objectives and policies are discussed in note 18 of the consolidated financial statements.

Management Arrangements

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).

Share Capital

At 30 September 2023, and as at the date of this report, there are 35,050,000 Ordinary Shares in issue, none of which are held in treasury.

Directors’ Indemnification and Insurance

The Directors have the benefit of indemnity provisions contained in the Company’s Articles of Association (“Articles”) and a directors’ and officers’ liability insurance policy. These were in force throughout the year and remain in force.

Disclosure of information to auditors

Each of the persons who are Directors at the time of approval of this Directors’ Report has confirmed that:

- So far as that Director is aware, there is no relevant audit information that has not been brought to the attention of the auditors;
- All necessary steps have been taken by the Directors in order to be aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The Auditors were re-appointed as auditor in the period and will be proposed for re-appointment at the upcoming AGM.

AGM

The Company will hold its AGM at 9am on 28 March 2024 at The Monument Building, 11 Monument Street, London EC3R 8AF. The Asset Manager will give a presentation on the Group prior to the AGM.

This report was approved by the Board on 6 March 2024 and signed on its behalf by:

Edmund Craston

Edmund Craston
Chairman
6 March 2024

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group and the Company Financial Statements for each financial year which give a true and fair view, in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, of the state of affairs of the Group and of the profit or loss for that period.

In preparing these Consolidated and Company Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board,

Edmund Craston

Edmund Craston
Chairman

Strategic Report

The Board of Directors (the "Board" or "Directors") is pleased to present the audited Annual Report and Consolidated Financial Statements (the "Report") of Bridgewater Investment Holdings plc (the "Company"), formerly known as BWP REIT plc, and its subsidiaries (collectively the "Group"). The financial information covers the year ended 30 September 2023. Unaudited consolidated balances for the Group for the period from 1 January to 30 September 2022 have been presented as comparatives. The Group had no significant operations in the period ended 30 September 2022 apart from preparing to acquire Bridgewater Place (the "Property") and have its shares admitted to trading on the Wholesale Market of the International Property Securities Exchange ("IPSX").

The principal activity of the Group is to provide an attractive level of total shareholder return, principally through capital growth by investing in the Property and completing proposed remediation and improvement works.

Company set-up and financing

On 16 November 2022, the Company was admitted to trading on the Wholesale Market of IPSX with an additional 35.00 million shares issued ("Admission"). The listing raised capital of £33.62 million (net of share issue costs of £1.38 million). As at 30 September 2023, the Company has 35.05 million ordinary shares in issue.

Following notification from IPSX on 4 September 2023 that it was commencing winding-down operations and closing the exchange on 4 December 2023, the Company, following advice from its Asset Manager, cancelled the admission of its Ordinary Shares trading on IPSX Wholesale (the "de-listing") effective 27 November 2023.

During the year the Group acquired the leasehold ownership of the commercial element of the Property for £62.57 million, together with the option to acquire the freehold for consideration of £1, once cladding remediation works have completed. 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.

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

The senior loan facility and mezzanine loan notes contribute to total debt for the Group of £61.64 million as at 30 September 2023. As at this date, the Group complied with the relevant senior loan covenants applicable at the time. There is significant headroom in the interest coverage ratio under the facility agreement and the loan to value covenant will only be tested after practical completion of the cladding 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 rate 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.

Business plan and delivery – refurbishment plans

The Business Plan for the Group is based around a comprehensive refurbishment of several key components of the building involving significant capital expenditure which will cost approximately £47.5 million. The 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 while also completing remedial works to the cladding on the residential tower. The capital expenditure costs have increased since the Admission to the IPSX due to a change in specification and additional costs in relation to energy efficiency in order to meet BREEAM Excellent rating.

The refurbishment programme for the Property is now underway, commencing with remedial works to the cladding on the residential tower and some sections of the commercial building. Work is progressing satisfactorily and as at 30 September 2023, £4.5 million of the budgeted £14.5 million for cladding works has been spent. The Board are receiving regular updates from the Asset Manager and the professional team overseeing the project.

The commercial refurbishment plans are currently being competitively tendered following the completion of the design phase and final costs will be approved in the first half of 2024. The intention is to provide high quality, energy efficient, sustainable space in an iconic building with excellent occupier and visitor amenities.

The Asset Manager is implementing Company's Business 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 remains fully focused on adding value to the building over the multi-year investment planned, as outlined in the Business Plan, to create a prestigious, environmentally sustainable landmark on the Leeds skyline.

Business plan and delivery – income

As at 30 September 2023 the Property generates annual contracted rental income of £5.29 million, with a weighted average unexpired lease term of 3.13 years to break and 3.17 years to expiry. Approximately 17.8% of the total floor area is vacant as at 30 September 2023. For the September 2023 quarter, 99% of the invoiced rent had been collected.

Approximately 73.9% of the total floor area is occupied by the Property's three largest tenants, with international law firm Eversheds accounting for approximately 48.4% of this space and which, together with DWF Law and Ernst & Young (EY), contributes 91.7% of passing rent. EY had a lease expiry event in 2022 but remain in occupation of its unit on a floating basis. While it has indicated that it will vacate the Property within the next twelve months, its three months' notice period has yet to be served. While this means the occupancy of the building will decrease in the coming months, this was within the scope of the Business Plan and consistent with the asset management strategy for the Property, which will allow the refurbishment and repositioning of vacant floors to commence, presenting the opportunity to access a higher ERV upon completion.

Business plan and delivery – 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. Further to the Company's 30 June announcement, the Directors reviewed this policy and resolved to move from a quarterly to a semi-annual valuation process from 1 October 2023.

As with the majority of regional office investments, the valuation of the Property fell between acquisition and 30 September 2023. The Valuer reported a 30 September 2023 valuation of £53.00 million, a fall of 15.3% compared to the acquisition price. This movement results from the increase in interest rates to a 16 year high of 5.25% and the subsequent rebasing of United Kingdom ("UK") commercial property values throughout 2023. Given the timing of major capital expenditure together with anticipated tenant movements some short-term fluctuations in NAV are to be expected, however as the capex projects continue to modernise and enhance the building, the value of the Property is expected to increase consistent with the expenditure on the building, irrespective of broader market conditions.

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 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.

Other matters – 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 balances based on their intended purpose. £14.5 million were transferred to a holding account which is earmarked for funding cladding remediation works. A further £8.5 million is held within the general account and is intended to be used for building modernisation works toward the second half of the 2024. In addition to this, £0.75 million 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 consolidated financial statements.

Financial highlights

	30 September 2023 (audited)	**30 September 2022[1] (unaudited)**
Net Asset Value ("NAV")/ (Deficit)	£17.84 million	(£0.44 million)
NAV/ (Deficit) per share	50.90p	(886.3p)
Investment property fair value (based on external valuation)	£53.00 million	-
Loan to gross asset value ('GAV')	74.3%	98.0%

	Year ended 30 September 2023 (audited)	**Period ended 30 September 2022[1] (unaudited)**
(Loss)/ earnings per share ("EPS")	(50.05p)	(986.0p)
Adjusted (loss)/ EPS	(3.12p)	(986.0p)
Operating profit/ (loss) before fair value changes	£3.02 million	(£0.06 million)
Interest coverage ratio	192.5%	-
Loss before tax	(£15.16 million)	(£0.49 million)
Annualised passing rent	£5.29 million	-

[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.

Property highlights

- The Group's property portfolio had a fair value of £53.00 million as at 30 September 2023.
- The market rent (ERV) was last assessed at £8.68 million per annum by Avison Young as at 30 September 2023.
- The gross (contracted) rent was £5.29 million per annum with passing rent per annum amounting to £5.29 million as at 30 September 2023.
- The Property was 82.20% let as at 30 September 2023.
- The weighted average unexpired lease term ('WAULT') as at 30 September 2023 was 3.13 years to the earlier of break and expiry and 3.17 years to expiry.
- Rent collections continued to be strong with 98.37% of rent received in respect of the final quarter of the financial year being reported.

