Brockton Everlast Inc. Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

Company number: 11189374

Brockton Everlast Inc. Limited

Annual Report for the year ended 31 December 2022
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Brockton Everlast Inc. Limited

Company Information

Directors	Moti Barzilay Oren Frenkel Nathan Hetz David Marks Jason Blank Richard Selby (alternate)
Company Number	11189374
Registered office and business address	89 Wardour Street London W1F 0UB United Kingdom
Independent auditor	Deloitte LLP 2 New Street Square London, EC4A 3HQ United Kingdom
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Brockton Everlast Inc. Limited

Strategic Report
For the year ended 31 December 2022

Introduction

The Directors present their strategic report on Brockton Everlast Inc. Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022.

Review of the business

The Group was incorporated on 6 February 2018 and, on 22 March 2018, acquired Brockton Capital LLP ("BC LLP"), the Investment Advisor to three Private Equity Real Estate Funds. In the year to 31 December 2022 the Group acquired three buildings totalling c.278,000 sq ft in Cambridge for a total of £175.13 million (including associated costs). This increased the Group's investment property portfolio to c.1.45m sq ft., 50% of which (by value) is in Central London.

In the year the Company issued at par 252,034,055 of fully paid ordinary shares of £1 each. The additional equity was principally used to fund acquisitions in the year of £175.13m (including acquisition costs) and a net reduction in borrowings of £15.55m along with the settlement in the year of £26.71m of long-term incentive plan liabilities that were accrued at 31 December 2021.

During the year, the Group's total comprehensive loss was £36.21m (year to 31 December 2021, income of £233.25m). Adjusting for net gains / losses in the fair value movements in hedges and investment property, and the long-term incentive plan charges, the adjusted total comprehensive income in the year would be £18.95m, versus £12.27m in the year to 31 December 2021. This is reflective of a larger investment portfolio, £6.86m of additional rent following the settlement of an outstanding rent review, and additional financing income.

Future developments and outlook

The Group continues to appraise real estate investment opportunities, with a particular focus on the workplace in, and around, both Greater London and Cambridge.

The year to 31 December 2022 has seen increases, and fluctuations, in SONIA (increased from 0.1922% to 3.4281%), the 5 year SONIA swap rate (increased from 1.04% to 4.05%), UK Gilts (10 year Gilt increased from 0.97% to 3.66%), and UK inflation (CPIH was 4.8% in December 2021, increasing to 9.2% in December 2022). The volatility in these indexes has continued beyond 31 December 2022. The impact that this has had on the Group is minimal given that the Group's borrowings are fully hedged, the weighted expiry of the Group's loan facilities is c2.2 years, and the weighted average unexpired lease term (certain) is c5.3 years. The Group, however, continues to monitor market indexes and mitigate the impact of volatility where appropriate.

Key performance indicators

The key performance indicators are rental growth, both current and potential, and high occupancy level. These underpin long-term growth in capital values.

Net operating income from the Group's investment properties increased from £36.28m in the year to 31 December 2021 to £47.23m in the year to 31 December 2022. This was as a result of acquisitions in the prior year now contributing a full year's rental income, as well as a rent review in one of the Group's investments, which contributed additional rent of £6.86m, £5.10m of which related to prior years.

Occupancy remains very high, at 92.4% at 31 December 2022 (31 December 2021: 93.0%).

Principal risks and uncertainties

The group is exposed to the following principal business risks through its operations including the following financial and non financial risks:

- credit risk;
- market risk;
- liquidity risk;
- failure to manage environmental and sustainability issues; and
- risks associated with Covid-19.

- **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has two tenants, which, at the year end, constituted approximately 37% of the Group's rental income. The tenants are a UK government agency, and a FTSE 250 corporation, which both have an excellent credit history. During the reporting periods the Group was exposed to credit risks from both its leasing activities and financing activities, including deposits held with banks and financial institutions. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. The Group manages credit risk by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. Cash balances are held and derivatives are agreed only with financial institutions with high credit ratings. The Group has policies that limit the amount of credit exposure to any financial institution. The utilisation of credit limits is regularly monitored.

