bwp TRUST

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2 August 2023

The Manager
Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

BWP results for the full-year ended 30 June 2023

In accordance with ASX Listing Rule 4.3A, the following documents are attached to this letter for release to the market:

> Appendix 4E
> Full-year 2023 results

The following will also be released in conjunction with today's results release:

> 2023 Annual Report
> Full-year 2023 results investor presentation
> 2023 Corporate Governance Statement
> Appendix 4G (Key to Corporate Governance disclosures)
> Dividend/Distribution – BWP (Actual)
> Attribution Managed Investment Trust Fund payment notice.

It is recommended that the full-year results announcement be read in conjunction with the Annual Report and accompanying ASX releases for a more detailed review of BWP Trust's activities and financial performance for the year ended 30 June 2023 and the outlook for the year ahead.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **2 August 2022** at **8.30AM AWST** (10.30AM AEST).

The briefing will be webcast live and accessible live via our website at www.bwptrust.com.au. If you wish to join the telephone conference and Q&A session, please email investorrelations@bwptrust.com.au for registration details.

Yours faithfully

K A Lange
Company Secretary

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ASX release

2 August 2023

APPENDIX 4E FINANCIAL YEAR ENDED 30 JUNE 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET		30 June 2023	30 June 2022	Variance %
Revenue from ordinary activities	$000	158,156	153,266	3.2
Profit before gains/(losses) on investment properties	$000	113,555	114,698	(1.0)
(Losses)/gains in fair value of investment properties	$000	(76,862)	371,939	(120.7)
Profit from ordinary activities attributable to unitholders	$000	36,693	486,637	(92.5)
Net tangible assets per unit	$	3.75	3.87	(3.1)
DISTRIBUTIONS				
Interim distribution paid	$000	57,943	57,943	-
Final distribution paid	$000	59,549	59,549	-
Interim distribution paid	cents	9.02	9.02	-
Final distribution paid	cents	9.27	9.27	-

Record date for determining entitlements to the final distribution	30 June 2023
Payment date for the final distribution	25 August 2023

Distribution Reinvestment Plan

The distribution reinvestment plan ("DRP") applied for both the interim and final distribution for the year ended 30 June 2023.

Audit

This report is based on accounts that have been audited.

Commentary on the results for the year

The commentary on the results for the year is contained in the ASX release dated 2 August 2023 accompanying this statement.

This report should be read in conjunction with the annual financial report of the Trust and any announcements made in the period by or on behalf of the Trust in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

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ASX release

2 August 2023

FULL-YEAR RESULTS TO 30 JUNE 2023

The directors of BWP Management Limited, the responsible entity for BWP Trust ("the Trust"), today announced the results of the Trust for the financial year ended 30 June 2023.

Net profit before revaluation gains/(losses) for the year ended 30 June 2023 was $113.6 million, a 1.0 per cent decrease from the prior corresponding period. The Trust pays out 100 per cent of distributable profit (which includes any capital profits released) every six months. Divestments, the repositioning of vacated properties, funding costs and management fees can impact the amount of distributable profit available in any particular reporting period. BWP reported a full-year ordinary distribution of 18.29 cents per unit, the same as reported for the prior corresponding period, including 0.61 cents per unit (2022: 0.44 cents per unit) of capital profits from previous property divestments.

Good progress has been made on repurposing and re-leasing any properties that have recently been vacated by Bunnings. A development application has been approved for the repurposing of the Hervey Bay, Queensland ex-Bunnings Warehouse property. Lease commitments are in place for 100 per cent of the available space post redevelopment. A development application has been approved for the repurposing of the Port Kennedy, Western Australia ex-Bunnings tenancy for large format retail and pre-leasing of the retail space is progressing.

During the year, Bunnings exercised a 10-year option for Balcatta, Western Australia, and five-year options for Artarmon, New South Wales, and Belrose, New South Wales. Construction is progressing for the upgrade of the Lismore, New South Wales and Coburg, Victoria Bunnings Warehouse stores with works expected to be completed this financial year. A construction contract has been signed for the upgrade of the Dubbo, New South Wales Bunnings Warehouse store, with works expected to be completed in the 2025 financial year.

The market rent reviews on 10 properties (including nine Bunnings Warehouse properties) were finalised during the year, with rents broadly in line with market. In March 2023, the Trust completed the sale for $2.7 million to an unrelated third party of its surplus land adjoining a property which had previously been occupied by Bunnings in Albany, Western Australia.