Lease Expiry Portfolio

Year	Expiring contracted rent (£)	% of total
2023	-	-
2024	990,973	18.77%
2025	-	-
2026	-	-
2027	3,203,577	60.69%
2028	921,892	17.46%
2029	43,375	0.82%
2030	49,400	0.94%
2031+	69,790	1.32%

Post balance sheet highlights

- Following the announcement on 4 September 2023 that the IPSX had begun winding down operations, the Directors, in conjunction with the Asset and Investment Manager, made the decision to cancel the admission of the Company's ordinary shares trading on the IPSX Wholesale Market, and to not re-list those shares on an alternative exchange for the time being. The last day that the Company's shares were traded on the IPSX was 27 November 2023, with de-listing occurring on 28 November 2023.
- The Company voluntarily exited the UK REIT Regime on 24 November 2023 following advice from its tax advisor.

Going concern

This report has been prepared on a going concern basis although there is a material uncertainty that exists due to the maturity of the senior loan facility in November 2024. Note 2 of the consolidated financial statements sets out the Board's consideration.

Future growth and outlook

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

Despite current economic uncertainty and significant increases in both inflation and interest rates over 2023, 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 2024.

Key Performance Indicators ("KPIs")

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
1. Net Initial Yield ('NIY') Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with purchasers' costs estimated by the Group's External Valuer.	The NIY is an indicator of the ability of the Company to meet its earnings target after adjusting for the impacts of leverage and deducting operating costs.	**9.36%** at 30 September 2023
2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry The average lease term remaining to expiry across the asset, weighted by contracted rent.	The WAULT is a key measure of the longevity of the asset's income.	**3 years and 2 months to break and 3 years and 3 months to expiry** at 30 September 2023
3. NAV/ (Deficit) per share NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.	**£17.84 million/50.9pps** at 30 September 2023
4. Adjusted EPS Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and its ability to generate free cashflows. See note 7 to the consolidated financial statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	**(3.12pps)** for the year ended 30 September 2023
5. Senior Leverage (Loan-to-GAV) The proportion of the Group's properties values that is funded by borrowings (senior loan).	The Group utilises borrowings to enhance returns over the medium term.	**74.3%** at 30 September 2023

Principal Risks 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 control, 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 that the Group faces.

The Board undertakes a risk review, at least bi-annually to assess the adequacy and effectiveness of the AIFM 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 tables below which reflects the latest annual review carried out on 20 November 2023 for the financial year ended on 30 September 2023. This does not purport to be exhaustive as some risks are not yet known some risks are not deemed material but could turn out to be material in the future.

RISK MATRIX

30 September 2023

IMPACT					
High		R3, R14	R1, R8,	R2	
Moderate to High			R7	R5	R4
Moderate	R6, R11	R12, R17	R9, R10, R13, R15		
Low to Moderate		R16			
Low					
PROBABILITY	Low	Low to Moderate	Moderate	Moderate to High	High

The matrix above illustrates the assessment of the impact and probability of the principal risks identified, explanations of which are set out pages 10 to 15.

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. With any contract, there are a number of risks including: • 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. • 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. 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. 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.	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: Moderate Impact: High
2. Debt refinancing		
Senior debt matures in November 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.	The Asset Manager works proactively with the senior lenders to maintain a positive working relationship. The Group will look at the timing of completing any refinancing depending on market conditions which could assist with risk mitigation.	Probability: Moderate to High Impact: High

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
	The Asset Manager expects that following the completion of the cladding and building modernisation works, the underlying value and marketability of the asset will significantly improve, which would, in turn, improve the refinancing prospects of the Group. The valuation would also be subject to movements in market sentiment and wider market yield movements which could enhance or contract the impact of the completion of the works.	
3. Tenant default and concentration		
The Property has a high concentration of key tenants, with the top three tenants accounting for 91.7% of the Property's total gross 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		
Since the financial crisis the interest rate environment in the UK has been low. However, during 2023, the economy was exposed to increasing interest rates and volatile markets. The August 2023 increase in the Bank of England base rate was the 14th consecutive hike in as many MPC meetings and took rates to a 16-year high of 5.25% with a cumulative rise of 5.15% from 0.10% in March 2020. The base rate was reviewed as recently as 1 February 2024 and was maintained at 5.25%.	Exposure to interest rate risk is continually monitored. The Group has a combination of fixed and variable rate interest. 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. When the loan is refinanced in November 2024 the view on interest rates will be a key determining factor as to the final terms of the loan. 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.	Probability: High Impact: Moderate to High

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
5. Inflation		
There may be an impact on the business from the current macro-economic climate largely due to significant inflationary pressures. This may impact tenants in terms of rising energy prices resulting in reduced free cash flows to satisfy rent demands. In addition, the supply chain difficulties 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. Continued cost inflation across the supply chain may result in higher cost for the cladding and building improvement projects.	Inflationary pressures will be monitored on an ongoing basis. 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 costs which are outside the Group's control. The expected costs for the cladding project is fixed to a certain extent by purchasing materials up front. A labour inflation contingency has been factored into the construction cost budget.	Probability: Moderate to High Impact: Moderate to High
6. Property Defects		
Due diligence may not identify all the risks 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 and the NAV. Furthermore, there is a reliance on third party property and facility managers to ensure property defects are identified and rectified.	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.	Probability: Low Impact: Moderate
7. Property Market		
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.	The investment objective is to develop the Property and generate returns through capital appreciation. 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. Furthermore, asset management improvements will make the Property more attractive to existing and prospective tenants while becoming more competitive in the local market.	Probability: Moderate Impact: Moderate to High

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
8. Property Valuations		
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. 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.	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. 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 could outweigh the underlying increase.	Probability: Low to Moderate Impact: Moderate to High
9. Investments will be illiquid		
The Group invests in commercial property. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	The Group holds a secure income generating asset, so has the option to hold for income.	Probability: Moderate Impact: Moderate
10. Environment		
The Group is subject to environmental regulations that could impose liability on the Group. In addition to regulatory risk, there is a growing importance being placed on ESG credentials by tenants, which could lead to difficulty in letting vacant space.	The current regulations require annual mandatory Green House Gas (GHG) reporting, which will be carried out by the Asset Manager as part of the Annual Report and will result in minimal expenditure for the Group.	Probability: Moderate Impact: Moderate
11. Property Location		
The Property is in Leeds and the Group will, therefore, have greater exposure to political, economic and other factors affecting the Leeds real estate market than more geographically diversified businesses.	Leeds is the UK's third largest metropolitan district and one of the UK's "Big 6" office markets outside of London. It is a significant contributor to the regions £64.6 billion economy and a key part of the 'Northern Powerhouse' with a strategy to focus on investing in transport infrastructure; increasing education and skills levels; nurturing business and developing a worldwide reputation as an opportunity for trade and investment. Leeds has benefitted from over £4 billion of investment in large scale development projects over the last 10 years, leading to significant urban regeneration.	Probability: Low Impact: Moderate