- **Market risk**

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

The year to 31 December 2022 has seen increases, and fluctuations, in both SONIA and the 5 year SONIA swap rate. The volatility in this index has continued beyond 31 December 2022. The impact of the increase, and volatility, in SONIA on the Group's cash flows, however, is limited as 100% of the Group's borrowings are hedged through to the expiry of the facilities. Furthermore, the weighted expiry of the Group's loan facilities is c2.2 years.

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

The year to 31 December 2022 has seen increases, and fluctuations, in both the UK Gilt rate and UK inflation. The volatility in these indexes has continued beyond 31 December 2022. The impact on the Group of the recent movements in the financial markets has been minimal given i) the quality of the Group's investment portfolio, ii) the nature of the Group's tenants, and iii) at the year end there was a weighted average unexpired lease term (certain) of c5.3 years. The Group is also undertaking various actions to mitigate the impact of inflation, particularly as it applies to the Group's development plans.

- **Liquidity risk**

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, facilities and other credit lines as appropriate.

- **Failure to manage environmental and sustainability issues**

Environmental and sustainability issues are becoming increasingly important for investors and featuring in their decision-making processes. If the Group has not adequately addressed these matters, new investors may choose to not invest and existing investors could disinvest if the Group does not meet their required environmental and sustainability standards. At a property level, if environmental and sustainability matters are not addressed, it could lead to properties being unlettable or unsellable, or could impact on their rental value. Failure to manage climate-related risks including both physical and transition risks, could lead to increased operational costs, business disruption, reduced occupier demand and asset value impairment.

The Group's commitment to environmental and sustainability issues permeates through every asset owned, how the Group manages both the overall portfolio and the firm, and how the Group delivers the most tangible ways to give back to the neighbourhoods that we invest in. The Group is committed to ensuring that our entire portfolio achieves Net Zero Carbon by 2030. Our target includes both embodied and operational carbon ('EC' and 'OC' respectively) – addressing the emissions resulting from the development, management and operation of our buildings, as well as our own corporate activities. On every building that we acquire, develop and manage, we design and implement a strategy that addresses both the Macro Sustainability issues (e.g. climate change mitigation and a commitment to Net Zero by 2030) and the Micro Sustainability issues (e.g. providing for the needs of local people and implementing high quality placemaking in the neighbourhoods that we invest in). In respect of the major new projects that we are delivering, we and our design teams are striving hard to meet and, where possible, exceed the sustainability targets set by leading industry bodies in order to create exemplar, 21st century workplaces. Every new project will publish its own Net Zero Carbon strategy. The Group is also a supporter, both financially and in terms of our sustainability design targets, of the UK Green Building Council and the Better Buildings Partnership.

- **Risks associated with Covid-19**

The continuing Covid-19 pandemic has created a number of uncertainties and risks that may affect the Group's performance going forwards. This includes an increased risk of tenants defaulting or tenant failure, reduced demand for Central London office space, and additional costs required to ensure that the Group's portfolio is adaptable to reduced occupational density. There is also a risk associated with adverse market valuation movements which may affect the Group's balance sheet. To date, Covid-19 has had minimal impact on the Group's default rate, and the Group continues to monitor the impact that Covid-19 is having on demand for office space, but the Group is firmly of the opinion that its portfolio is well positioned to meet the demands facing occupiers post Covid-19.

Section 172 (1) statement - Engaging with stakeholders

The success of the Group's business is dependent on the support of all its stakeholders. Building positive relationships is important to the Group and working together towards shared goals assists the Group in delivering long-term sustainable success. In carrying out their duties under s172, the Directors have regard to both the short and long-term impact of their decisions, the interests of the Group's employees, its sub-contractors, suppliers, consultants, tenants, the impact of its activities on the communities in which it operates and the environment.

The Group's business model is based on providing tenants with high quality commercial office and lab space, built to a high standard and delivered on programme. The Group aims to optimise the development potential of its sites in consultation with planning authorities and local communities; provide a well ordered and safe working environment for employees and sub-contractors; make prompt payment to all members of its supply chain (except in the case of dispute); operate in compliance with applicable laws and regulations; and conduct its business in an open and direct manner with all stakeholders.

