



Balanced Commercial Property Trust Limited

Report and Accounts for the half-year ended 30 June 2023



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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Balanced Commercial Property Trust Limited please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Front cover photos:

Top Left: Liverpool, Hurricane 52, Estuary Business Park

Top Right: London, Birchin Lane

Bottom Left: Newbury, Newbury Retail Park

Bottom Right: London, St. Christopher's Place Estate

Headlines

+0.8
per cent

Net asset value total return*

Net asset value total return of +0.8 per cent for the 6 months ended 30 June 2023 is calculated assuming dividends are re-invested (H1 2022: +11.7 per cent).

-23.0
per cent

Share price total return*

Share price total return of -23.0 per cent for the 6 months ended 30 June 2023 (H1 2022: +8.3 per cent).

+10.0
per cent

Dividend increase

Monthly dividend to be increased by 10.0 per cent to 0.44 pence per share from October 2023.

117.6
per cent

Dividend cover on a cash basis*

Cash dividend cover for the 6 months ended 30 June 2023 was 117.6 per cent (H1 2022: 97.1 per cent).

£320
million

New Debt Facility

Post period-end the Company signed up to a New Debt Facility provided by incumbent lender Barclays and a new lender HSBC. Additional information can be found in the Chairman's Statement and Note 14.

+1.5
per cent

Portfolio return*

Portfolio return of +1.5 per cent over the 6 months to June 2023 versus the MSCI UK Quarterly Property Index return of +0.3 per cent.

40

40 leasing initiatives contracted over the six-month period, accounting for an income stream of £4.1 million per annum.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

*See Alternative Performance Measures on pages 28 and 29.

Performance Summary

	Half year ended 30 June 2023	Half year ended 30 June 2022	% change
Total Returns for the period*			
Net asset value per share	+0.8%	+11.7%	-10.9%
Ordinary Share price	-23.0%	+8.3%	-31.3%
Portfolio	+1.5%	+9.7%	-8.2%
MSCI UK Quarterly Property Index	+0.3%	+7.8%	-7.5%
FTSE All-Share Index	+2.6%	-4.6%	+7.2%

	Half year ended 30 June 2023	Year ended 31 December 2022	% change
Capital Values			
Total assets less current liabilities (£'000)	1,133,223	1,093,103	+3.7%
Net asset value per share	117.1p	118.5p	-1.2%
EPRA Net Tangible Assets per share**	117.1p	118.4p	-1.1%
Ordinary Share price	66.2p	88.5p	-25.2%
FTSE All-Share Index	4,096.3	4,075.1	+0.5%
Ordinary Share price discount to net asset value per share*	(43.5)%	(25.3)%	-18.2%
Net Gearing*	23.7%	23.4%	+0.3%

	Half year ended 30 June 2023	Half year ended 30 June 2022
Earnings and Dividends		
Earnings per Ordinary Share	1.1p	14.4p
EPRA Earnings per Ordinary Share**	2.6p	2.3p
Dividends per Ordinary Share	2.4p	2.3p
Dividend yield*	7.3%	4.1%

Sources: Columbia Threadneedle Investment Business, MSCI Inc and Refinitiv Eikon.

* See Alternative Performance Measures on pages 28 and 29.

** See EPRA Performance Measures on page 30.

Chairman's Statement

For the Six Months Ended 30 June 2023



Paul Marcuse,
Chairman

Following a particularly turbulent 2022, the first half of 2023 represented a more stable environment for real estate capital values.

While consensus has begun to move away from the UK economy falling into recession, the macroeconomic environment is not overly favourable, with high inflation and high debt costs impacting economic growth. This rise in interest rates has led to less investment activity, and this lack of liquidity within the property capital markets continues to bear on investor sentiment.

Whilst most real estate sectors have remained relatively stable throughout 2023 to date, a significant portion of the office sector remains under pressure, experiencing the greatest decline of all sectors in capital values over the six months. On a brighter note, occupational markets across the other sectors have continued to show resilience and sustained activity despite the wider economic pressures.

Company Performance

Against this economic and property market backdrop, the Company has delivered a positive net asset value ('NAV') total return of 0.8 per cent for the six months. The NAV per share as at 30 June 2023 was 117.1 pence, down 1.2 per cent from 118.5 pence per share as at 31 December 2022.

The share price discount to NAV stood at 43.5 per cent at the end of the period and the negative sentiment towards the real estate sector continues to affect the rating of the shares. The Board believes that the action that has been taken in the refinancing of its debt reduces near term uncertainty and provides flexibility to reduce gearing in the Company and support the dividend increase.

The following table provides an analysis of the movement in the NAV per share for the period:

	Pence
NAV per share as at 31 December 2022	118.5
Unrealised decrease in valuation of property portfolio	(1.5)
Movement in fair value of interest rate swap	(0.1)
Other net revenue	2.6
Dividends paid	(2.4)
NAV per share as at 30 June 2023	117.1

Portfolio Performance

The Company's portfolio delivered a total return of 1.5 per cent over the first six months of the year, outperforming the MSCI UK Quarterly Property Index to June 2023 ('MSCI') return of 0.3 per cent. Relative outperformance was driven by a capital return of -1.1 per cent against the Index return of -2.0 per cent and an income return of 2.6 per cent against the Index at 2.3 per cent.

In a low-growth environment such as this, income becomes the primary driver of total return. It is therefore pleasing to report that 40 leasing initiatives and lease events have been concluded over the six-month period, accounting for a contracted income stream of £4.1 million per annum, with a further 19 leasing initiatives and lease events completing post-period and representing an income stream of £3.8 million per annum. The Manager highlights in the Managers' Review the potential for further income reversion in the portfolio.

The main drag on performance has been the portfolio's exposure to the office sector, particularly select regional office markets and those buildings on shorter leases. Although the Company decided to reduce its office exposure through the sale of Cassini House in 2021, and while our office assets have generally been backed by positive tenant demand, overall sentiment to this sector of the market cannot be ignored. The Manager is therefore reviewing the portfolio weighting and is actively looking to further reduce the Company's office exposure.

Borrowings

The Board has been reviewing financing options available to the Company on its debt, as its £260 million term loan with L&G is due to mature in December 2024. The Company also has a £50 million term loan with Barclays which is fully drawn down, along with an additional undrawn £50 million revolving credit facility ("RCF") which expires on 31 July 2024 (the term loan

and the RCF together being the “Barclays Debt Facility”). The Board engaged EY Capital & Debt Advisory to act as Independent Financial Advisor in assessing the financing options available.

Following the conclusion of this exercise, we are pleased to announce the signing of a new, initially two-year debt facility provided by incumbent lender, Barclays, and a new lender, HSBC. The new debt facility has been structured with two tranches, being (a) a £60 million RCF and (b) a committed £260 million Term Loan, which can only be drawn to refinance the existing £260 million L&G Loan. Each tranche of the new facility can be repaid at any time. The current Barclays Debt Facility will be repaid, in full, and cancelled on 14 September 2023, with £30 million of the RCF tranche of the new debt facility being drawn down on the same date.

The new debt facility enables the Company to retain the competitively priced L&G Loan which is fixed at 3.32 per cent up to its existing 31 December 2024 maturity, whilst also ensuring the future liquidity needs of the Company are fully funded at an acceptable commitment fee, removing near term refinancing risk. The new debt facility includes two one-year extension options that allow the Company the flexibility to extend it with the agreement of Barclays and HSBC, with the first option available to be requested from 1 February 2024.

The Board believes that the new debt facility represents a successful outcome for the Company as it provides certainty of financing beyond the 2024 continuation vote while retaining the lower-cost fixed rate L&G Loan up to its final maturity date. It avoids having to fix longer-term debt at current rates whilst not precluding any future financing options and/or gearing targets in the light of any future disposals. This new facility therefore provides the Company with greater flexibility and optionality.

As at 30 June 2023, the Company's loan to value, net of cash ('LTV') was 23.7 per cent and the weighted average interest rate on the Group's total current borrowings was 3.6 per cent.

Dividends and Dividend Increase

The Company paid six interim dividends totalling 2.4 pence per share during the period, being six monthly dividends of 0.4 pence per share. The level of dividend cover for the period was 117.6 per cent on a cash basis. In line with its commitment to keep the level of dividend under review, the Board is pleased to report its intention to increase the level of the monthly dividend by

10.0 per cent to 0.44 pence per share with effect from the October 2023 distribution.