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
	At the end of 2023, there was 287,013 sq ft of office floor space under construction, following completion of 698,996 sq ft of office floor space earlier in the year.	
12. Use of service providers		
The Group has no employees and is reliant upon the performance of third-party service providers. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group.	The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face-to-face meetings and the use of Key Performance Indicators where relevant.	Probability: Low to Moderate Impact: Moderate
13. Dependence on the AIFM and Asset Manager		
The Asset Manager is responsible for providing investment advisory services together with asset management, operational advice, budgeting and planning for the Group's property. The future ability of the Group to successfully pursue its investment objective, among other things, depend on the ability of the Asset Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.	The Board meets regularly with the AIFM and Asset Manager to ensure it maintains a positive working relationship.	Probability: Moderate Impact: Moderate
14. Ability to meet objectives		
The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a single asset. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds.	The Group will have quarterly and ad hoc board meetings where performance will be reviewed along with the Asset Manager.	Probability: Low to Moderate Impact: High
15. Political / Economic		
Political and macroeconomic events present risks to the real estate and financial markets that affect the Group and the business of our tenants. For example: (i) any potential impact or inflationary pressures arising from conflicts around the world and any future developments; (ii) any arrangements made (or lack thereof) between the UK and the	As the Group is wholly UK based, the Group remains relatively insulated from the impact of Brexit. As the Group has no direct exposure outside of the UK, the potential impact of global conflicts may be limited to factors such as higher energy costs or other inflationary pressures. There is regular re-evaluation by the AIFM and Asset Manager	Probability: Moderate Impact: Moderate

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
EU that could impact the ability of the Group to raise capital and/or increases the regulatory compliance burden on the Group; and (iii) any "cost of living" pressures, reducing free transactional cash flow in circulation, potentially affecting the turnover of tenants.	as the conflict evolves and all material decisions are made with the approval of the Board.	
16. Health and Safety		
Tenants or other users of the asset may experience health and safety incidents that could lead to an adverse effect on the Group's reputation, profitability and the NAV. Furthermore, there is a reliance on third party property and facility managers to ensure property defects are identified and rectified.	The Group have a robust Health & Safety Management system in place that is externally assessed and audited on an annual basis. The third-party property & facilities management providers who work onsite are continuously trained in health & safety protocols to ensure health & safety risks are minimised at all times, and any possible incident is escalated, logged and reported immediately.	Probability: Low to Moderate Impact: Low to Moderate
17. Disclosure Risk		
Failure to properly disclose information to investors or regulators in accordance with various disclosure rules and regulations. Examples include AIFMD investor disclosures, annual reporting requirements, marketing/promotion disclaimers, data protection regulations etc. Examples that are not currently required but may become so include PRIIPS regulations and TCFD disclosures.	Service providers including AIFM, Asset Manager, Company Secretary, Legal Advisers and Lead Adviser monitor disclosure obligations and liaise with the Board to ensure requirements are met.	Probability: Low to Moderate Impact: Moderate

Section 172(1) Statement

This section of the Report covers the Board's considerations and activities in discharging their duty under s.172(1) of the Companies Act 2006 (the "Act"), in promoting the success of the Company for the benefit of members as a whole and forms the Directors' statement required under section 414CZA of the Act.

This section describes how the Board has regard to the likely consequences of any decision in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. The Company does not have any employees and therefore s172(1)(b) is not applicable to the Company.

The Board regularly reviews the Company's principal stakeholders and how they engage with them.

STAKEHOLDER	ISSUES OF IMPORTANCE	ENGAGEMENT	EFFECT OF ENGAGEMENT ON KEY DECISIONS
Shareholders			
The Group's investment objective is to deliver an attractive total return to shareholders. Shareholders are directly impacted by the performance of the Company primarily through capital growth.	• Strong total shareholder return, operational and financial performance. • Attractive and sustainable level of income and earnings. • Robust corporate governance structure and well-performing service providers. • Strategic direction of the Company. • Value for money – low ongoing charges.	• Periodic updates are provided to the shareholders through the Company's AGM and quarterly reporting.	Clear and effective communication leading to the Company meeting its objectives to deliver an attractive return to shareholders and boost the reputation of the Company. The impact on shareholders is central to each aspect of the Board's decision making. Any matters raised by the shareholders will be discussed by the Board and the outcome will be shared with the shareholders.
Service Providers			
The Company conducts all its business through its service providers, the key ones being the Asset Manager, Property Manager, Company Secretary, AIFM and	• Reputation of the Company, including its impact on the community, environment, and maintaining high standards of business conduct.	• Effective and consistent engagement both through formal Board meetings and regularly outside the meetings with the Board.	• Service providers continue to be competitive and to provide and demonstrate high standards of service. • Clear and effective strategic oversight and

STAKEHOLDER	ISSUES OF IMPORTANCE	ENGAGEMENT	EFFECT OF ENGAGEMENT ON KEY DECISIONS
Depositary, tax adviser, Auditor and Valuer.	• Fair and transparent service agreements. • Effective relationship between the Board and key service providers.	• A formal annual evaluation process allows performance highlights and concerns to be identified and discussed. • Culture set by the Board and communication to all providers.	culture by the Board has been crucial to enhancing the effectiveness of the Company's key service providers. The Board has worked closely with its service providers to maintain and continually improve processes and to ensure that the Company's values are aligned with them.
Tenants			
Tenants with strong business fundamentals and profitable operations are one of the key components to ensuring a consistent income stream and ability to pay dividends to the Company's shareholders.	• Fair lease terms. • Long-term strategy and alignment with tenants' business operations. • Health and safety and property maintenance. • Financial stability of tenants.	• To ensure the Asset Manager and Property Manager generate and foster good relationships with our tenants. • Focus on asset management initiatives to assist our tenants where applicable.	• All rent renewals due in the year have been successfully negotiated and extension to leases have been agreed.
Lenders			
Lenders play an important role in the Group's business. The Asset Manager maintains close relationships with our lenders, based on openness, transparency and mutual understanding.	• The impact on rent collections and occupation as a consequence of the current economic environment and latest political events which resulted in the rising of interest rates and living costs as well as the effect these had on the lender covenants. • Good working and transparent relationship. • Compliance with loan covenants.	• Engagement with lenders with detailed reporting and modelling.	• Board strategic and detailed oversight has contributed to the positive relationship with the lenders.
Government, Local Authorities and Communities			
The Company is committed to engaging with central and local government and to supporting the wider community as a	• Considering impact on local community and ensuring good relations with surrounding occupiers and the wider city.	• Regular engagement with the government, City Council, community business groups and charities.	• Early insight into city plans and local business improvement & information schemes. • Decision making takes into account

STAKEHOLDER	ISSUES OF IMPORTANCE	ENGAGEMENT	EFFECT OF ENGAGEMENT ON KEY DECISIONS
responsible corporate citizen.	• Noise and traffic. • Health and Safety. • Environmental performance. • Employment opportunities.		social and community considerations.

The Strategic Report has been approved on 6 March 2024 and signed on behalf of the Board by:

Edmund Craston

Edmund Craston
Chairman
6 March 2024

Independent Auditor's Report

Opinion

We have audited the financial statements of Bridgewater Investment Holdings Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the Consolidated financial statements, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the notes to the Company financial statements , including a summary of significant Consolidated and Company accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') for the Group and Financial Reporting Standard 101 for the Company as issued by the International Accounting Standard Board ("IASB") and interpretations issued by the International Financial Interpretation Committee ("IFRIC").

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2023 and of the Group's and Company's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') for the Group and Financial Reporting Standard 101 for the company; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 of the financial statements, which details various events and conditions that the directors have taken into account in their going concern assessment. As stated in note 2, the upcoming maturity of the senior loan facility in November 2024 may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 3 of the financial statements the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group, Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to company and tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular which exhibited characteristics we had identified as potentially being indictive of regularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates, principally being the around the valuation of the investment property and going concern.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Other matters

In the previous accounting period the directors of the Group took advantage of the exemption from preparing a consolidation under S399 (2A) of the Companies Act 2006. Therefore, the prior period Group financial statements were not subject to audit.

