bwp TRUST

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4 August 2021

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 2021

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 2021 results

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

> 2021 Annual Report
> Full-year 2021 results investor presentation
> 2021 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 2021 and the outlook for the year ahead.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **4 August 2021** at **10.30AM AEST** (8.30AM AWST).

Investors and analysts wishing to participate should dial **1800 175 864** from within Australia (+61 283 733 550 from outside Australia) and ask to join the **BWP Trust Full-Year Results Investor Presentation** (conference ID/event pass code is **576 0889**). This briefing is recorded and made available via our website.

Yours faithfully

K A Lange
Company Secretary

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ASX release

4 August 2021

APPENDIX 4E — FINANCIAL YEAR ENDED 30 JUNE 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET		30 June 2021	30 June 2020	Variance %
Revenue from ordinary activities	$000	152,242	155,781	(2.3)
Profit before gains on investment properties	$000	113,986	117,078	(2.6)
Gains in fair value of investment properties	$000	149,183	93,564	59.4
Profit from ordinary activities attributable to unitholders	$000	263,169	210,642	24.9
Net tangible assets per unit	$	3.29	3.06	7.5
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 2021
Payment date for the final distribution	20 August 2021

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") applied for both the interim and final distribution for the year ended 30 June 2021.

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 4 August 2021 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

4 August 2021

FULL-YEAR RESULTS TO 30 JUNE 2021

The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the results of the Trust for the 12 months to 30 June 2021.

The Trust made good progress in improving Bunnings Warehouse properties and repositioning ex-Bunnings properties in the portfolio during the year. Upgrades were completed for the Croydon and Port Melbourne properties. The Port Macquarie property has been repositioned for large format retail and is now fully leased. A non-binding agreement has been entered into for the Cairns property to be utilised as a film studio, and the Trust has entered into an arrangement with the New South Wales State Government for the recently vacated Belmont North property to be used as a COVID-19 vaccination centre for up to two years. The re-zoning of the Belmont North property has recently been approved and work is underway to determine the best longer-term use for that property. The Midland property has been leased to a car dealership on expiry of the Bunnings lease in September 2021. Options to extend Bunnings leases were exercised for the Belmont, Caroline Springs, Cockburn, Fairfield Waters, Mount Gravatt, Pakenham, Smithfield, Wagga Wagga, Broadmeadows and Dubbo properties.

For the year ended 30 June 2021, the assessed valuation of the Trust's property portfolio increased by $149.2 million, a 6.0 per cent increase over the prior year, reflecting the ongoing attractiveness of Bunnings Warehouse properties to investors.

The COVID-19 pandemic ("COVID-19") continued during the year with ongoing outbreaks which resulted in lockdowns or activity restrictions on a state basis for varying periods of time. Bunnings was able to operate on an unrestricted basis from the properties leased from the Trust for the majority of the year. The Trust has leases with a small number of tenants such as gym operators which were subject to COVID-19 closure by State governments for periods of time during the year. Rent abatements totalling $473,571 were granted for the year ended 30 June 2021. The Trust received 99.6 per cent of rent due for the year, taking into account COVID-19 impacts.

The Trust pays out 100 per cent of distributable profit (which includes any capital profits released) every six months. Divestments and the repositioning of vacated properties can impact the amount of distributable profit available in any particular reporting period. Net profit before revaluation gains for the year ended 30 June 2021 was $114 million, a 3.0 per cent reduction from the prior financial year. This reflects the one-off impact of deposit payments forfeited by prospective purchasers of BWP-owned properties that resulted in a higher net profit in the 2020 financial year. For the year ended 30 June 2021, BWP reported a full-year ordinary distribution of 18.29 cents per unit, the same as reported for the previous year. Capital profits were utilised to offset the lower net profit to maintain the same distribution.

BWP Management Limited ABN 26 082 856 424
as Responsible Entity for the BWP Trust

2020/21 full-year highlights

> Final distribution of 9.27 cents, bringing the full-year ordinary distribution to 18.29 cents, in line with the previous year

> 16 market rent reviews (including 13 Bunnings Warehouse properties) finalised during the year with rents broadly in line with the market

> Like-for-like rental growth of 1.6 per cent for the 12 months to 30 June 2021, taking into account the average inflation on Consumer Price Index ("CPI") linked leases of 0.5 per cent

> Weighted average cost of debt of 3.1 per cent for the year, 3.3 per cent at year end

> Weighted average lease expiry of 4.2 years at 30 June 2021

> Portfolio 97.8 per cent leased

> Net revaluation gains on the property investment portfolio of $149.2 million for the year