Environmental, Social and Governance ('ESG')

The Board remains committed to achieving Net Zero Carbon by 2040 or sooner. Detailed analysis and modelling of emissions reduction trajectories, which has been delivered through planned asset level interventions, has been a core feature of ESG activities in this period. The Board and Managers believe that the portfolio is well placed to deliver on its net zero carbon ambition within a business-as-usual context. The Managers and Board continue to pay attention to all material ESG matters. Ongoing progress is summarised later in this interim report whilst further detailed insight will be provided in our 2023 ESG Report due for publication in 2024.

Outlook

Whilst inflationary pressures in the wider economy have begun to ease, the headline rate of inflation remains elevated, and core inflation remains above the consensus forecast. At this point, it is unclear if we will see further increases to the base rate of interest in the short term in what remains an uncertain economic environment for business and consumer confidence.

Long-term interest rates are expected to settle at a higher level than those seen over recent years. This may constrain any prospective recovery in real estate capital values in the near term. It is possible that investment activity will remain subdued as buyers become increasingly selective in the search for attractive long-term returns in a low-growth, high inflation environment. We are also likely to see a greater divergence in sector allocation within real estate and a definitive preference for higher quality assets, or those that can be repositioned to provide increasingly demanded ESG credentials.

Preservation and creation of income continues to be key to performance. The portfolio continues to offer reversionary potential and significant opportunities for proactive management to drive income and related capital growth which will be critical in underpinning performance for the remainder of the year and into 2024, when we hope to see a recovery in the wider property market if the economic environment improves.

Paul Marcuse

Chairman

13 September 2023

Forward looking statements

Certain statements in this report are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Managers' Review



Richard Kirby,
Fund Manager



Daniel Walsgrove,
Deputy Fund Manager

Headlines over the period

- A portfolio total return of 1.5 per cent over the 6 months to June 2023 versus the MSCI UK Quarterly Property Index ("MSCI") return of 0.3 per cent.
- Relative outperformance of both income and capital return against MSCI, demonstrating the value of the portfolio's balanced exposures.
- Active asset management key to delivering performance with 40 leasing initiatives and lease events contracted over the period, accounting for an income stream of £4.1 million per annum. A further 19 leasing initiatives and lease events have completed post-period, representing a contracted income stream of £3.8 million.
- As at June 2023, the void rate was 7.2 per cent (31 December 2022: 5.9 per cent) compared to the Index at 8.2 per cent. A number of units are contractually committed and will see the void rate fall to 5.2 per cent on completion.

Property Market Review

The first half of 2023 has seen a return of relative stability, with the all-property equivalent yield moving out by just 18 basis points over the period.

Interest rates and the high cost of debt have remained at the forefront of investment considerations as the rate of inflation peaked over the period at 10.4 per cent in February 2023. While the rate of inflation has moderated since, the headline level remains high, and the Bank of England's monetary response has proven slow to cool pricing pressures. Consequent increases in the cost of debt have added a further layer of caution to investment underwriting given uncertainty around interest rates. This economic environment has resulted in muted activity in the real estate investment markets. Whilst there is no shortage of capital available for deployment into key sectors such as industrial, retail warehousing and alternatives, investment markets have been impacted by a lack of available stock, with investment volumes in H1 2023 down 53 per cent year on year, and down 27 per cent on H2 2022.

Against this backdrop, the MSCI UK Quarterly Property Index generated a subdued total return of 0.3 per cent over the 6 months, constrained by a capital return of -2.0 per cent. However, the headline position belies a significant divergence at the sector and sub-sector level.

This has been most notable in the office sector, where the popularity of hybrid working strategies has brought about a structural reduction in occupier demand. However, corporates are increasingly seeking to tempt employees back to the office and consequently occupier demand has been strongly focussed on high-quality accommodation in locations offering attractive amenity. This has served to reinforce the now-

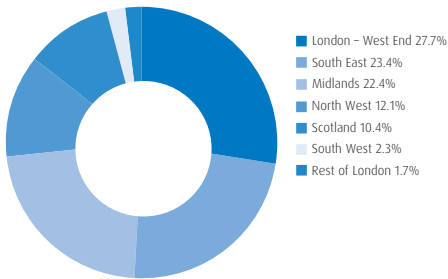
established bifurcation between prime and secondary accommodation. Retail warehousing remains the favoured sub-sector, delivering the highest total return over the six-month period. With large, flexible units, the sector forms a key part of an omni-channel retailing platform and we have consequently seen demand from an increasingly wide variety of well-capitalised retailers. Offering a yield advantage over other sectors, investor appetite for retail warehousing has remained robust but constrained by a lack of available supply.

The wider retail sector has seen a more benign period with both rents and yields having been substantially rebased across the sector in prior years. Central London in particular has seen renewed levels of occupier demand as rents have been reset to more viable levels and accompanied by significant reductions in business rates, combining to materially decrease occupational costs and boost retailer profitability.

Whilst demand for logistics space has fallen from the highs seen during the pandemic, the sector's fundamentals remain robust with demand stemming from a diverse range of occupiers within a well-balanced market. Supply has been constrained by a lack of speculative development due to tighter lending conditions and inflated construction costs. However, there is also evidence of occupiers trading down the quality spectrum in order to benefit from lesser rents and a slightly more muted rental growth outlook. We are yet to see a full recovery in pricing following outward prime yield movement of 150 basis point in H2 2022, with yields softening by 25 basis points over H1 2023, reflecting hesitancy within an uncertain economic environment.

Geographical Analysis

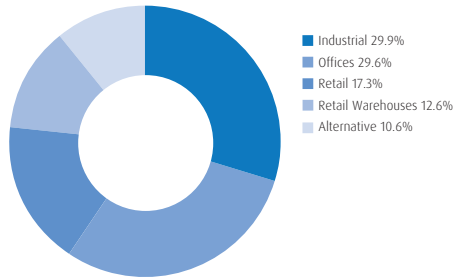
as at 30 June 2023, % of total property portfolio



Source: Columbia Threadneedle REP AM plc

Sector Analysis

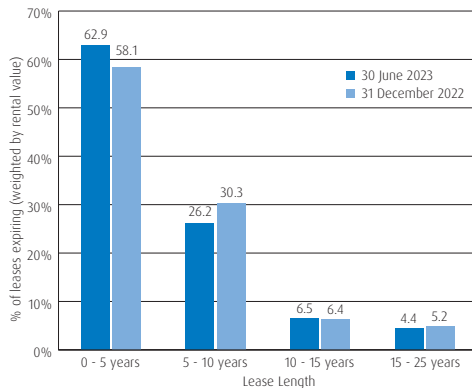
as at 30 June 2023, % of total property portfolio



Source: Columbia Threadneedle REP AM plc

Lease Expiry Profile

At 30 June 2023 the weighted average lease length for the portfolio, assuming all break options are exercised, was 4.7 years (31 December 2022: 5.2 years).



Source: Columbia Threadneedle REP AM plc

Portfolio performance

The total return from the portfolio was 1.5 per cent over the six months, compared with the MSCI return of 0.3 per cent.

The portfolio outperformed MSCI on both capital and income returns over the period. Capital growth from the portfolio was -1.1 per cent compared with the MSCI return of -2.0 per cent, while the portfolio generated a 2.6 per cent income return against the Index at 2.3 per cent.

Capital Growth

Over the period, the equivalent yield on the portfolio softened from 5.9 per cent to 6.2 per cent.

Retail warehousing was the Company’s strongest performing sector, delivering capital growth of 7.1 per cent and a total return of 10.3 per cent. The Company’s assets represent prime holdings that have already transitioned to a robust tenant line-up. The appeal of these high-quality assets to the investment market has been supplemented by asset management to generate a 7.1 per cent uplift in passing rent over the period.

The Company’s industrial holdings delivered capital growth of 2.2 per cent over the period and a total return of 4.6 per cent. These assets offer attractive growth prospects with reversionary income potential. Strong levels of occupational activity are crystallising this growth into both income and capital performance with four leasing initiatives contracting over the six months, at an average 2.2 per cent premium to the estimated rental value (‘ERV’).