Use of our report

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

Jake Pearlman

06 March 2024 | 18:49 CET

Jake Pearlman (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP,
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2023

	Note	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Income			
Rental and other income	3	7,627	-
Property operating expense	4	(3,034)	-
Net rental and other income		**4,593**	**-**
Other operating expenses	4	(1,574)	(58)
Operating profit/(loss) before fair value changes		**3,019**	**(58)**
Change in fair value of investment property	8	(14,499)	-
Operating loss		**(11,480)**	**(58)**
Finance income	5	289	-
Finance expense	5	(3,964)	(435)
Loss before tax		**(15,155)**	**(493)**
Taxation	6	**(179)**	-
Total comprehensive (loss) for the year/period		**(15,334)**	**(493)**
Loss per share (pence) (basic and diluted)	7	**(50.05p)**	**(986.00p)**
Adjusted loss per share (pence) (basic and diluted)	7	**(3.12p)**	**(986.00p)**

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

Consolidated Statement of Financial Position

As at 30 September 2023

	Note	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Assets			
Non-current Assets			
Investment property	8	53,000	-
Financial instrument	9	225	-
Other assets	9	754	-
		53,979	**-**
Current Assets			
Trade and other receivables	10	8,023	6,720
Cash at bank	11	20,975	14,470
		28,998	**21,190**
Total Assets		**82,977**	**21,190**
Liabilities			
Non-current Liabilities			
Interest bearing loans and borrowings	12	**61,175**	**20,770**
Current Liabilities			
Trade and other payables	13	**3,960**	**863**
Total Liabilities		**65,135**	**21,633**
Net Assets/(Liabilities)		**17,842**	**(443)**
Issued share capital and reserves			
Share capital (net of share issue costs)	14	2,124	50
Share premium	15	31,545	-
Retained deficit		(15,827)	(493)
Total Equity/(Deficit)		**17,842**	**(443)**
Net Asset Value per share (pence)	7	**51.90p**	**(886.27p)**

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

These audited consolidated financial statements of Bridgewater Investment Holdings plc were approved and authorised for issue by the Board of Directors on 6 March 2024 and signed on its behalf by:

Alison Lambert
Director

Company number: 12827322

Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	Note	Share Capital (net of share issue costs) £'000	Share premium £'000	Retained deficit £'000	Total equity/ (deficit) £'000
For the year ended 30 September 2023					
Balance at 1 October 2022		50	-	(493)	(443)
Shares issued	14,15	3,500	31,500	-	35,000
Reclassification of share capital	14,15	(45)	45	-	-
Share issue costs	14	(1,381)	-	-	(1,381)
Total comprehensive loss		-	-	(15,334)	(15,334)
Balance at 30 September 2023		**2,124**	**31,545**	**(15,827)**	**17,842**
For the period ended 30 September 2022					
Balance at 1 January 2022		50	-	-	50
Total comprehensive loss		-	-	(493)	(493)
Balance at 30 September 2022		**50**	**-**	**(493)**	**(443)**

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

Consolidated Statement of Cash Flows

For the year ended 30 September 2023

	Note	Year ended 30 September 2023 (audited) £ '000	Period ended 30 September 2022 (unaudited) £ '000
Cash flows from operating activities			
Total comprehensive loss before tax		(15,155)	(493)
Adjustment for:			
Finance expense	5	3,964	435
Change in fair value of derivative financial instruments	5	(225)	-
Finance income	5	(64)	-
Change in fair value of investment properties	8	14,390	-
Impairment provision on tenant receivables	10	2	-
Operating results before working capital changes		**2,912**	**(58)**
Change in working capital			
Increase in trade and other receivables		3,208	(6,720)
Increase in trade and other payables		2,194	606
Net cash generated from operating activities		**8,314**	**(6,172)**
Cash flows from investing activities			
Acquisition of investment property	8	(62,567)	-
Capitalised acquisition costs	8	(3,590)	-
Additions and capital improvements	8	(272)	-
Capitalised borrowing costs	8	(961)	-
Issuance of loan receivable	10	(4,513)	-
Net cash used in investing activities		**(71,903)**	**-**

Cash flows from financing activities			
Proceeds from issue of share capital	14	35,000	50
Share issue costs incurred	14	(1,381)	-
Secured bank loans drawn in the period	12	38,639	-
Loan arrangement fees paid	12	(676)	-
Mezzanine borrowings drawn in the period	12	2,230	20,770
Swap interest paid	5	(8)	-
Amounts transferred to blocked account	9	(754)	-
Interest paid		(2,990)	(178)
Bank interest received	5	17	-
Other finance costs paid	5	(31)	-
Swap interest received	5	47	-
Net cash flow generated from financing activities		**70,093**	**20,642**
Net increase in cash and cash equivalents		6,505	14,470
Cash at beginning of year/period		14,470	-
Cash at end of year/period		**20,975**	**14,470**

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

Notes to the Consolidated Financial Statements

1. Corporate information

Bridgewater Investment Holdings 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 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").

Bridgewater Investment Holdings plc, formerly BWP REIT plc, was 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. On 4 September 2023, the Directors were notified by IPSX that it had commenced the process of winding down operations which would result in the closure of the Exchange on 4 December 2023. The Board, in consultation with its Asset and Investment Manager and its Lead Advisor cancelled the admission of its ordinary shares to trading on IPSX effective 28 November 2023. Please refer to note 21 for further information.

This financial information (the "consolidated financial statements") is the Company and its subsidiaries (collectively "the Group") first annual report as a public listed company and for the period from 01 October 2022 to 30 September 2023. Unaudited consolidated balances for the Group for period from 1 January to 30 September 2022 have been presented as comparatives. An audited financial statement of the Company for the period ended 30 September 2022 was submitted to Companies House, and a copy is available in the Company's website.

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretation Committee ("IFRIC"). 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.

2.2 Consolidation

(i) Basis for consolidation

The consolidated financial statements include all activities of the Group for the year ended 30 September 2023.

Subsidiaries are entities controlled by the Group being M7 BWP Holdco Limited and M7 BWP Propco Limited. 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 Group has applied the following amendments for the first time for their annual reporting period commencing 1 October 2022.

- 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)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for annual periods beginning after 1 July 2022 and early application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements:

- 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) (effective date deferred indefinitely).

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:

- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (effective 1 January 2023). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

2.4 Significant accounting judgements and estimates

The preparation of the consolidated 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 statement are 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 IFRS13.

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 8.

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.

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 the property and do not differ from amounts reported in the consolidated 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 annual 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 Directors has projected the Group's cash flows for the period up to 31 March 2025 and beyond, challenging and sensitising inputs and assumptions, giving due consideration to the Group's cash resources, loan facility, rental income, property and other operating costs and capital expenditure. This is to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment.

Rental Income

It is assumed that rental income will be received quarterly in advance (in line with standard lease terms). Only currently contracted rent and expected future rents have been included within the going concern forecast.

While formal notice has not been given, it is expected that EY will vacate their unit on Level 4 during the going concern period as they continue to be in holdover following their lease expiry in 2022. It is forecast that this unit will be re-let by April 2025 and will have a 6 month rent free, meaning that the unit not be income generative over the going concern period. Should EY not vacate on 30 September 2024, the additional rent receipts would represent upside to the cashflow position of the Group.

The only other lease event during the going concern period are the expected re-gears of Eversheds Properties and DWF – which would result in new leases being agreed at an increased passing rent. There are no other tenant events during the going concern period and the forecast does not assume any of the 44,549 sq ft. of presently vacant space will be let over this time. This represents a base case scenario where any new lettings would be upside to the forecast.

Capital Expenditure

The Group is committed to completing two major capital projects which fall within the going concern period.

The project regarding remediation of the buildings' cladding infrastructure began in February 2023 and is expected to continue until February 2025. The project budget is £14,500,000 with which funding has been specifically set aside in a "remediation bank account" and is being used for the specific purpose of the project. It is not currently forecast that additional monies will be needed with regard to this project.