- **Shareholders**

The Group relies on the support of shareholders and their opinions are important to us. The Group has open communication with our shareholders, which covers a wide range of topics including financial performance, strategy and outlook.

- **Employees**

The principal means of employee engagement is through regular and open dialogue at all levels of the Group. As is typical for a business of this size, directors and senior management are closely involved in operational matters providing ample opportunity for engagement with employees at all levels. There is an open-door culture affording all employees the opportunity to raise matters with directors and senior management in addition to their direct line manager. Furthermore, the Group's long term incentive plan ensures an alignment of interests between the Group's shareholders and employees.

- **Customers**

The Group's ambition is to deliver best-in-class service to its tenants. The Group liaises with its tenants to understand their needs and views and listens to how there can be improvements to the offer and service to them. The Group use this knowledge to inform its decision-making.

- **Service providers**

The Board recognises that relationships with trusted service providers are integral to the business's long-term success. The Group builds strong relationships with our service providers to develop mutually beneficial and lasting partnerships.

Through comprehensive, fair and competitive procurement processes, the Group ensures that its service providers are of a calibre that will help it achieve its objectives. Once service providers are engaged, the Group performs comprehensive contract management to ensure services are delivered in accordance with agreements and therefore contribute to delivery of its strategy.

- **Lenders**

Availability of funding and liquidity are crucial to the Group's ability to take advantage of investment opportunities as they arise. The Group maintains strong relationships with current lenders, providing regular updates on at least a quarterly basis, and also maintains regular contact with prospective lenders to ensure it is well placed to secure additional funding when required. Considering how important the availability of funding is, the Group aims to demonstrate to lenders that it is a well-managed business, and in particular, that the Board focuses regularly and carefully on the management of risk.

- **Communities**

The Group contributes to the communities in which it operates in a proactive and positive way. The Group supports and encourages its employees to contribute to non-profit and charitable organisations and seeks to ensure our projects add public value to the local community. Community objectives form a key part of the Environmental, Social and Governance ("ESG") strategies that the Group sets on its development projects. The Group aims to create shared value and address the issues that are most important to the neighbourhoods in which it invests.

In particular, the Group works closely with Access Aspiration, which is a leading employability programme that sits within the Mayor's Fund for London. The scheme supports Londoners from low socio-economic backgrounds with the ultimate ambition of breaking down the barriers to education and fulfilled employment through sector-wide partnerships. The Group has collaborated with Access Aspiration since 2018 to form a partnership that not only offers work experience for a wide range of students, but also creates a long-lasting impact through webinars, mock interview sessions, charity event days, case study site visits to major commercial projects across London and mentorship opportunities.

- **Environment**

The real estate sector has a key role to play in protecting and enhancing the natural environment. An example of this is the impact our sector has on climate change, as the UK built environment is currently responsible for 25% of total UK greenhouse gas emissions. This places great responsibility on those companies that are direct or indirect contributors.

The Board is sensitive to the Group's role and is committed to continually reviewing its approach to sustainable investment, development and management. The Board recognises that this is integral in delivering a positive impact on ESG considerations, as well as better long-term returns for its investors.

As part of its ESG considerations, the Group has identified several key focus areas relating to the environment, which include climate change mitigation and adaptation, biodiversity protection and enhancement, circular economy of materials and water, and sustainable sourcing of materials. Every development project has specific ESG objectives and strategies against each focus area, which are established at the start of the project and are continually tracked to maintain performance.

Further to this, the Group has made a portfolio-wide commitment to achieve net zero carbon in construction and operation for all new developments by 2030. This target addresses both the upfront embodied carbon and the operational carbon of new developments.

The Board also acknowledges the Group's role in joining wider industry efforts on environmental matters, and overall ESG, so the Group is a member and a participant of the Better Buildings Partnership and the UK Green Building Council.

- **The desirability of the Company maintaining a reputation for high standards of business conduct**

Our desire to maintain a reputation for high standards of business conduct is embodied in our corporate values of caring about our tenants and the service we provide to them, pride in the Everlast business and what it delivers, dedication to quality in whatever and we do and reliability in doing what we say we will do. Our teams work together in a constructive and helpful way to deliver together for our tenants.