The mixed-use asset at St Christopher's Place, London produced a total return of 0.1 per cent as it continues to recover post Covid. A marginally negative capital performance of -1.5 per cent was driven by the holding's exposure to the office sector, which makes up circa 16 per cent of the asset's capital value.

The performance of the Company's office holdings was the main drag on performance, as the sector delivered negative capital growth of -7.5 per cent and a total return of -4.6 per cent. Over the period, investor sentiment towards this sector has deteriorated markedly.

Sector	Balanced Commercial Property Trust			MSCI UK Quarterly Index
	Income return (%)	Capital return (%)	Total return (%)	Total return (%)
All Retail	2.4	0.9	3.3	2.0
Offices	3.2	-7.5	-4.6	-4.5
Industrial	2.3	2.2	4.6	2.8
Alternatives	2.4	0.9	3.3	0.4
All Property	2.6	-1.1	1.5	0.3

Income Return

Over the six-month period, the passing rent across the portfolio grew by 4.1 per cent.

While the vacancy rate rose from 5.9 per cent by ERV to 7.2 per cent over the period, 2.0 per cent of this is contractually committed and completion of these leases will ultimately see the vacancy rate fall to 5.2 per cent. The portfolio's key vacancy is an office at Stockley Park, Uxbridge, which accounts for 4.4 per cent of the void rate. We are currently working alongside a prospective occupier to deliver a value-accretive repositioning development, to convert the building to a medical use.

The weighted average unexpired lease term (WAULT) for the portfolio stands at 4.7 years assuming all break options are actioned. While income duration is preferred from a capital resilience perspective, this must be balanced against the opportunity to leverage lease events to crystallise rental growth into income performance, which is particularly critical in the prevailing market conditions. The portfolio offers an overall potential income reversion of circa 18 per cent and the WAULT offers the opportunity to release this latent value. This is particularly relevant within the industrial portfolio, where the income reversion is approximately 40 per cent and the WAULT 3.7 years.

Approximately 30 per cent of the portfolio's income profile is supported through the presence of fixed-uplifts and partial inflationary linked rent review mechanisms within occupational leases.

Asset Management

Industrial and logistics

The industrial and logistics sector has remained a key driver of performance for the Company. While the occupational market has experienced a slight cooling, the Company's assets have seen rental growth of 3.1 per cent over the period and a number of highly accretive asset management initiatives have been delivered, crystallising both income and capital performance.

Hurricane 52, Estuary Business Park, Liverpool

The speculative development of this highly specified 52,500 sq ft logistics unit reached practical completion in August 2022. Following a competitive best-bids process, the unit was let in July 2023 to clothing manufacturer Montirex on a 10-year lease (break year 5) at a rent showing a 7.2 per cent premium to the ERV. As at 30 June, this property represented the portfolio's second largest single void by ERV, making the letting an important initiative that resulted in it being the portfolio's top performer, delivering a total return of 17.5 per cent over the six months.

The Cowdray Centre, Colchester

This multi-let estate continues to see buoyant levels of occupier activity, supported by a phased programme of refurbishment which is driving renewed occupier demand, rental growth and value appreciation. MKM Building Supplies have exchanged a 20-year Agreement for Lease (break year 15) on Unit 1 Mason Road, at a rent in line with ERV and showing a premium to the rent agreed on the adjacent unit in December 2022. Elsewhere on the estate, a lease renewal on 13 Mason Road (Jayar Components) and a rent review on 3 Mason Road (Rexel UK) were concluded at a combined premium of 46 per cent above the previous passing rent. This accretive asset management activity has underpinned a robust total return of 4.1 per cent from the asset over the six months.

8 Hams Hall Distribution Park, Birmingham

This bespoke facility of 264,000 sq ft is occupied by Nestle Purina until March 2025. In August, Nestle completed a 10 year (break year 5) reversionary lease from March 2025 in exchange for a 3.5 month rent free period. The rent review now due in 2025 is expected to yield a significant uplift in passing rent.

Units 1 & 2 Strategic Park, Southampton

This two-unit scheme is subject to a significant refurbishment to enhance the specification of the units and its ESG credentials. The works are due to complete in September 2023 and both units are subject to leasing offers.

Retail and Retail Warehouse

A highly successful leasing strategy was delivered at the Company's retail warehousing assets in 2022, securing full occupation of both holdings and solidifying a robust grocery, discount and convenience-led tenant roster. This has positioned these holdings to be the primary drivers of portfolio outperformance moving into 2023 as new leases have completed, generating a 7.1 per cent increase in the rental income from the parks over the six-month period.

JD Sports, Cancer Research and Mountain Warehouse have all opened for trade in the first half of 2023, while Tim Horton will be opening in Newbury later in the year.

Offices

Despite a very challenging period for offices and amid a tenant flight to quality we concluded six leasing initiatives in the first half of the year representing a rent roll of £1.7m. This activity supported a 6.3 per cent uplift in passing rent from the office portfolio, in turn driving income outperformance from the assets.

7 Birchin Lane, London EC3

The portfolio's sole City of London holding has been subject to a phased programme of refurbishment, delivering Category A 'Plug & Play' space along with upgraded ESG credentials including a B-rated EPC. This investment has proven highly successful as two of these refurbished suites have let over the period attracting premium rents.

King Street, Manchester

This core Manchester multi-let holding benefits from a prime location and the building continues to see robust levels of occupier activity, remaining fully occupied as existing occupiers commit to the building. Part of the eighth floor was surrendered and simultaneously relet to an existing occupier, Markel Insurance, maintaining occupancy and the income stream. In tandem, Markel Insurance agreed a rental uplift at their outstanding September 2021 rent review on their eleventh floor. Elsewhere in the building, Lloyds Bank and Foresight Group both committed to additional 5-year terms on their respective suites, supporting the continued appeal of this high-quality asset.

Retail

St Christopher's Place (mixed-use F&B, retail, residential and offices)

The Company's flagship asset is a unique property; a prime Central London estate comprising 172 lettable units and 40 buildings, diversified across the retail, leisure, residential and office sectors.

The property continues to recover, delivering a positive total return over the six months to June. The strategy for St Christopher's is firmly focussed on growth with three key initiatives in place:

- *Enhancing the Food & Beverage ("F&B") offering at the estate.*

The conversion of traditional retail to F&B drives investment fundamentals through superior rents, longer leases and sharper capitalisation rates, while also enhancing the consumer experience and occupier dynamics of the estate. Since the start of the year, the F&B offering has overtaken retail as the primary use class at the estate with three new F&B leases completing, two more under offer and a conditional agreement exchanged with the vegan restaurant concept Mildreds for a new anchor unit at the estate. The exposure to the F&B sector has increased from 26.8 per cent to 32.4 per cent over the period.

- *The recovery of Oxford Street.*

The reduction of business rates by an average of 40 per cent, the opening of Crossrail's Elizabeth Line and the emergence of a rebased rental tone has boosted occupier demand for Oxford Street. Since the turn of the year, fifteen permanent leasing deals have completed, bringing a diversification of uses to the street, while the number of immediately available units on Oxford Street is now at half the level it was in the aftermath of the pandemic. Post period, we have completed a lease renewal with Aldo at 372 Oxford Street, agreeing a new 5-year lease on a stepped rent averaging more than double the current passing rent.

- *SCP as a West End office hub.*

Occupier demand for smaller floorplates is predominantly centred on fully fitted 'Plug & Play' space. Fitted space increases the optionality for occupier demand and materially reduces void periods, rent free periods and achieves higher rents. Whilst promoting the estate as an office campus, we are proactively repositioning suites to meet this key source of demand, seeking to convert 25 per cent of the office exposure in the short term to benefit from these superior investment credentials. Since the turn of the year, four office leases have completed and there are a further three under offer.

Alternatives

The portfolio's alternatives holdings include the purpose-built student accommodation in Winchester, residential properties at St Christopher's Place and the leisure units at Wimbledon Broadway (a gym and cinema).

The residential element of St Christopher's Place is substantial, accounting for 4.8 per cent of the value of the Company's portfolio. The residential element of the asset continues to deliver excellent growth, with annual net income in the 12 months to June 2023 up 41 per cent year-on-year.

Strategic Portfolio Initiatives

The portfolio offers attractive reversionary potential alongside ample opportunity for the delivery of value-add initiatives. A key strategic focus is to maintain low vacancy, crystallise rental growth into income and boost capital growth through the delivery of priority development projects in Stockley Park, Uxbridge and Strategic Park in Southampton.