The assessed valuation of the Trust's property portfolio decreased by a net amount of $64.6 million during the year to $2.9 billion, down 2.2 per cent from the prior year, largely reflecting adjustments to take into account current capitalisation rates.

Taking into account green electricity purchased and Australian Carbon Credit Units ("ACCUs") surrendered during the period, the Trust's net Scope 2 emissions position for the year ended 30 June 2023 was zero tonnes CO_2e.[1] The Trust incurs Scope 2 emissions from electricity usage at a small number of properties where the Trust has responsibility for that usage.[2] The Trust is in the process of finalising its Scope 3 emissions.

[1] Prepared in accordance with the World Resources Institute/ World Business Council for Sustainable Development Greenhouse Gas Protocol.

[2] No Scope 1 emissions are produced as the Trust's business activities do not directly release emissions into the atmosphere.

2022/23 full-year results

- Like-for-like rental growth of 5.0 per cent for the 12 months to 30 June 2023, taking into account the average inflation on Consumer Price Index ("CPI") linked leases of 6.7 per cent
- 10 market rent reviews (including nine Bunnings Warehouse properties) finalised during the year with rents broadly in line with market
- Total income for the year ended 30 June 2023 was $158.2 million, up by 3.2 per cent from the previous year
- Final distribution of 9.27 cents, bringing the full-year ordinary distribution to 18.29 cents, in line with the previous year
- Taking into account green electricity purchased and ACCUs surrendered during the period, the Trust's net Scope 2 emissions position for the year ended 30 June 2023 was zero tonnes CO_2e
- Weighted average cost of debt of 3.6 per cent for the year, 4.0 per cent at year end
- Weighted average lease expiry ("WALE") of 3.5 years at 30 June 2023
- Weighted average capitalisation rate for the portfolio at 30 June 2023 was 5.38 per cent (December 2022: 5.05 per cent; June 2022: 5.04 per cent).
- Portfolio 97.1 per cent leased
- Net tangible assets of $3.75 per unit at 30 June 2023 (2022: $3.87 per unit), down 3.1 per cent on the previous year
- Gearing (debt/total assets) 15.8 per cent at 30 June 2023

Results summary

Year ended 30 June		2023	2022
Total income	$m	**158.2**	153.3
Total expenses	$m	**(44.6)**	(38.6)
Profit before gains/(losses) in fair value of investment properties	$m	**113.6**	114.7
(Losses)/gains in fair value of investment properties	$m	**(76.9)**	371.9
Net profit	$m	**36.7**	486.6
Losses/(gains) in fair value of investment properties	$m	**76.9**	(371.9)
Capital profits released from undistributed income reserve	$m	**3.9**	2.8
Distributable profit	$m	**117.5**	117.5
Distribution per ordinary unit	- interim cents	**9.02**	9.02
	- final cents	**9.27**	9.27
	- total cents	**18.29**	18.29
Tax advantaged component	%	**22.57**	21.84
Total assets	$m	**2,960.2**	3,021.9
Borrowings	$m	**468.5**	455.6
Unitholders' equity	$m	**2,405.9**	2,486.3
Gearing (debt to total assets)	%	**15.8**	15.1
Number of units on issue	m	**642**	642
Number of unitholders		**22,964**	24,016
Net tangible asset backing per unit	$	**3.75**	3.87
Unit price at 30 June	$	**3.63**	3.89
Management expense ratio[1] (annualised)	%	**0.64**	0.64

Figures above are subject to rounding

[1] Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

Total income for the full year to 30 June 2023 was $158.2 million, up by 3.2 per cent from last year. Rental and other property income was $4.7 million higher than the previous year largely due to annual increases in rent and rent from repositioned properties.

Finance costs of $16.7 million were 21.3 per cent higher than last year, due to a higher weighted average cost of debt and slightly higher average level of borrowing for the year. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 3.6 per cent, compared to 3.0 per cent for the previous year. The average level of borrowings was 1.7 per cent higher than the previous year ($473.0 million compared with $465.0 million).

Other operating expenses were 15.6 per cent higher than the previous year at $10.0 million compared to $8.7 million in the previous year, largely due to increases in land tax payable. The management expense ratio for the year ended 30 June 2023 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was in line with the previous year at 0.64 per cent. However, the management fee payable for the year increased by 10.8 per cent from $16.1 million to $17.9 million, due to higher property valuations throughout the year.

For the year ended 30 June 2023, net profit was $36.7 million, including $76.9 million in unrealised losses in the fair value of investment properties. This compares with net profit last year of $486.6 million, which included gains of $371.9 million in the fair value of investment properties.