A second major project, concerning building modernisation works is expected to begin in June 2024 and has a forecast budget of £33,000,000. The works will partially be funded by the residual balance of the loan note raise of which there is £8,500,000 within the "general bank account". The remainder is expected to be funded through proceeds from previously announced applications, and additional senior and "green" debt following the Company's strategic refinancing. The project is expected to last fourteen months and conclude in 2025.

Debt Facilities

The Company has existing senior debt of £38,638,524 which currently has a margin of 3.25% over SONIA and runs through to maturity in November 2024. It is forecast that an extension to March 2025 will be granted and preliminary conversations with the senior lenders have been positive. A refinancing exercise is expected to take place immediately following the extension period where new senior debt of £55,000,000 will be drawn, replacing the existing senior debt. It is anticipated that this would represent an expected LTV of 51% on the new, capital appreciated value of the investment property at that time, however this cannot be guaranteed.

The refinancing is expected, but not guaranteed, to attract a margin of 2.50% over SONIA, and to have a term of 2.5 years. The initial maturity of senior debt falls within the going concern period and despite preliminary conversations with the lenders being positive, this represents a material uncertainty that could cast doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Asset Manager is working on mitigating this uncertainty by maintaining positive relationships with the senior lenders through its credit services team, which has significant experience in negotiating lease extensions and refinancing. Failure to extend or refinance the senior debt could result in the loan being accelerated and the Property being sold which would initiate a wind down of business operations.

The Company has three covenants on its senior debt facility:

1) Loan to value – This covenant is not tested until after "practical completion" takes place. Practical completion will not take place until after the remediation works have completed (as defined above) which falls outside of the going concern period. Following this, the loan to value must not exceed 60%.

2) Historical interest coverage ratio – Must exceed 125%. This has historically held true and the model assumes that this covenant will not breach during the going concern period despite minor changes to the tenant base expected during the period.

3) Future interest coverage ratio – Must exceed 105%. The same logic applies to this covenant as per the historical interest coverage ratio.

The Group also has existing mezzanine debt of £23,000,000 which attracts a coupon of 10% per annum and matures in September 2027. It is forecast that there will be an additional "green loan" of £8,000,000 drawn in December 2024 which will attract a coupon of 7% per annum and to mature in June 2036. The additional debt will be used to complete building modernisation capital works.

The Group entered into an interest rate swap in February 2023 which fixes 50% of the SONIA rate at 4.24% until initial maturity in November 2024. The impact of the interest rate swap provides certainty over the amount of interest payable over the going concern period. During the forecast refinancing exercise, it is expected that an additional interest rate swap will be entered into which runs in parallel with the refinanced debt. The new swap is expected to cover 100% of the senior debt.

Conclusion

On the basis of the above forecasts and analysis, and to the best of our knowledge, the Group will have sufficient working capital, both from existing cash and from income generated by its current assets, to meet its operational expenses for at least 12 months following the date of the signing of the financial statements.

The Group is largely protected by fluctuations in the SONIA rate through the application of its interest rate SWAP and there is general market optimism that interest rates have peaked following the release of the December 2023 inflation statistics.

The initial maturity of senior debt falls within the going concern creates a material uncertainty that could cast doubt on the Company's ability to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business. Failure to extend or refinance the senior debt could result in the loan being accelerated and the Property being sold although this is considered unlikely.

The Company has certainty over its letting profile with limited rental fluctuation over the going concern period. Any fluctuations in expectation will be considered "upside" in the forecast as there is no expectation that void space will be let during this period. The biggest "what if" relates to EY who are able to vacate with three months' notice, however they are yet to serve their termination notice – meaning, every month they stay in occupation is an upside to the cash flows projected by the Company.

Capital expenditure is being costed and current budgets (containing a contingency) have been included in the forecast. Cash reserves have been set aside for the cladding remediation project, the building modernisation works are going to be partially funded through existing cash reserves, a new "green loan" together with the refinancing of the senior loan which is not expected to take place until after the going concern period, following an expected extension of the maturity date. Preliminary conversations with the senior lender group have been positive and there is an expectation that a six month extension of existing senior debt will be forthcoming.

Considering all of the above, the Directors have a reasonable expectation that the cash inflows and outflows over the going concern period will be sufficient to prepare the accounts on a going concern basis despite the influence of the debt maturity creating a material uncertainty.

2.7 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 Group. The functional currency of the Group is principally determined by the primary economic environment in which it operates. The Group did not enter into any transactions in foreign currencies during the year.

(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 is 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. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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.

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 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.

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

Financing income comprises interest receivable on funds invested. Financing expenses comprise interest and other costs incurred in connection with the borrowing of funds. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method which is significantly the same as the contracted interest.

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 property is 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 property is 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 property for sale.

Investment property held for sale is 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 property 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 are 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) Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

l) 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, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property. Please refer to note 21 for subsequent event relating to this.

m) 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.

n) 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.

o) 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.

p) 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.

Share capital is the nominal amount of the Company's ordinary shares in issue.

3 Rental and other income

	Year ended 30 September 2023 (audited) £'000	**Period ended 30 September 2022 (unaudited) £'000**
Gross rental income	4,947	-
Spreading of lease incentives	(6)	-
Dilapidations income	78	-
Total rental and other income before service charge	**5,019**	**-**
Service charge and direct recharges to tenants (see note 4)	2,608	-
Total rental and other income	**7,627**	**-**

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

4 Expenses

	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Property operating expenses	424	-
Service charge and direct recharges to tenants (see note 3)	2,608	-
Impairment provision on tenant receivables	2	-
Total property operating expense	**3,034**	**-**
Other operating expenses		
Professional fees	568	7
Asset management fees	431	-
Fund administration	143	38
Other operating costs	121	2
Directors' remuneration	113	-
Auditors' remuneration	88	11
Insurance	78	-
Subscription fees	32	-
Total other operating expenses	**1,574**	**58**
Total expenses	**4,608**	**58**
Total expenses (excluding service charges and direct recharges)	**2,000**	**58**

Auditors' remuneration

	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Statutory audit of Annual Financial Report	88	11
Non-audit services relating to listing *	24	66
Total fees paid to Haysmacintyre	**112**	**77**

* £24,000 of the current year fees were relating to Reporting Account services performed by Haysmacintyre LLP during the preparation of the admission document and listing on IPSX. Prior year fees of £65,000 were recognised as Prepayments and £1,000 related to other operating costs.

Directors' remuneration

	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Directors' fees	99	-
Other fees**	14	-
Total Directors' remuneration	**113**	**-**

**Included in the other fees are £7,000 of additional fees paid to the Directors for their assistance in the listing process.

5 Finance income and expenses

	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Change in fair value of financial instrument (note 9)	225	-
Interest received from financial instrument (note 9)	47	-
Other finance income	17	-
Total finance income	**289**	**-**
Interest payable on secured bank loan (note 12)	(2,346)	-
Interest payable on mezzanine debt (note 12)	(1,367)	(435)
Amortisation of loan arrangement fees (note 12)	(212)	-
Other finance costs	(31)	-
Swap interest paid (note 9)	(8)	-
Total finance expenses	**(3,964)**	**(435)**

6 Taxation

	Year ended 30 September 2023 (audited) £'000	Period ended 30 September 2022 (unaudited) £'000
Tax position comprises:		
Analysis of tax credit in the year/period		
Loss before tax	(15,155)	(493)
Theoretical tax credit at UK corporation tax standard rate of 22.00% (2022: 19.00%)	(3,334)	(94)
Non-deductible expense	67	-
Unrecognised deferred tax asset	-	94
Unutilised losses carried forward	51	-
Effects of tax-exempt items under REIT regime	76	-
Non-taxable items	3,140	-
Adjustment in respect of ICR test breach	179	**-**
Total	**179**	**-**

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

Following tax advice at year end, it was determined that a provision be made for a £178,705 tax penalty as a result of the Group breaching its interest coverage ratio ("ICR") as determined by REIT rules. There is a REIT requirement that the Group's Property Rental Business ("PRB") revenues are more than 125% of the Group's financing expenditure. At the year end, it was determined that the ICR would be less than 125%, meaning that the Group is required to provide for the taxable difference between revenue and expenditure to get back to 125%.