> Net tangible assets of $3.29 per unit at 30 June 2021 (2020: $3.06 per unit), up 7.5 per cent on the previous year

> Gearing (debt/total assets) 17.7 per cent at 30 June 2021

Results summary

Year ended 30 June			2021	2020
Total income		$m	**152.2**	155.8
Total expenses		$m	**(38.3)**	(38.7)
Profit before gains in fair value of investment properties		$m	**114.0**	117.1
Gains in fair value of investment properties		$m	**149.2**	93.6
Net profit		$m	**263.2**	210.6
Less: gains in fair value of investment properties		$m	**(149.2)**	(93.6)
Capital profits released from undistributed income reserve		$m	**3.5**	0.4
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		%	**12.22**	23.55
Total assets		$m	**2,674.6**	2,552.6
Borrowings		$m	**474.7**	503.2
Unitholders' equity		$m	**2,116.4**	1,968.7
Gearing (debt to total assets)		%	**17.7**	19.7
Number of units on issue		m	**642**	642
Number of unitholders			**24,155**	22,030
Net tangible asset backing per unit		$	**3.29**	3.06
Unit price at 30 June		$	**4.26**	3.83
Management expense ratio[1] (annualised)		%	**0.63**	0.64

Figures above 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 2021 was $152.2 million, down by 2.3 per cent from last year. Rental and other property income was $3.4 million lower than the previous year, largely due to the $2.7 million of forfeited deposits received in the 2020 financial year. A reduction in income attributable to the straight lining of rent of $1.5 million was largely offset from annual increases in rent and rent from the properties repositioned. During the year, the Trust granted rent abatements of $0.5 million (2020: $0.4 million) for tenants affected by the COVID-19 shutdowns.

Finance costs of $15.0 million were 3.6 per cent lower than last year, due to a lower weighted average cost of debt. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 3.1 per cent, compared to 3.4 per cent for the previous year. The average level of borrowings was 3.3 per cent higher than the previous year ($477.1 million compared with $461.9 million).

Other operating expenses were broadly in line with the previous year at $8.6 million compared to $8.8 million in the previous year.

The management expense ratio for the year ended 30 June 2021 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) decreased from 0.64 per cent in the previous year to 0.63 per cent for the current year. The management expense ratio was lower due to a management fee waiver on $75 million of gross assets from 1 January 2021.

Profit as disclosed in the Trust's financial statements includes unrealised and realised gains or losses in the fair value of investment properties as a result of the revaluation of the entire property portfolio every six months and property divestments. The unrealised revaluation gains or losses are recognised as undistributed income as part of unitholders' equity in the financial statements and do not affect the profit available for distribution to unitholders each period.

For the year ended 30 June 2021, net profit was $263.2 million, including $149.2 million in gains in the fair value of investment properties. This compares with net profit last year of $210.6 million which included gains of $93.6 million in the fair value of investment properties.

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 2021, $3.5 million of capital profits were released from the undistributed income reserve (2020: $370,000).

As at 30 June 2021, the Trust's total assets were $2.7 billion (2020: $2.6 billion) with unitholders' equity of $2.1 billion and total liabilities of $0.6 billion. Investment properties made up the majority of total assets comprising $2.6 billion (2020: $2.5 billion).

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2021 was $3.29 per unit, an increase of 7.5 per cent from $3.06 per unit as at 30 June 2020. The increase in NTA was due to the increase in net assets through property revaluations and capital improvements.

Developments

In March 2021, the expansion of the Croydon Bunnings Warehouse, Victoria, was completed at a cost of $4.0 million. The annual rental increased by approximately $0.2 million.

In June 2021, the expansion of the Port Melbourne Bunnings Warehouse, Victoria, was completed at a cost of $6.6 million. The annual rental increased by approximately $0.4 million.

Capital expenditure

During the year, the Trust invested $1.3 million on LED lighting at various properties and approximately $4.9 million was spent on various other improvements to the portfolio.

Property acquisitions and divestments

Although there were no properties acquired during the year, the Trust made offers to purchase a number of properties. The Trust actively continues to look for value creating opportunities.

In May 2021, the Trust sold the Underwood property in Queensland for $16.0 million to an unrelated third party.

In addition, the Trust entered into an agreement to sell the Mindarie property in Western Australia for $14.5 million to an unrelated third party with settlement occurring on 30 July 2021.

Occupancy

As at 30 June 2021, the portfolio was 97.8 per cent leased.