The recovery of the real estate markets will be driven by select growth sectors and we have established a capital reallocation strategy to reduce the portfolio's exposure to the office sector. A number of assets have been targeted for disposal and we are proactively seeking to focus strategy on key growth sectors and assets as we align the portfolio to deliver long-term relative outperformance.

Outlook

The economic backdrop has improved over the period. Having peaked in October 2022, the inflation rate appears to have hit an inflexion point, registering a fall to 6.8 per cent in July 2023, the lowest level since March 2022. While the lagging effects of higher interest rates may yet hit consumer confidence, consumer spending has thus far supported two quarters of marginal growth in GDP. The economic consensus now expects the UK to avoid entering recession, which is lending support to corporate strategies and growth. Across the sectors, occupational markets have remained robust, with income proving the driver of positive total returns over the period.

Weak investor sentiment will prevail in this economic uncertainty, and, at the market level, it is likely that investment volumes will remain subdued by historical standards. Benign capital markets will put the emphasis on the importance of income as the primary driver of total returns. Across the sectors, the occupational markets have proven resilient. However, it is those sectors offering both stability of income and the potential to enhance income that will lead the real estate market to recovery.

Richard Kirby and Daniel Walsgrove

Columbia Threadneedle REP AM plc
13 September 2023

Environmental, Social and Governance (ESG)

The Board assesses its performance in meeting the Company's objective against the following key measures. Commentary can be found in the Chairman's Statement, Managers' Review and Environmental, Social and Governance Report.

Environmental and social performance

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022	
Carbon emissions (Scope 1 & 2) (tonnes CO ₂ e)	795 [^]	915 [^]	1,437	This indicates the absolute amount of greenhouse gas emissions associated with the landlord's operational activities across the portfolio.
Proportion of demises with EPC ratings of A or B (%)	25	17	16	This provides an indication of the level of exposure to higher theoretical energy efficiency attributes of the property assets.
Health & Safety	0	0	0	Number of notifiable incidents or statutory health and safety breaches in the managed portfolio.

[^] Unaudited

Highlights for the six-month period to 30 June 2023

This half year has been no different to recent previous periods in terms of witnessing major catastrophic incidences associated with climate change across the globe. Whilst UK weather patterns in the past few months may have been tempered by the position of the jet stream, other territories in relatively close geographic proximity have not been so fortunate with overbearing heat stresses and devastating wildfires a feature of recent times. Such incidents serve to strengthen the Company's resolve and whilst its individual contribution to climate action in a global context may be small, its relevance to all our stakeholders remains firmly engrained in our mindset, evidenced by our continued attention and focus to understanding and acting upon the risks and opportunities associated with energy demand, clean energy supplies and carbon emissions.

The Board is pleased to have seen the programme of asset level net zero carbon assessments across the portfolio concluded at the turn of the year. The information established during this process has, together with the application of certain assumptions and proxy values, allowed for subsequent detailed modelling and sensitivity testing around the future emissions profile of the assets, based on planned and potential interventions. Together with a parallel exercise covering transition towards more energy efficient assets, the Company is well positioned to adhere to the commitments made in its carbon strategy and pathway.

In the meantime, we have continued to pursue our regular core activities:

- The Company's ESG Committee formally met in March and May to review progress against sustainability related initiatives and targets.
- The Company submitted to the 2023 GRESB (Global Real Estate Sustainability Benchmark) survey on schedule for both real estate and public disclosure modules. Results are due to be published on 1 October.
- The Company also submitted to the full tier of the CDP climate change module on schedule, with these results due to be published by the end of the year.
- For its 2022 ESG Report, and for the fifth year in succession, the Company achieved a Gold Award for

alignment to the 3rd Edition of the EPRA Sustainability Best Practice Recommendations.

Whilst some residual distortion to consumption patterns may still remain on account of occupational trends post-pandemic, the Company has nevertheless seen:

- a 3% decrease in landlord controlled absolute energy consumption
- a 4% decrease in like-for-like landlord controlled energy intensity
- a 13% decrease in absolute landlord controlled carbon emissions

The reductions in absolute energy consumption are a reflection of blended performance across the portfolio, whilst reductions in carbon emissions can be partly attributed to ongoing decarbonisation of the electricity network as well as lower energy demands at asset level

- Determined by the number of directly managed assets, 100% of sites within the portfolio are paying the real living wage to all service provider employees within scope in line with our target ambition of 100% by the end of 2021.
- The distribution of Energy Performance Certificate (EPC) ratings, as a reflection of the energy efficiency credentials of assets across the portfolio, continues to improve. At individual demise level, exposure to lower F&G ratings is minimal at four, which together with three expired certificates, represents units that are either very long leasehold or currently vacant and identified for refurbishment. Exposure to higher A&B ratings has similarly improved, covering 90 demises in total, being 54.9% by Estimated Rental Value or 57.9% by Net Lettable Area.
- The Company continues to monitor its tenant mix as part of its commitment to minimising leasing exposure to organisations connected to the production, storage, distribution or use of controversial weapons. At the period ending 30 June 2023 0% of rental income was attributable to organisations that appear on the exclusion lists managed by Columbia Threadneedle Global Asset Management.

Property Portfolio

as at 30 June 2023

Property	Sector
Properties valued in excess of £200 million	
London W1, St Christopher's Place Estate (footnotes 2 and 3)	Retail/Office/Alternative*
Properties valued between £50 million and £70 million	
Solihull, Sears Retail Park	Retail Warehouse
Newbury, Newbury Retail Park	Retail Warehouse
Properties valued between £40 million and £50 million	
London SW19, Wimbledon Broadway	Retail/Alternative**
Winchester, Burma Road	Alternative
Properties valued between £30 million and £40 million	
Chorley, Units 6 & 8 Revolution Park	Industrial
Markham Vale, Orion One & Two	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Properties valued between £20 million and £30 million	
Manchester, 82 King Street	Office
Crawley, The Leonardo Building, Manor Royal	Office
Aberdeen, Unit 2 Prime Four Business Park, Kingswells	Office
Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Office
London SW1, 2/4 King Street	Office
Bristol, One Cathedral Square (footnote 1)	Office
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
Aberdeen, Unit 3 Prime Four Business Park, Kingswells	Office
Burton on Trent, Quintus at Branston Locks	Industrial
London W1, 17a Curzon Street	Office
Properties valued between £10 million and £20 million	
London EC3, 7 Birchln Lane	Office
Glasgow, Alhambra House, Waterloo Street	Office
Southampton, Upper Northam Road, Hedge End	Industrial
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Liverpool, Unit 1 The Hive, Estuary Business Park (footnote 1)	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
Camberley, Watchmoor Park, Building C	Office
London W1, 16 Conduit Street (footnote 1)	Retail
Properties valued under £10 million	
Camberley, Affinity Point, Glebeland Road	Industrial
Uxbridge, 3 The Square, Stockley Park	Office
Aberdeen, Unit 4 Prime Four Business Park, Kingswells	Office
Liverpool, Hurricane 52, Estuary Business Park	Industrial
Liverpool, Unit 2 & 4 The Hive, Estuary Business Park (footnote 1)	Industrial
Solihull, Oakenshaw Road	Retail Warehouse

Notes:

1 Leasehold property.

2 Mixed freehold/leasehold property.

3 For the purpose of the Company's Investment policy, St. Christopher's Place Estate is treated as more than one property.

* Mixed use property of retail, office and residential space.