Due to the Group's status as a REIT at year end, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property. Please refer to note 21 for subsequent event relating to this.

7 Loss per share and NAV per share

	Year ended 30 September 2023 (audited)	Period ended 30 September 2022 (unaudited)
Loss per share:		
Total comprehensive loss (£'000)	(15,334)	(493)
Weighted average number of shares (Number)	30,639,041	50,000
Loss per share (pence) (basic and diluted) *	**(50.05p)**	**(986.00p)**
Adjusted EPS:		
Total comprehensive loss (£'000)	(15,334)	(493)
Adjustment to total comprehensive loss:		
Change in fair value of investment property (£'000)	14,499	-
Change in fair value of financial instrument (£'000)	(225)	-
Rental income recognised in respect of rent-free periods (£'000)	(109)	-
Amortisation of loan issue costs (£'000)	212	-
Impairment provision on tenant receivables (£'000)	2	-
Adjusted loss (basic and diluted) (£'000)	**(995)**	**(493)**
Adjusted loss per share (pence) (basic and diluted)	**(3.12p)**	**(986.00p)**

	30 September 2023 (audited)	30 September 2022 (unaudited)
NAV/ (net liabilities) per share:		
Net asset value (£'000)	17,842	(443)
Ordinary shares (Number)	35,050,000	50,000
NAV per share (pence)	**50.90p**	**(886.27p)**

* Loss per share is calculated by dividing profit/(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.

8 Investment property

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Investment property		
At the beginning of the year/ period	-	-
Acquisition of investment property	62,567	-
Additions and capital improvements	272	-
Capitalised acquisition cost	3,590	-
Capitalised borrowing costs	961	-
Revaluation of investment property	(14,390)	-
Fair value of investment property (excluding lease incentives)	**53,000**	**-**
Change in fair value of investment property		
Balance at beginning of the year/period	-	-
Change in fair value of investment property before adjustments for lease incentives	14,390	-
Adjustment to fair value of rent smoothing	109	-
Balance at end of the year/period	**14,499**	**-**

On 16 November 2023, the Group acquired Bridgewater Place for £62.57 million (net of top up adjustment of £0.43 million). Of the net acquisition price, £55.90 million was made in the year ended 30 September 2023. In the previous financial year, a deposit of £6.67 million had been made which was presented as a prepayment on the balance sheet. Further, acquisition costs of £3.79 million were incurred and capitalised into the building.

In February 2023, the cladding work commenced. The work is being funded by the proceeds of the mezzanine loan note. In line with IAS 23, the Group have capitalised £0.96 million of the finance cost incurred in relation to the work which represents a capitalisation rate of 6.30% of mezzanine debt throughout the year.

8.1 Valuation of investment property

Valuation of investment property is performed by Avison Young, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and yield applicable to those cash flows.

Increases/(decreases) in the ERV (per sq ft per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the yield in isolation would result in a lower/(higher) fair value measurement.

8.2 Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

1) Estimated Rental Value ("ERV"); and
2) Equivalent yield.

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Amount/Range
30 September 2023				
Investment property	53,000	Income capitalisation	ERV Net Initial yield	£8,684,187 8.25% - 10%

The property was acquired on 16 November 2022 and as such no comparative amounts.
Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs to reasonable alternatives.

	30 September 2023			
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+10%**	**-10%**	**+0.5%**	**-0.5%**
Resulting fair value of investment property	58,707	47,175	47,896	58,648

9 Financial instrument

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Interest rate swap	**225**	**-**

Fair value of financial instrument

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 for a notional amount of £19.3 million, 50% of the senior loan with an interest rate of 4.24% and a term ending 24 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.

The valuation of the derivative instrument is 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 year amounts to £0.23 million (2022: £nil). Net interest income of £39,106 was recognised in relation to the swap (2022: £nil).

As part of the hedging agreement, the Group has deposited an amount of £750,000 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. The deposit will be released on the debt maturity date which, barring any extension of the senior facility, will be on 15 November 2024. The balance of the deposit at year end was £753,653 (2022: £nil) of which £3,653 (2022: £nil) was made up of interest received.

10 Trade and other receivables

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Tenant receivables	1,242	-
Less: Provision for impairment of tenant receivables	(2)	-
Net tenant receivables	**1,240**	**-**
Loan receivable	4,513	-
Cash held by the property manager	1,949	-
Prepayments	196	-
Other receivables	125	6,714
VAT receivable	-	6
Total	**8,023**	**6,720**

On 16 November 2022, the Group 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 provides funding to the Borrower by way of a loan in order to enable the Borrower to undertake remedial cladding works on the Group's investment property. The loan is interest free.

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

Other receivables as at 30 September 2022 mainly represent the deposit paid relating to the acquisition of the Property.

11 Cash at bank

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
General account	8,729	14,470
Rent account	2,259	-
Remediation account	9,987	-
Total cash at bank	**20,975**	**14,470**

Cash includes deposits held at call with banks. Included in the cash balance is an amount of £9.99m held on a restricted account earmarked to fund the remedial cladding works on the Property.

12 Interest bearing loans and borrowings

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
At the beginning of the year/period	20,770	-
Secured bank loans drawn in the year/period	38,639	-
Mezzanine borrowings drawn in the year/period	2,230	20,770
Loan issue costs incurred in the year/period	(676)	-
Amortisation of loan issue costs	212	-
Total facility drawn	**61,175**	**20,770**
Repayable between 1-2 years	38,517	-
Repayable between 3-5 years	22,658	20,770
Repayable in over 5 years	-	-
Total at end of period	**61,175**	**20,770**

Secured bank loan

On 16 November 2022, the Group entered into a £38.64 million two-year loan facility with Barclays Bank plc and LaSalle Investment Management that is secured against the Group's investment property. Loan issue costs on the senior facility of £0.22m were incurred during the year (2022: £nil), of which £0.09m were amortised during the year (2022: £nil).

Interest is payable quarterly at 2.75% plus SONIA, and from 16 November 2023, 3.25% plus SONIA. During the period, a total of £2.35 million (2022: £nil) interest was incurred, of which £0.58 million (2022: £nil) was outstanding at 30 September 2023. In order to hedge against the risk of interest rate fluctuations the Group has entered into an interest rate swap agreement (Note 9).

The fair value of the senior loan as at 30 September 2023 was £36.65m.

Mezzanine loan note

Mezzanine loan note relates to an external loan from Minories Finco Ltd with a facility of £23.0 million. As at year end, the loan is fully utilised (2022: £20.77 million utilised). The loan notes have a five-year term and bear an interest of 10% plus margin per annum. During the period, interest of £2.33 million (2022: £0.44 million) was incurred with £0.40 million (2022: £0.26 million) outstanding as of 30 September 2023. Loan issue costs on the mezzanine loan note facility of £0.46m were incurred during the year (2022: £nil), of which £0.12m were amortised during the year (2022: £nil).

The loan has a fair value of £23.63 million.

13 Trade and other payables

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Deferred income	1,371	-
Trade payables	1,020	36
Interest payable	982	257
Accruals	244	56
VAT payable	158	-
Other payables	185	514
Total	**3,960**	**863**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

14 Share capital (net of share issue costs)

	30 September 2023 (audited)			30 September 2022 (unaudited)		
	£'000	Number of Ordinary Shares	Number of deferred Shares	£'000	Number of Ordinary Shares	Number of deferred Shares
Ordinary Shares issued						
At the beginning of the year/ period	50	50,000	450,000	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 15)	(45)	-	(450,000)	-	-	-
Issuance of 35,000,000 shares at 10 pence par value	3,500	35,000,000	-	-	-	-
Total	3,505	35,050,000	-	50	50,000	450,000
Share issue costs	(1,381)	-	-	-	-	-
Share capital (net of issue)	**2,124**	**35,050,000**	**-**	**50**	**50,000**	**450,000**

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 £0.10 each and 450,000 deferred shares of £0.10 each; all remain unpaid. At 30 September 2022, 50,000 Ordinary shares of £0.10 each and 450,000 deferred shares of £0.10 each were issued.