As at 30 June 2023, the Trust's total assets were $3.0 billion (2022: $3.0 billion) with unitholders' equity of $2.4 billion and total liabilities of $0.6 billion. Investment properties made up the majority of total assets comprising $2.9 billion (2022: $3.0 billion).

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2023 was $3.75 per unit, a decrease of 3.1 per cent from $3.87 per unit as at 30 June 2022. The decrease in NTA was due to a reduction in property valuations as at 30 June 2023.

Developments

Lismore, New South Wales
In August 2021, the Trust committed to acquire from Bunnings adjoining land for $1.5 million (transaction completed in October 2022), and expand its Lismore Bunnings Warehouse, New South Wales at a cost of $11.3 million. In September 2022, as a result of higher construction costs, the Board agreed to increase funding from $11.3 million to $12.5 million. The annual rental will increase by approximately $0.5 million. Following completion of the expansion expected in early 2024, the parties will enter into a new 10-year lease with six, five-year options, exercisable by Bunnings. The annual rent will increase by CPI, capped at 2.5 per cent. At the end of the initial term the rent is subject to a market rent review and every 10 years thereafter. Market rent reviews are subject to a 10 per cent cap, meaning the rent cannot increase more than 10 per cent above the preceding year's rent ("10 per cent cap"), and a 10 per cent collar, meaning that the rent cannot fall more than 10 per cent below the preceding year's rent ("10 per cent collar").

Coburg, Victoria
In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of $2.5 million. In February 2022, the Trust committed to additional funding of $1.0 million and revised lease terms. Following completion of the expansion expected in August 2023, the parties will enter into a new 10-year lease with six, five-year options, exercisable by Bunnings. The annual rent will increase by CPI, capped at 2.5 per cent. At the end of the initial term and at the exercise of each option by Bunnings, the rent is subject to a market review. Market rent reviews are subject to a 10 per cent cap, and a 10 per cent collar.

Dubbo, New South Wales
In August 2022, the Trust committed to acquire from Bunnings, adjoining land for $0.4 million and expand its Dubbo Bunnings Warehouse, New South Wales at a cost of $13.6 million. The annual rental will increase by approximately $0.5 million. Following completion of the expansion expected in late 2024, the parties will enter into a new 10-year lease with six, five-year options, exercisable by Bunnings. The annual rent will increase by CPI, capped at 2.5 per cent. At the end of the initial term the rent is subject to a market rent review and every 10 years thereafter. Market rent reviews are subject to a 10 per cent cap, and a 10 per cent collar.

Extension of lease with Bunnings

In May 2023, the Trust reached agreement with Bunnings to extend the lease at Browns Plains, Queensland. The existing lease is due to expire in May 2024 and there are no further lease options remaining. The parties have agreed to extend the lease term by 10 years from May 2024 with an additional two, five-year options exercisable by Bunnings. The commencing annual rental is $2.1 million and market rent reviews will occur on the exercise of each option. There are no other changes to the existing lease with annual CPI reviews and a 12 per cent cap and a 12 per cent collar on market rent reviews remaining.

Capital improvements

During the year, the Trust invested $1.0 million in LED lighting at various properties, $6.8 million on repositioning various properties and approximately $5.0 million was spent on other improvements to the portfolio.

Property divestments

In March 2023, the Trust completed the sale for $2.7 million to an unrelated third party of its surplus land adjoining a property which had previously been occupied by Bunnings in Albany, Western Australia.

Occupancy

As at 30 June 2023, the portfolio was 97.1 per cent leased.

It is the nature of the Bunnings business model that its property requirements for some locations change over time. For any vacancies, the Trust gives full consideration to re-leasing the property, reinvesting in it to enhance rental outcomes, or divesting it, to provide the best overall outcome for the Trust. Good progress is being made on finding alternative uses for properties currently vacant.

Rent reviews

The rent payable for each leased property is increased annually, either by a fixed percentage or by the CPI, except when a property is due for a market review. Market reviews occur for most of the Trust's Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

During the year, 101 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 5.0 per cent in the annual rent for these tenancies.

The market rent reviews on 10 properties (including nine Bunnings Warehouse properties) were finalised during the year, with rents broadly in line with market. The market rent reviews that were due for two Bunnings Warehouses during the year ended 30 June 2022 and three during the year ended 30 June 2023 are still being negotiated or are being determined by an independent valuer and remain unresolved.