** Mixed use property of retail and leisure.

Statement of Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company relate to the following risk categories: investment performance; discount/premium; financial management and product strategy. A detailed explanation of the risks and uncertainties in each of these categories can be found under the heading 'Principal Risks and Future Prospects' within the Strategic Report in the Company's Annual Report for the year ended 31 December 2022. The Company's principal risks remain valid and are expected to be so for the remainder of the Company's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of unaudited consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- the Chairman's Statement and Managers' Review (together constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties above include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and
- the Chairman's Statement together with the condensed set of unaudited consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Paul Marcuse

Director

13 September 2023

Condensed Consolidated Statement of Comprehensive Income

(unaudited) for six months ended 30 June 2023				
Notes		Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022* £'000
	Revenue			
	Rental Income	29,915	29,432	58,676
	Other Income	-	42	42
	Total revenue	29,915	29,474	58,718
	(Losses)/gains on investment properties			
5	Unrealised (losses)/gains on revaluation of investment properties	(10,719)	89,314	(129,096)
5	Losses on sale of investment properties realised	-	(5)	(5)
	Total income	19,196	118,783	(70,383)
	Expenditure			
	Investment management fee	(3,089)	(3,535)	(6,861)
3	Other expenses	(3,820)	(3,297)	(6,479)
	Total expenditure	(6,909)	(6,832)	(13,340)
	Operating profit/(loss) before finance costs and taxation	12,287	111,951	(83,723)
	Net finance costs			
	Interest income	1,062	44	807
	Finance costs	(5,494)	(5,642)	(11,116)
		(4,432)	(5,598)	(10,309)
	Profit/(loss) before taxation	7,855	106,353	(94,032)
	Taxation	-	(345)	(345)
	Profit/(loss) for the period	7,855	106,008	(94,377)
	Other comprehensive income			
	Items that are or may be reclassified subsequently to profit or loss			
	Movement in fair value of effective interest rate swap	(843)	733	723
	Total comprehensive income for the period	7,012	106,741	(93,654)
4	Basic and diluted earnings per share	1.1p	14.4p	(13.1)p
	EPRA earnings per share	2.6p	2.3p	4.8p

All of the profit and total comprehensive income for the period is attributable to the owners of the Group.

All items in the above statement derive from continuing operations.

*these figures are audited.

The accompanying notes on pages 18 to 25 are an integral part of the above statement.

Condensed Consolidated Balance Sheet

(unaudited) as at 30 June 2023				
Notes		30 June 2023 £'000	30 June 2022 £'000	31 December 2022* £'000
	Non-current assets			
5	Investment properties	1,067,556	1,281,289	1,075,082
	Trade and other receivables	16,974	19,857	20,372
7	Interest rate swap asset	-	1,199	-
		1,084,530	1,302,345	1,095,454
	Current assets			
	Trade and other receivables	13,725	8,857	12,811
7	Interest rate swap asset	187	-	1,030
	Cash and cash equivalents	54,804	86,412	54,837
		68,716	95,269	68,678
	Total assets	1,153,246	1,397,614	1,164,132
	Current liabilities			
	Trade and other payables	(20,023)	(16,679)	(21,140)
	Interest rate swap liability	-	(159)	-
	Interest-bearing loan	-	-	(49,889)
		(20,023)	(16,838)	(71,029)
	Non-current liabilities			
	Trade and other payables	(2,262)	(2,167)	(2,250)
7	Interest-bearing loans	(309,320)	(309,047)	(259,388)
		(311,582)	(311,214)	(261,638)
	Total liabilities	(331,605)	(328,052)	(332,667)
	Net assets	821,641	1,069,562	831,465
	Represented by:			
8	Share capital	7,994	7,199	7,994
	Special reserves	485,840	507,416	485,840
	Capital reserves	210,446	439,575	221,165
	Hedging reserve	187	1,040	1,030
	Revenue reserve	117,174	114,332	115,436
	Equity shareholders' funds	821,641	1,069,562	831,465
9	Net asset value per share	117.1p	148.6p	118.5p
	EPRA net tangible assets per share	117.1p	148.4p	118.4p

*these figures are audited.

The accompanying notes on pages 18 to 25 are an integral part of the above statement.

Condensed Consolidated Statement of Changes in Equity

(unaudited) for six months ended 30 June 2023						
Notes	Share Capital £'000	Special Reserves £'000	Capital Reserves £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
	7,994	485,840	221,165	1,030	115,436	831,465
	At 1 January 2023					
	Total comprehensive income for the period					
	-	-	-	-	7,855	7,855
	-	-	-	(843)	-	(843)
5	-	-	(10,719)	-	10,719	-
	-	-	(10,719)	(843)	18,574	7,012
	Total comprehensive income for the period					
	Transactions with owners of the Company recognised directly in equity					
2	-	-	-	-	(16,836)	(16,836)
	-	-	-	-	(16,836)	(16,836)
	7,994	485,840	210,446	187	117,174	821,641
	At 30 June 2023					

(unaudited) for six months ended 30 June 2022						
	Share Capital £'000	Special Reserves £'000	Capital Reserves £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
	7,531	544,813	350,266	307	114,603	1,017,520
	At 1 January 2022					
	Total comprehensive income for the period					
	-	-	-	-	106,008	106,008
	-	-	-	733	-	733
5	-	-	(5)	-	5	-
5	-	-	89,314	-	(89,314)	-
	-	-	89,309	733	16,699	106,741
	Total comprehensive income for the period					
	Transactions with owners of the Company recognised directly in equity					
8	(332)	(37,397)	-	-	-	(37,729)
2	-	-	-	-	(16,970)	(16,970)
	(332)	(37,397)	-	-	(16,970)	(54,700)
	7,199	507,416	439,575	1,040	114,332	1,069,562
	At 30 June 2022					

The accompanying notes on pages 18 to 25 are an integral part of the above statement.

Condensed Consolidated Statement of Changes in Equity

(audited) for the year to 31 December 2022						
Notes	Share Capital £'000	Special Reserves £'000	Capital Reserves £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 January 2022	7,531	544,813	350,266	307	114,603	1,017,520
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(94,377)	(94,377)
Movement in fair value of interest rate swap	-	-	-	723	-	723
5 Transfer in respect of unrealised losses on investment properties	-	-	(129,096)	-	129,096	-
5 Losses on sale of investment properties realised	-	-	(5)	-	5	-
Total comprehensive income for the year	-	-	(129,101)	723	34,724	(93,654)
Transactions with owners of the Company recognised directly in equity						
8 Transfer from share capital to special reserve	463	(463)	-	-	-	-
8 Buybacks to Treasury	-	(58,510)	-	-	-	(58,510)
2 Dividends paid	-	-	-	-	(33,891)	(33,891)
At 31 December 2022	7,994	485,840	221,165	1,030	115,436	831,465

The accompanying notes on pages 18 to 25 are an integral part of the above statement.

Condensed Consolidated Statement of Cash Flows

(unaudited) for six months ended 30 June 2023			
Notes	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022* £'000
	Cash flows from operating activities		
	7,855	106,353	(94,032)
	Profit/(loss) for the period before taxation		
	Adjustments for:		
	5,494	5,642	11,116
	Finance costs		
	(1,062)	(44)	(807)
	Interest income		
5	10,719	(89,314)	129,096
	Unrealised losses/(gains) on revaluation of investment properties		
5	-	5	5
	Losses on sale of investment properties realised		
	2,478	(563)	(5,032)
	Decrease/(increase) in operating trade and other receivables		
	(1,085)	(966)	3,412
	(Decrease)/increase in operating trade and other payables		
	24,399	21,113	43,758
	Cash generated from operations		
	1,062	44	807
	Interest received		
	(5,235)	(5,708)	(10,987)
	Interest and bank fees paid		
	-	(345)	(345)
	Taxation paid		
	(4,173)	(6,009)	(10,525)
	Net cash inflow from operating activities		
	20,226	15,104	33,233
	Cash flows from investing activities		
5	(602)	-	(812)
	Purchase of investment properties		
5	(2,591)	(12,074)	(23,258)
	Capital expenditure of investment properties		
	(3,193)	(12,074)	(24,070)
	Net cash outflow from investing activities		
	Cash flows from financing activities		
2	(16,836)	(16,970)	(33,891)
	Dividends paid		
	(230)	-	(6)
	Issue costs for loan facilities		
8	-	(37,729)	(58,510)
	Buybacks to Treasury		
	(17,066)	(54,699)	(92,407)
	Net cash outflow from financing activities		
	(33)	(51,669)	(83,244)
	Net decrease in cash and cash equivalents		
	54,837	138,081	138,081
	Opening cash and cash equivalents		
	54,804	86,412	54,837
	Closing cash and cash equivalents		

*these figures are audited.

The accompanying notes on pages 18 to 25 are an integral part of the above statement.