On 16 November 2022, the Company issued a further 35,000,000 ordinary shares of £0.10 each which are fully paid up and have redeemed the 450,000 deferred shares.

Transaction costs arising on share issue were £1.38 million and shown as a deduction from equity.

15 Share premium

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
At the beginning of the year/ period	-	-
Reclassification of share capital	45	-
Issuance of shares	31,500	-
At end of the period	**31,545**	**-**

16 Investment in subsidiaries

The Company has one wholly owned and one indirectly owned subsidiary, 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-Jun-20	Holding Company	3,500,001*
M7 BWP Propco Limited (Company number 12711254)	UK	01-Jul-20	Real Estate Company	3,500,001*

* Ordinary shares of £1.00 each.

The Company at 30 September 2023 owns 100% controlling stake of M7 BWP HoldCo Limited (which has its registered office at 30 St Mary Axe, London, United Kingdom, EC3A 8BF).

M7 BWP HoldCo Limited holds 100% of M7 BWP Propco Limited (which has its registered office at 30 St Mary Axe, London, United Kingdom, EC3A 8BF).

17 Commitments and contingencies

Operating lease commitments – as lessor

The Group has entered into lease agreements on its property. The commercial property leases typically have remaining lease terms between 1 and 31 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2023 are as follows:

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Less than one year	4,281	-
One to two years	4,288	-
Two to three years	4,288	-
Three to four years	2,984	-
Four to five years	607	-
Five to ten years	422	-
More than ten years	-	-
Total	**16,870**	**-**

Capital commitment

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) will enter 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 10.

The cladding works began in February 2023 and are expected to complete in December 2024, with the building modernisation works to begin June 2024. At 30 September 2023, £4.5 million of the cladding works has been funded.

18 Financial risk management and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of the Group's loans and borrowings is to finance the acquisition, maintenance and improvement of the Group's property. The Group has various financial assets such as trade and other receivables and cash and cash equivalents that arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and further risks inherent to investing in investment property. The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The principal risks facing the Group in the management of its investment property are as follows:

18.1 Market price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks in the reporting periods arose from open positions in interest bearing assets and liabilities, to the extent that these positions were exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

From time to time, the Group may enter into interest rate hedging agreements to manage the interest rate risks arising from the Group's operations and its sources of finance.

During the reporting periods the Group was exposed to price risk other than in respect of financial instruments, such as property price risk (which includes property rentals risk when the property is available for let). The Group was exposed to the risk that the revenue from properties and property values may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to tenants, the quality of the property management, competition from other available properties and increased operating costs (including real estate taxes). The Group manages the risk by monitoring the indicators of market direction and forward planning of investment decisions; where possible, selection of a large and diversified tenant base; review of tenant covenants before new leases are signed; long-term leases and active credit control process; good relationships with tenants and property managers and active asset management of the properties to control the operating costs and ensure their continuing attractiveness to the market and existing tenants.

The Group does not have any exposure to foreign currencies and therefore is not exposed to foreign exchange risk.

The Group is not exposed to commodity or security price risk.

18.2 Real estate risk

Property investments are illiquid assets and can be difficult to sell, especially if local market conditions are poor. Illiquidity may also result from the absence of an established market for investments, as well as legal or contractual restrictions on resale of such investments.

There can be no certainty regarding the future performance of any of the investment property. The value of any property can go down as well as up.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income generated and expenses incurred from such investments.

There are additional risks in vacant, part vacant, redevelopment and refurbishment situations, although these are not prospective investments for the Group.

These aspects, and their effect on the Group from a going concern perspective are discussed in more detail in the Going Concern policy note 2.6.

18.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has no significant concentrations of credit risk. During the reporting periods the Group was exposed to credit risks from both its leasing activities and financing activities, including deposits held with banks and financial institutions. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

The Group manages credit risk by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed at the time of entering into a lease agreement. Outstanding tenants receivables are regularly monitored. Cash balances are held and derivatives are agreed only with financial institutions with high credit ratings. The Group has policies that limit the amount of credit exposure to any financial institution. The utilisation of credit limits is regularly monitored.

All cash deposits are placed with approved counterparty, Barclays (credit rating A+).

The table below shows the Group's exposure to credit risk:

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Debtors (excluding prepayments and derivatives)	7,829	6,720
Cash and cash equivalents	20,975	14,470
Total	**28,804**	**21,190**

18.4 Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due as the majority of the Group's assets are investment properties and therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by quarterly review/ monitoring of forecast and actual cash flows by the Asset Manager and Board of Directors.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

Financial liabilities

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2023 (audited)						
Trade and other Payables	1,607	-	-	-	-	1,607
Interest bearing loans and borrowings	-	-	-	61,639	-	61,639
Interest payable on interest bearing loans	982	1,344	3,981	4,270	-	10,577
Total	**2,589**	**1,344**	**3,981**	**65,909**	**-**	**73,823**

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2022 (unaudited)						
Trade and other Payables	606	-	-	-	-	606
Interest bearing loans and borrowings	-	-	-	20,770	-	20,770
Interest payable on interest bearing loans	257	524	1,553	7,375	-	9,709
Total	**863**	**524**	**1,553**	**28,145**	**-**	**31,085**

18.5 Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Prior to their extinguishment, the Group was not exposed to interest rate risk on its intercompany loans as a result of the interest rate being a fixed percentage.

During the reporting period the Group was exposed to interest rate risk on its long-term borrowings (note 12). To mitigate this risk, on 20 July 2021, the Company entered into an Interest Rate Cap ('Cap') hedging agreement with the senior lender which subsequently expired on 20 January 2023 along with the senior debt. The principal balance of the senior debt is now floating which means that the Group is exposed to fluctuations in prevailing SONIA rate. This presents a significant risk to the Group and cash flows are being closely monitored through financial modelling.

The following table demonstrates the sensitivity to a reasonable change in interest rates on loans and borrowings, while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated. The analysis is prepared assuming the amount of liability outstanding at the Consolidated Statement of Financial Position date was outstanding for the whole year. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ (decrease) in basis points	Effect on profit before tax 2023 £'000	Effect on profit before tax 2022 £'000
Interest basis:			
SONIA	-100 bp (2022: -25 bp)	168,845	-
SONIA	-200 bp (2022: -50 bp)	337,690	-
SONIA	+100 bp (2022: +25 bp)	(168,845)	-
SONIA	+200 bp (2022: +50 bp)	(337,690)	-

19 Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

20 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. Entities within the same group of entities are also considered related parties, as well as entities under common control.

Asset Manager & Alternative Investment Fund Manager ("AIFM")

M7 Real Estate Ltd was appointed as Asset Manager and M7 Real Estate Financial Services Ltd was appointed AIFM on 14 November 2022. The Asset Manager and the AIFM are related to the Group by virtue of common ownership. Total fees of £0.45 million (2022: £nil) were accrued for the Asset Manager and AIFM during the period, £0.12 million of which remain unpaid.

Directors

Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in note 4. The Directors do not hold shares in the Company.