Property revaluations

The entire Trust portfolio was revalued at 31 December 2022 and again at 30 June 2023, including 28 property revaluations performed by independent valuers (16 at 31 December 2022 and 12 at 30 June 2023). Properties not independently revalued at each balance date are subject to internal valuations, with an independent valuer reviewing the methodology adopted. Factors that may affect the valuation of properties from time to time, include: the supply of and competition for investment properties; leasing market conditions; the quality and condition of the particular property, including the duration of the lease; and the level of rent paid at the property compared with the broader market.

The value of the Trust's portfolio decreased by a net amount of $64.6 million to $2,936.6 million during the year following capital expenditure of $14.3 million, after adjusting for the straight-lining of rent and capitalised interest of $0.7 million and less net proceeds from divestments of $2.7 million and unrealised losses of $76.9 million. The net revaluation loss was predominantly a result of the increase in capitalisation rates across most of the portfolio, reflecting declines in commercial property values more broadly in Australian property markets during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2023 was 5.38 per cent (December 2022: 5.05 per cent; June 2022: 5.04 per cent).

Capital management

At 30 June 2023 the minimum duration of the Trust's debt facilities was 25 months (2022: 37 months) and the maximum was 57 months (2022: 69 months) with a weighted average duration of 38 months (2022: 50 months).

The Trust enters into interest rate swaps and fixed rate corporate bonds (hedging) to create certainty of the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2023, the Trust's interest rate hedging cover was 56.9 per cent of borrowings, with $265.0 million of fixed rate corporate bonds and interest rate swaps, against interest-bearing debt of $466.0 million. The weighted average term to maturity of hedging was 3.5 years.

The Trust's gearing ratio (debt to total assets) at 30 June 2023 was 15.8 per cent (2022: 15.1 per cent), which is below the Board's preferred range of 20 to 30 per cent. The lower gearing provides flexibility for the Trust to take advantage of investment opportunities to create long-term value when they arise. The interest cover ratio (earnings before interest/interest expense) was 7.9 times (2022: 9.6 times).

Distribution

A final distribution of 9.27 cents per ordinary unit has been declared and will be made on 25 August 2023 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2023. The final distribution takes the total ordinary distributions for the year to 18.29 cents per unit (2022: 18.29 cents per unit).

The distribution reinvestment plan (DRP) was in place for both the interim and final distributions for the year ended 30 June 2023.

At the discretion of the Board, capital profits arising from the sale of investment properties can be distributed in the year they are generated, or retained for future growth or to be distributed in future years. For the year ended 30 June 2023, $3.9 million of capital profits were released from the undistributed income reserve (2022: $2.8 million).

Outlook

The variables that could have the most influence on the financial performance of the Trust in the near term include; inflation, cost of funding, property valuations, property transaction activity, and the time taken, and cost of repositioning properties in the portfolio vacated by Bunnings.

In the current economic environment of high inflation, high construction costs and higher interest rates, the Trust has low gearing and a high returning property portfolio, so is well positioned for any unexpected circumstances, and to be able to participate in investment opportunities that might become available.

Approximately 53 per cent of the Trust's rental income is subject to CPI annual adjustment and 47 per cent is subject to fixed annual adjustment, other than in years in which respective properties are due for a market rent review (typically every five years for most of the Trust's existing portfolio).

For the year ending 30 June 2024, CPI reviews will apply to 44 per cent of the base rent, with leases subject to a market rent review comprising 11 per cent of the base rent, and with the balance of 45 per cent reviewed to fixed increases of two to four per cent.

The strength and outlook for the home improvement and lifestyle products market in Australia and the ongoing financial success of the Bunnings business is important for the future financial performance of the Trust.

The ongoing evolution and financial performance of the Bunnings business and how that impacts the duration of occupancy of Bunnings at the Trust's properties, the number of vacancies, and the higher and better use potential of properties in the Trust's portfolio, will impact the Trust's performance in the longer term.

The Trust's primary focus for the 2023/24 financial year is on progressing the repurposing of ex-Bunnings properties in the portfolio, filling any vacancies, progressing and completing store upgrades, extending existing leases with Bunnings through the exercise of options, completion of market rent reviews, and the continued rollout of energy efficiency improvements at its properties. The Trust will be active in assessing and actioning any opportunities to grow the portfolio that will create value for the Trust.

Subject to there being no major disruptions to the Australian economy, the Trust could expect the distribution for the year ending 30 June 2024 to be similar to the ordinary distribution paid for the year ended 30 June 2023. Capital profits may be utilised to support the distribution.

For further information please contact:

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