Unaudited Notes to the Condensed Accounts

1. General information and basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022, which were prepared under full IFRS as adopted by the European Union requirements and The Companies Law (Guernsey), 2008. The accounting policies used in the preparation of the condensed consolidated financial statements have not varied in any material way from those of the consolidated financial statements of the Group for the year ended 31 December 2022. These condensed interim accounts have not been audited. The Group's entry to UK REIT Regime was effective from 3 June 2019. The Group's rental profits arising from both income and capital gains are exempt from UK corporation tax from that date, subject to the Group's continuing compliance with the UK REIT rules.

2. Dividends and property income distributions (PID) gross of income tax

	Six months to 30 June 2023 PID Rate (pence)	Six months to 30 June 2023 £'000	Six months to 30 June 2022 PID Rate (pence)	Six months to 30 June 2022 £'000	Year to 31 December 2022 PID Rate (pence)	Year to 31 December 2022 £'000
In respect of the previous period:						
Ninth interim dividend	0.40	2,806	0.375	2,816	0.375	2,817
Tenth interim dividend	0.40	2,806	0.375	2,803	0.375	2,804
Eleventh interim dividend	0.40	2,806	0.375	2,773	0.375	2,774
Twelfth interim dividend	0.40	2,806	0.375	2,758	0.375	2,758
In respect of the period under review:						
First interim dividend	0.40	2,806	0.40	2,920	0.40	2,920
Second interim dividend	0.40	2,806	0.40	2,900	0.40	2,899
Third interim dividend	-	-	-	-	0.40	2,862
Fourth interim dividend	-	-	-	-	0.40	2,833
Fifth interim dividend	-	-	-	-	0.40	2,806
Sixth interim dividend	-	-	-	-	0.40	2,806
Seventh interim dividend	-	-	-	-	0.40	2,806
Eighth interim dividend	-	-	-	-	0.40	2,806
	2.40	16,836	2.30	16,970	4.70	33,891

Property Income Distributions paid/announced subsequent to the period end were:

	Record date	Payment date	Rate (pence)
Third interim dividend	14 July 2023	31 July 2023	0.4
Fourth interim dividend	11 August 2023	31 August 2023	0.4
Fifth interim dividend	15 September 2023	29 September 2023	0.4

Although these payments relate to the period ended 30 June 2023, under IFRS they will be accounted for in the period during which they are declared.

3. Other expenses

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Direct operating expenses of let rental property	1,030	1,716	3,546
Direct operating expenses of vacant property	1,533	1,219	1,709
Impairment provision	375	(505)	(478)
Valuation and other professional fees	171	252	438
Directors' fees	153	145	271
Administration fee	95	80	161
Other	463	390	832
	3,820	3,297	6,479

The basis of payment for the Directors' and administration fees is detailed within the consolidated financial statements of the Group for the year ended 31 December 2022.

4. Earnings per share

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
Net profit/(loss) attributable to ordinary shareholders (£'000)	7,855	106,008	(94,377)
Earnings return per share – pence	1.1p	14.4p	(13.1)p
Weighted average of ordinary shares in issue during period	701,550,187	737,305,791	720,956,458

Earnings for the six months to 30 June 2023 should not be taken as guide to the results for the year to 31 December 2023.

5. Investment properties

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Non-current assets - Investment properties			
Freehold and leasehold properties			
Opening fair value	1,075,082	1,180,486	1,180,486
Sales - loss on sale	-	(5)	(5)
Capital expenditure	2,591	11,429	23,258
Purchase of investment properties	602	65	439
Unrealised gains on investment properties	20,029	91,006	94
Unrealised losses on investment properties	(30,748)	(1,692)	(129,190)
Closing fair value	1,067,556	1,281,289	1,075,082
Historic cost at the end of the period	932,115	916,724	928,922

Unaudited Notes to the Condensed Accounts

5. Investment properties (continued)

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Unrealised gains	20,029	91,006	94
Unrealised losses	(30,748)	(1,692)	(129,190)
Unrealised (losses)/gains on revaluation of investment properties	(10,719)	89,314	(129,096)

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Losses on sale	-	(5)	(5)
Losses on sale of investment properties realised	-	(5)	(5)

The fair value of investment properties reconciled to the appraised value as follows:

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Appraised value prepared by CBRE	1,088,875	1,302,560	1,097,100
Lease incentives held as debtors	(21,319)	(21,271)	(22,018)
Closing fair value	1,067,556	1,281,289	1,075,082

All the Group's investment properties were valued as at 30 June 2023 by RICS Registered Valuers working for CBRE Limited ('CBRE'), commercial real estate advisors, acting in the capacity of a valuation adviser to the AIFM. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS').

CBRE completed the valuation of the Group's investment properties at 30 June 2023 on a fair value basis and in accordance with The RICS Valuation – Global Standards (incorporating the International Valuation Standards) and UK national supplement ("the Red Book").

There were no significant changes to the valuation process, assumptions and techniques used during the period ended 30 June 2023, further details of which were included in note 9 of the consolidated financial statements of the Group for the year ended 31 December 2022.

6. Fair value measurements

The fair value measurements for financial assets and financial liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange rate contracts and certain other derivative instruments. The interest rate swap entered into to hedge the interest on the £50 million bank loan and the Barclays bank loan are included in Level 2. The L&G loan would also be classified as Level 2.
- Level 3 – External inputs are unobservable. Fair value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments.

All of the Group's investments in direct property are included in Level 3 as it involves the use of significant inputs. There were no transfers between levels of the fair value hierarchy during the six-month period ended 30 June 2023.

Other than the fair values stated in the table below, the fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
L&G Loan 2024*	267,156	271,536	269,430

* The fair value of the interest-bearing L&G loan is based on the yield on the Treasury 2.75% 2024 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2022.

Unaudited Notes to the Condensed Accounts

7. Interest-bearing loans and interest rate swap

£260 million L&G loan

The Group entered into a £260 million ten year term loan facility agreement with Legal & General Pensions Limited (“L&G”). The transaction was conducted by L&G’s lending arm, LGIM Commercial Lending Limited. The loan has a maturity date of 31 December 2024.

Interest is payable on this loan from the commitment date, quarterly in arrears, at a fixed rate of 3.32 per cent per annum for the duration of the loan. The loan is secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which, at 30 June 2023, comprised FCPT Holdings Limited, F&C Commercial Property Holdings Limited and Winchester Burma Limited – see Note 13). Post period-end, the Company signed up to a new Debt Facility and this is detailed in note 14.

Barclays £50 million term loan and £50 million revolving credit facility

On 3 April 2023, the Group signed up to a one-year extension in respect of its £50 million term loan facility and £50 million revolving credit facility with Barclays Bank PLC (“Barclays”). Both facilities were extended to expire on 31 July 2024. Post period-end, the Company signed up to a new Debt Facility with both Barclays and a new lender, HSBC, and this is detailed in note 14.

For the six months ended 30 June 2023, interest accrued on the bank loan at a variable rate, based on SONIA plus margin and was paid quarterly in arrears. The margin was 1.85 per cent per annum. The revolving credit facility which was undrawn at 30 June 2023 paid an undrawn commitment fee of 0.74 per cent per annum.

Interest Rate Swap

The Group entered into a £50 million interest rate swap effective from 30 September 2021 in connection with the Barclays term facility. The hedge was achieved by matching the notional amount of the swap with the loan principal.

The interest rate swap expired on 31 July 2023. Interest on the swap was received at a variable rate calculated on the same SONIA basis as for the bank loan (as detailed above but excluding the margin) and was paid quarterly at a fixed rate of 0.517 per cent per annum. This fixed the interest rate for the £50 million term loan at 2.367 per cent.

The fair value of the asset in respect of the interest rate swap contract at 30 June 2023 was £187,000 (30 June 2022: £1,199,000; 31 December 2022: £1,030,000) which is based on the marked to market value.

8. Share capital

	Number	Listed £'000	Number	Held in Treasury £'000	Number	In issue £'000
Allotted, called up and fully paid Ordinary shares of 1 pence each						
Balance at 1 January 2023	799,366,108	7,994	(97,815,921)	(979)	701,550,187	7,015
Balance at 30 June 2023	799,366,108	7,994	(97,815,921)	(979)	701,550,187	7,015

8. Share capital (continued)

The Company did not purchase any Ordinary Shares during the period (30 June 2022: 33,219,905 at a cost of £37,729,000; 31 December 2022: 51,555,643 at a cost of £58,510,000).