21 Events after reporting date

Cancellation of listing on IPSX

Following the notification from IPSX on 4 September 2023 of its initiation of the winding-down process and closure of the Exchange on 4 December 2023, the Company, following advice from its Asset Manager, cancelled the admission of its ordinary shares to trading on the IPSX (the "De-listing"). In the light of the costs, likely limited liquidity and the ongoing regulatory overhead associated with an alternative listing, the Board, together with its Asset Manager and other advisers, does not consider an alternative listing to be in the best interests of the Company and its shareholders at this time. On 28 November 2023, the Company completed the De-listing, with the last day of dealings in the Company's ordinary shares on IPSX on 27 November 2023.

The Company voluntarily exited the UK REIT Regime on 24 November 2023 following advice from its tax advisor.

Directors

On 29 February 2024, Alison Lambert and Jack Thoms were appointed as Directors of the Company. On 1 March 2024, Andrea O'Keeffe and Ian White resigned as Directors of the Company.

Company Statement of Financial Position

As at 30 September 2023

	Note	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Assets			
Non-current Assets			
Investment in subsidiary	3	**3,500**	**-**
Current Assets			
Trade and other receivables	4	76	420
Loan to subsidiary	2	29,291	-
Total Assets		**32,867**	**420**
Current Liabilities			
Trade and other payables	5	(355)	(415)
Net Assets		**32,512**	**5**
Equity			
Share capital (net of share issue costs)	6	2,124	50
Share premium	7	31,545	-
Retained deficit		(1,157)	(45)
Total capital and reserves attributable to equity holders of the Company		**32,512**	**5**

For the period ended 30 September 2022, the Company was entitled to exemption from preparing consolidated financial statements under section 399 (2A) of the Companies Act 2006.

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements.

The Company's loss for the year was £1,111,014 (2022: loss of £44,834)

The accompanying notes form part of these Financial Statements.

The financial statements were approved by the Board on 6 March 2024 and were signed on its behalf by:

Alison Lambert
Director

Company Statement of Changes in Equity

For the year ended 30 September 2023

	Note	Share Capital (net of share issue costs) £'000	Share premium £'000	Retained deficit £'000	Total equity/ (deficit) £'000
For the year ended 30 September 2023					
Balance at 1 October 2022		50	-	(45)	5
Shares issued	6,7	3,500	31,500	-	35,000
Reclassification		(45)	45	-	-
Share issue costs	6	(1,381)	-	-	(1,381)
Total comprehensive loss		-	-	(1,112)	(1,112)
Balance at 30 September 2023		**2,124**	**31,545**	**(1,157)**	**32,512**
For the period ended 30 September 2022					
Balance at 1 January 2022		50	-	-	50
Total comprehensive loss		-	-	(45)	(45)
Balance at 30 September 2022		**50**	**-**	**(45)**	**5**

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

Notes to Company Financial Statements

1. Significant accounting policies

Basis of preparation

These Company financial statements are prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The financial statements of the Company follow the accounting policies of the Group laid out in the notes to the consolidated financial statements.

For an assessment of going concern refer to the accounting policy note 2.6 of the Group.

Financial reporting standard 101 - reduced disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the following disclosures exemptions which are permissible under FRS 101 as the equivalent disclosures are contained within the Group's consolidated financial statements:

- a cash flow statement and related notes;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- the disclosures of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Ultimate Parent; the disclosure of financial instruments and other fair value measurements.

Investment in Subsidiary

Investment in subsidiary which are all 100% owned by the Company are included in the Statement of Financial Position at cost less provision for impairment.

Impairment of non-financial assets

The carrying amounts of the Company's investment in subsidiary is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiary entities are fully consolidated from the date on which control is transferred to the Group, being the date on which the Group gains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Group using consistent accounting policies. All intra group balances, transactions and unrealised gains and losses resulting from intra group transactions are eliminated in full.

2. Loan to subsidiary

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
At beginning of the year	-	-
Utilisation of interest free loan	31,500	-
Repayment of interest free loan	(2,209)	-
	29,291	**-**

During the period, the Company entered into a £35 million facility loan agreement with its subsidiary, M7 BWP HoldCo Limited. £31.5 million of loan was drawn down on 16 November 2022. As at 30 September 2023, £2.21 million had been repaid and the balance outstanding was £29.29 million. The loan is unsecured, interest free and repayable on demand.

3. Investment in subsidiary

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
At beginning of the year	-	-
Addition	3,500	-
	3,500	**-**

A list of subsidiary undertakings at 30 September 2023 is included on note 16 of the consolidated financial statements.

The Directors have considered the recoverability of the investment in Subsidiary by comparing the carrying value of the investment to the net asset value of the Subsidiary. The Directors consider the net asset value of the Subsidiary to be a reliable proxy to the recoverable amount as the properties held by the Company are carried at fair value. Having considered that the net asset value of the Subsidiary is lower than the investment in Subsidiary held by the Company, the Directors utilised a discounted cash flow model to assess the Net Present Value (NPV) of its investment over the expected holding to realisation. The Directors concluded that there was no evidence of impairment at this time as the NPV of expected future cash flows was higher than the investment currently held in subsidiaries by the Company.

4. Trade and other receivables

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Other assets	-	364
Unpaid called up share capital (note 5)	50	50
VAT receivable	17	6
Other prepayments	9	-
	76	**420**

Other assets as at 30 September 2022 relate to costs incurred as at the period end in relation to the listing of the Company to IPSX. The Unpaid called up share capital relates to outstanding unpaid share capital from Lash Capital.

5. Trade and other payables

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
Other creditors	179	336
Accrued expenses	141	43
Trade creditors	35	36
	355	**415**

Other creditors as at 30 September 2023 represent a tax provision for a breach in the ICR test of the REIT Regime as discussed in note 6 of the consolidated financial statements. As at 30 September 2022, this balance represents the total amount of invoices relating to listing that was paid by M7 Real Estate Limited on behalf of the Company. The amount was fully paid in December 2022.

6. Share capital (net of share issue costs)

	30 September 2023 (audited)			30 September 2022 (unaudited)		
	£'000	Number of Ordinary Shares	Number of deferred Shares	£'000	Number of Ordinary Shares	Number of deferred Shares
Ordinary Shares issued						
At the beginning of the year/ period	50	50,000	450,000	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 15)	(45)	-	(450,000)	-	-	-
Issuance of 35,000,000 shares at 10 pence par value	3,500	35,000,000	-	-	-	-
Total	3,505	35,050,000	-	50	50,000	450,000
Share issue costs	(1,381)	-	-	-	-	-
Share capital (net of issue)	**2,124**	**35,050,000**	**-**	**50**	**50,000**	**450,000**

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 £0.10 each and 450,000 deferred shares of £0.10 each; all remain unpaid. At 30 September 2022, 50,000 Ordinary shares of £0.10 each and 450,000 deferred shares of £0.10 each were issued.

On 16 November 2022, the Company issued a further 35,000,000 ordinary shares of £0.10 each which are fully paid up and have redeemed the 450,000 deferred shares.

Transaction costs arising on share issue were £1.38 million and shown as a deduction from equity.

7. Share premium

	30 September 2023 (audited) £'000	30 September 2022 (unaudited) £'000
At the beginning of the year/ period	-	-
Reclassification of share capital	45	-
Issuance of shares	31,500	-
At end of the period	**31,545**	**-**

8. Contingent liabilities, capital commitments and related party transactions

As at 30 September 2023 the Company had £nil contingent liabilities or capital commitments (2022: £nil).

Related party transactions are the same for the Company as for the Group. For details refer to note 20 of the consolidated financial statements.

9. Events after the reporting date

Events after the reporting date are the same as those disclosed in note 21 of the consolidated financial statements.

Appendix 1. Alternative Performance Measure 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 viewed 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.

		30 September 2023 (audited)	30 September 2022 (unaudited)
Borrowings – note 12 (£'000)	a	61,639	20,770
Total assets (£'000)	b	82,977	21,190
Loan to GAV	(a/b)	**74.3%**	**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.