It is the nature of the Bunnings business model that its property requirements for some locations change over time as is the case for nine properties in the property investment portfolio. In all cases, Bunnings has relocated or is in the process of relocating to a new nearby site in the same demographic area. For any Bunnings vacancy, 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 these properties.

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, 86 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 1.6 per cent in the annual rent for these properties.

Sixteen market rent reviews (including 13 Bunnings Warehouse properties) were finalised during the year, with rents broadly in line with the market. The market rent reviews that were due for two Bunnings Warehouses during the year ended 30 June 2020 and 11 during the year ended 30 June 2021 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 2020 and again at 30 June 2021, including 19 property revaluations performed by independent valuers (11 at 31 December 2020 and eight at 30 June 2021). 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 increased by $151.9 million to $2,636.1 million during the year following capital expenditure of $16.8 million and revaluation gains of $149.2 million, after adjusting for the straight-lining of rent of $1.7 million and less net proceeds from divestments of $15.8 million.

The net revaluation gain was due mainly to growth in rental income and an average decrease in capitalisation rates across the portfolio during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2021 was 5.65 per cent (December 2020: 5.84 per cent; June 2020: 6.08 per cent).

Capital management

The Trust extended the tenor of its debt facilities during the year. A new $100 million seven-year bond was issued in March 2021, and the debt facilities with Commonwealth Bank of Australia and Westpac Banking Corporation were extended for a further year. The debt facility with Sumitomo Mitsui Banking Corporation ("SMBC") was restructured and increased from $100 million to $110 million. The restructuring of the SMBC facility will assist in refinancing a $110 million bond maturing in mid-2022.

As at 30 June 2021, the weighted average duration of the Trust's debt facilities was 3.2 years to expiry (2020: 3.2 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was 78.6 per cent which was slightly lower than the previous year at 82.6 per cent, resulting from the additional debt facilities obtained due to the COVID-19 pandemic.

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 2021, the Trust's interest rate hedging cover was 91.3 per cent of borrowings, with $70.0 million of interest rate swaps and $360.0 million of fixed rate corporate bonds, against interest bearing debt of $471.1 million. The weighted average term to maturity of hedging was 3.5 years.

Due to the accounting requirement to mark the value of interest rate swap hedges to market, the Trust's hedging liabilities decreased to $0.8 million as at 30 June 2021 (2020: $2.8 million). The decrease in hedging liability during the year was due to the reduction in the average term to maturity of the interest rate swap profile.

The Trust's gearing ratio (debt to total assets) at 30 June 2021 was 17.7 per cent (2020: 19.7 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 8.8 times (2020: 8.6 times).

Distribution

A final distribution of 9.27 cents per ordinary unit has been declared and will be made on 20 August 2021 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2021. The final distribution takes the total ordinary distributions for the year to 18.29 cents per unit (2020: 18.29 cents per unit).

The Distribution Reinvestment Plan (DRP) was in place for both the interim distribution and final distribution for the year ended 30 June 2021.

Outlook

The variables that could have the most influence on the financial performance of the Trust in the near term, include the strength of the Australian economy and the financial implications for the Trust's tenants, future investor demand for property, cost of funding, and the time and cost of repositioning properties in the portfolio vacated by Bunnings.

The strength and outlook for the home improvement, outdoor living and lifestyle 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 be more important for the Trust's performance in the longer term.

For the year ended 30 June 2021, there continued to be strong investor demand for Bunnings Warehouse properties. This was driven by the low interest rate environment and the search by investors for yields higher than interest rates, the strong Bunnings financial covenant, and the relative risk of a Bunnings Warehouse investment, compared to other property and other asset classes.

The value of the Trust's property portfolio at 30 June 2021 reflects the continuing strong market support for Bunnings Warehouse properties from an investment and risk perspective. The Trust will remain disciplined in its investment approach to ensure it is well placed to create value from any new property investments.

Approximately 55 per cent of the Trust's rental income is subject to CPI annual adjustment and 45 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). The Trust will have lower incremental rental growth while CPI remains low, compared to historical levels.

For the year ending 30 June 2022, CPI reviews will apply to 50 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 39 per cent reviewed to fixed increases of three to four per cent.

For the 2021/22 financial year, the Trust's primary focus is on filling any vacancies in the portfolio, progressing 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 continue to look for opportunities to grow the portfolio that will create value for the Trust.

Subject to there being no major COVID-19 or other disruption of the Australian economy, the Trust could expect the distribution for the year ending 30 June 2022 to be similar to the ordinary distribution paid for the year ended 30 June 2021. Capital profits may be utilised to support the distribution.

For further information please contact:

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