For the year ended 31 December 2021 the nominal value of shares purchased to be held in treasury (£463,000) was allocated to the Share Capital Reserve. This amount should have been allocated to the Special Reserve. Since this amount is immaterial, it was adjusted in the year ended 31 December 2022.

9. Net asset value per share

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
Net asset value per ordinary share – pence	117.1p	148.6p	118.5p
Net assets attributable at the period end (£'000)	821,641	1,069,562	831,465
Number of ordinary shares in issue at the period end	701,550,187	719,885,925	701,550,187

10. Going concern

After making enquiries, and bearing in mind the nature of the Company's business assets, the Directors consider that the Company has adequate resources to continue in operational existence for the next twelve months. As set out in the Articles of Incorporation the Directors shall put an ordinary resolution to shareholders on continuation of the Company at a general meeting which has to be held in 2024 and the Directors will advise on a date for the meeting in due course. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows. The Group has agreements relating to its borrowing facilities with which it has complied during the period. Post period-end, the Company has entered into a new debt facility as detailed in note 14. Based on the information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for the foreseeable future, which is considered to be for a period of at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the accounts.

11. Related party transactions

The Directors of the Company are considered to be the Group's key management personnel. The Directors receive aggregated remuneration for services as Directors and for which there are no outstanding balances at the period end. There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or performance of the Company during the period and there have been no changes in the related party transactions described in the last Annual Report that could do so.

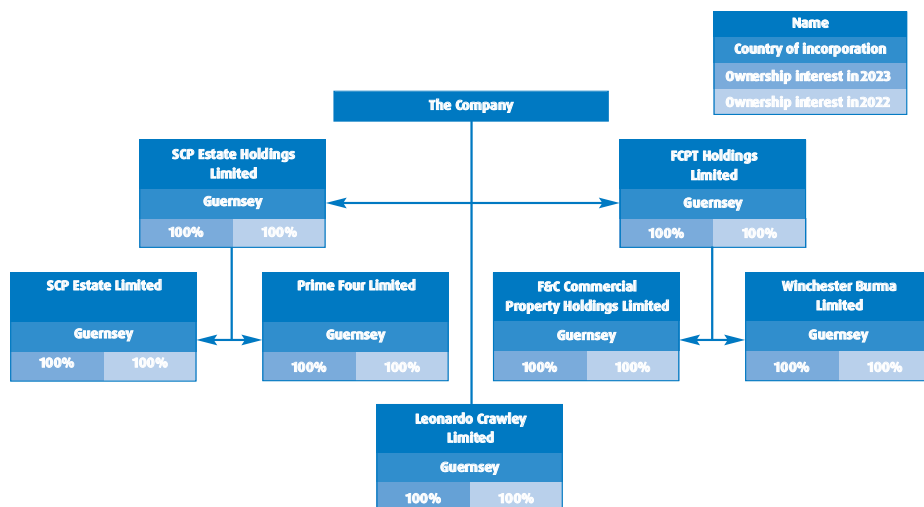
12. Capital commitments

The Group had capital commitments totalling £5,777,000 as at 30 June 2023 (30 June 2022: £18,900,000; 31 December 2022: £4,000,000).

Unaudited Notes to the Condensed Accounts

13. List of Subsidiaries

Set out below is a list of subsidiaries of the Group.



The results of the above entities are consolidated within the Group financial statements.

14. Subsequent events

On 13 September 2023, the Company signed up to a New Debt Facility provided by incumbent lender, Barclays Bank plc (“Barclays”), and a new lender, HSBC UK Bank plc (“HSBC”).

The New Debt Facility has been structured with two tranches, being (a) a £60 million Revolving Credit Facility (“RCF”) and (b) a £260 million Term Loan (the “Term Loan”), which can only be drawn to refinance the existing £260 million Term Loan facility (the “L&G Loan”) provided by LGIM Commercial Lending Limited (“L&G”). The current £100 million debt facility from Barclays (the “Barclays Loan”) will be repaid and cancelled on 14 September 2023, with £30 million of the RCF tranche being drawn down on the same day. The New Debt Facility is secured initially over the Barclays Loan security portfolio and upon drawing the Term Loan and subsequent repayment of the L&G Loan, the security portfolio provided to L&G will be secured to Barclays and HSBC. No additional security is to be provided beyond the current arrangements.

14. Subsequent events (continued)

The New Debt Facility is a bespoke structure which permits the Company to retain the competitively priced L&G Loan up to its existing 31 December 2024 maturity, whilst also ensuring the liquidity needs of the business are fully funded at an acceptable commitment cost whilst removing near term refinancing risk. The New Debt Facility has a headline interest margin of 180bps, lower than the Barclays Loan which was 185bps. It also includes two one-year extension options that allow the Company flexibility to extend the facility with the consent of its lenders, with the first option available to be requested from 1 February 2024.

Shareholder Information

Dividends

Ordinary dividends are paid monthly. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Computershare Investor Services (Guernsey) Limited, c/o Hilgrove Street, St. Helier, Jersey JE1 1ES on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent to shareholders' registered addresses.

Share Price

The Company's Ordinary Shares are listed on the Main Market of the London Stock Exchange. Prices are given daily in the Financial Times under "Investment Companies" and in other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services (Guernsey) Limited, c/o Hilgrove Street, St. Helier, Jersey JE1 1ES under the signature of the registered holder.

Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands GY1 3QL. Additional information regarding the Company may also be found on its website which is: [balancedcommercialproperty.co.uk](https://www.balancedcommercialproperty.co.uk)

Common reporting standards

Tax legislation requires investment fund companies to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities who have purchased shares in investment companies. All new Shareholders, excluding those whose shares are held in CREST, who are entered onto the share register are sent a certification form for the purpose of collecting this information.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at [balancedcommercialproperty.co.uk](https://www.balancedcommercialproperty.co.uk) This document has been produced in accordance with EU's PRIIPs Regulations.

Financial Calendar 2023/2024

October 2023	Q3 Net Asset Value announcement
January 2024	Q4 Net Asset Value announcement
March 2024	Announcement of annual results Posting of Annual Report
May 2024	Annual General Meeting
2024	Continuation Vote (specific date yet to be formalised)

Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you are approached by fraudsters please tell the Financial Conduct Authority ('FCA') by using the share fraud reporting form at fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Discount or Premium – the share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount. This could indicate that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

		Six months to June 2023 pence	Six months to June 2022 pence	Year to 31 December 2022 pence
Net Asset Value per share	(a)	117.1	148.6	118.5
Share price per share	(b)	66.2	111.4	88.5
Discount (c = (b-a)/a)	(c)	(43.5)%	(25.0)%	(25.3)%

Dividend Cover on a cash basis – The percentage by which profits for the year (less gains/losses on investment properties) adjusted by capital and rental lease incentives amortisation and interest bearing loans amortisation of set-up costs cover the dividends paid.

		Six months to June 2023 £'000	Six months to June 2022 £'000	Year to 31 December 2022 £'000
Profit/(loss) for the period		7,855	106,008	(94,377)
Add back: Unrealised losses/(gains) on revaluation of investment properties		10,719	(89,314)	129,096
Losses on sales of investment properties realised		-	5	5
Capital and rental lease incentives amortisation		945	(635)	155
Interest bearing loans amortisation of set-up costs		273	407	642
Profit before investment gains and losses and amortisation	(a)	19,792	16,471	35,521
Dividends	(b)	16,836	16,970	33,891
Dividend Cover on a cash basis (c = a/b)	(c)	117.6%	97.1%	104.8%

Accounting Dividend Cover – The percentage by which profits for the year (less gains/losses on investment properties and non-recurring other income) cover the dividend paid.

		Six months to June 2023 £'000	Six months to June 2022 £'000	Year to 31 December 2022 £'000
Profit/(loss) for the period		7,855	106,008	(94,377)
Add back: Unrealised losses/(gains) on revaluation of investment properties		10,719	(89,314)	129,096
Losses on sales of investment properties realised		-	5	5
Other income		-	(42)	(42)
Profit before investment gains and losses	(a)	18,574	16,657	34,682
Dividends	(b)	16,836	16,970	33,891
Accounting Dividend Cover (c = a/b)	(c)	110.3%	98.2%	102.3%

Dividend Yield – The dividends paid during the year divided by the share price at the year end. An analysis of dividends is contained in note 2 to the financial statements.

Net Gearing – Borrowings less cash divided by total assets (less current liabilities and cash).

		Six months to June 2023 £'000	Six months to June 2022 £'000	Year to 31 December 2022 £'000
Interest bearing loans		310,000	310,000	310,000
Less cash and cash equivalents		(54,804)	(86,412)	(54,837)
Total	(a)	255,196	223,588	255,163
Total assets less current liabilities and cash	(b)	1,078,419	1,294,364	1,088,155
Net Gearing (c = a/b)	(c)	23.7%	17.3%	23.4%

Portfolio (Property) Capital Return – The change in property value during the period after taking account of property purchases and sales and capital expenditure, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Portfolio (Property) Income Return – The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Portfolio (Property) Total Return – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Total Return – The theoretical return to shareholders calculated on a per share basis by adding dividends paid in the year to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, respectively, on the date on which they were quoted ex-dividend.

	Six months to June 2023	Six months to June 2022	Year to 31 December 2022
NAV per share at start of period – pence	118.5	135.1	135.1
NAV per share at end of period – pence	117.1	148.6	118.5
Change in the period	-1.2%	+10.0%	-12.3%
Impact of dividend reinvestments	+2.0%	+1.7%	+3.1%
NAV total return for the period	+0.8%	+11.7%	-9.2%

	Six months to June 2023	Six months to June 2022	Year to 31 December 2022
Share price per share at start of period – pence	88.5	105.0	105.0
Share price per share at end of period – pence	66.2	111.4	88.5
Change in the period	-25.2%	+6.1%	-15.7%
Impact of dividend reinvestments	+2.2%	+2.2%	+4.0%
Share price total return for the period	-23.0%	+8.3%	-11.7%

EPRA Performance Measures

The European Public Real Estate Association (EPRA) is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations (BPR) to establish consistent reporting by European property companies.

EPRA earnings and EPRA earnings per share – EPRA earnings represents the earnings from core operational activities, excluding investment property revaluations and gains/losses on asset disposals. It demonstrates the extent to which dividend payments are underpinned by recurring operational activities.

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Profit/(loss) per IFRS income statement	7,855	106,008	(94,377)
Exclude:			
Unrealised losses/(gains) on revaluation	10,719	(89,314)	129,096
Losses on sale of investment properties realised	-	5	5
EPRA Earnings	18,574	16,699	34,724
Weighted average number of shares in issue (000's)	701,550	737,306	720,956
EPRA earnings per share (pence per share)	2.6	2.3	4.8

EPRA Net Tangible Assets: Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
IFRS Net Asset Value	821,641	1,069,562	831,465
Fair value of interest rate swaps	(187)	(1,040)	(1,030)
Net assets used in per share calculation	821,454	1,068,522	830,435
Shares in issue (000's)	701,550	719,886	701,550
EPRA assets per share (pence per share)	117.1	148.4	118.4

How to Invest

One of the most convenient ways to invest in Balanced Commercial Property Trust Limited is through one of the savings plans run by Columbia Threadneedle Investments.

CT Individual Savings Account (ISA)

You can use your ISA allowance to make an annual tax efficient investment of up to £20,000 for the current tax year with a lump sum from £100 or regular savings from £25 a month. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

CT Junior Individual Savings Account (JISA)*

A tax efficient way to invest up to £9,000 per tax year for a child. Contributions start from £100 lump sum or £25 a month. JISAs or CTFs with other providers can be transferred to Columbia Threadneedle Investments.

CT Lifetime Individual Savings Account (LISA)

For those aged 18-39, a LISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

CT Child Trust Fund (CTF)*

If your child already has a CTF, you can invest up to £9,000 per birthday year, from £100 lump sum or £25 a month. CTFs with other providers can be transferred to Columbia Threadneedle Investments.

CT General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £100 lump sum or £25 a month.

CT Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £100 lump sum or £25 a month per account. You can also make additional lump sum top-ups at any time from £100 per account.

Charges

Annual management charges and other charges apply according to the type of plan.

Annual account charge

ISA/LISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

*The CTF and JISA accounts are opened by parents in the child's name and they have access to the money at age 18.

Dealing charges

£12 per fund (reduced to £0 for deals placed through the online Columbia Threadneedle Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits. Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales Cost & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to, these can be found at ctinvest.co.uk/documents.

How to Invest

To open a new Columbia Threadneedle Investments plan, apply online at **ctinvest.co.uk** Online applications are not available if you are transferring an existing plan with another provider to Columbia Threadneedle

Investments, or if you are applying for a new plan in more than one name but paper applications are available at ctinvest.co.uk/ documents or by contacting Columbia Threadneedle Investments.

New Customers

Call: **0800 136 420****
(8.30am – 5.30pm, weekdays)
Email: invest@columbiathreadneedle.com

Existing Plan Holders

Call: **0345 600 3030****
(9.00am – 5.00pm, weekdays)
Email: investor.enquiries@columbiathreadneedle.com
By post: Columbia Threadneedle Management Limited,
PO Box 11114, Chelmsford,
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre**

**Calls may be recorded or monitored for training and quality purposes.

To find out more, visit ctinvest.co.uk

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.



Company Overview

Objective

The investment objective of Balanced Commercial Property Trust Limited ('the Company') is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

The Company

The Company is an Authorised Closed-Ended Guernsey incorporated investment company. Its shares have a premium listing on the Official List of the Financial Conduct Authority and are traded on the Main Market of the London Stock Exchange. Stock Code : BCPT.

The Interim Report of the Company also consolidates the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 13 to the accounts.

Capital Structure

The Company's equity capital structure consists of ordinary shares ('Ordinary Shares'). Subject to the solvency test provided for in The Companies (Guernsey) Law 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors.

Management

The Board has appointed Columbia Threadneedle Investment Business Limited (referred to throughout this document as 'the Investment Managers') as the Company's investment managers and Columbia Threadneedle REP AM plc (referred to throughout this document as 'CT REP' or 'the Property Managers') as the Company's property managers. The Investment Managers and CT REP are both part of the Columbia Threadneedle Investments Group ('CTI') and, collectively, are referred to in this document as 'the Managers'.

Guernsey Regulatory Status

The Company is an Authorised Closed-Ended Investment Scheme domiciled in Guernsey and on 9 June 2009, was granted an authorisation declaration by the Guernsey Financial Services Commission in accordance with Section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 2020, and rule 6.2 of the Authorised Closed-Ended Investment Schemes Rules 2021.

Visit our website at:

[balancedcommercialproperty.co.uk](https://www.balancedcommercialproperty.co.uk)



The Association of
Investment Companies

Registered in Guernsey with company registration number 50402
Legal Entity Identifier: 213800A2B1H4ULF3K397

Corporate Information

Directors (all non-executive)

Paul Marcuse (Chairman) *
Hugh Scott-Barrett †
Isobel Sharp #
John Wythe †
Linda Wilding ^

Secretary

Northern Trust International Fund Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL
☎ +44 1481 745001

Alternative Investment Fund Manager ('AIFM') and Investment Managers

Columbia Threadneedle Investment
Business Limited
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
☎ +44 207 628 8000

Property Managers

Columbia Threadneedle REP AM plc
Cannon Place
78 Cannon Street
London EC4N 6AG

* Chairman of the Nomination Committee

† Senior Independent Director

Chairman of the Audit and Risk Committee

† Chairman of the Management Engagement Committee

^ Chairman of the ESG Committee

Property Valuers

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Gategny Esplanade
St. Peter Port
Guernsey GY1 4ND

Guernsey Legal Advisers

Carey Olsen (Guernsey) LLP
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ

UK Legal Advisers

Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Broker and Financial Adviser

Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

Depository

JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Website

balancedcommercialproperty.co.uk

Balanced Commercial Property Trust Limited

Interim Report 2023

Registered office:

📍 PO Box 255, Trafalgar Court, Les Banques,
St. Peter Port, Guernsey, Channel Islands, GY1 3QL

☎ +44 1481 745001

💻 balancedcommercialproperty.co.uk

✉ invest@columbiathreadneedle.com

Registrars:

📍 Computershare Investor Services (Guernsey) Limited
c/o Queensway House, Hilgrove Street,
St. Helier, Jersey, Channel Islands JE1 1ES

☎ +44 370 7020003

💻 computershare.com

To find out more visit columbiathreadneedle.com