It is the Group's policy to conduct all business in an honest and ethical manner by acting professionally, fairly and with integrity in all our business dealings and relationships. This is emphasised in our policies covering financial crime anti-bribery, anti-corruption and anti-tax evasion initiatives.

We also maintain an ongoing dialogue with our shareholders through formal communication of operational and financial information on a quarterly basis, as well as through numerous other interactions periodically through, the year. We use these interactions to ensure that both the strategic direction of the Group and the standards we maintain in conducting our business is aligned with the group objectives and standards of our owners.

- **Streamlined energy and carbon reporting**

The group is not required to make disclosures under the Streamlined Energy and Carbon Reporting as none of its subsidiary undertakings meet the disclosure thresholds.

This strategic report was approved by the board on 22 February 2023 and signed on behalf of the Board by:

Jason Blank **Director**	**David Marks** **Director**

Brockton Everlast Inc. Limited

Directors' Report
For the year ended 31 December 2022

The Directors present their report together with the audited financial statements of Brockton Everlast Inc. Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022.

Directors

The directors shown below have held office during the year and up to the date of this report:

Moti Barzilay
Oren Frenkel
Nathan Hetz
David Marks
Jason Blank
Richard Selby (alternate director)

Dividends

During the year the Company paid dividends of £16m (year to 31 December 2021: £12m).

Subject to market conditions and performance, financial position and financial outlook, it is the Directors' intention to pay an appropriate level of dividends to shareholders on a bi-annual basis.

As the Company is a REIT, the Board must also ensure that dividends are paid in accordance with the requirements of the UK REIT regime (pursuant to part 12 of the UK Corporation Tax Act 2010) in order to maintain the Company's REIT status. Shareholders should note that the dividend policy is not a profit forecast and dividends will only be paid to the extent permitted in accordance with the Companies Act 2006 and the UK REIT regime.

Directors' indemnities and insurance

The Group has in place contractual entitlements for the directors of the Company and its subsidiaries to claim indemnification by the Group for certain liabilities they might incur in the course of their duties. We have established these arrangements, which constitute qualifying third-party indemnity provision, in compliance with the relevant provisions of the Companies Act 2006. They include provision for the Company to fund the costs incurred by directors in defending certain claims against them in relation to their duties. The Group also maintains an appropriate level of directors' liability insurance in respect of potential legal action against its directors.

Financial risk management objectives and polices

Details of the Group's financial risk management objectives, engagement with employees, stakeholders and other stakeholders, and policies can be found in the Strategic Report and form part of this report by cross-reference.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 34 to the financial statements.

Going concern

After making due and proper enquiries, the Directors have formed a judgement that, at the time of approving the consolidated financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of the approval of these accounts, and on that basis can continue to adopt the going concern basis in preparing the consolidated financial statements. In reaching this conclusion the Directors have considered the net current liability position at 31 December 2022 of £64.38m, and consequently the Group has received a letter of support from its ultimate controlling party, Alony-Hetz Properties & Investments Limited for a period of 12 months from the date of approval of these accounts. In reaching this conclusion, the Members have also considered the ability and willingness of Alony-Hetz Properties & Investments Limited to provide such support.

Independent auditors

Our auditor, Deloitte LLP, has indicated their willingness to continue in office. The Board, on the advice of the Audit Committee, recommends their re-appointment, and a resolution that they be re-appointed will be proposed.

Streamlined energy and carbon reporting

The Group is not required to make disclosures under the Streamlined Energy and Carbon Reporting as none of its subsidiary undertakings meet the disclosure thresholds.

Disclosure of information to auditors

Each of the persons who is a Director of the Company at the date of approval of this report confirms that:

- So far as he/she is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement (continued)

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with international accounting standards in accordance with United Kingdom adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This Director's report was approved by the board on 22 February 2023 and signed on behalf of the Board by:

Jason Blank (Director)

David Marks (Director)

Independent Auditor's Report to the Members of Brockton Everlast Inc. Limited
Report on the audit of the financial statements
For the year ended 31 December 2022

1. Opinion

In our opinion:

- the financial statements of Brockton Everlast Inc. Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;

- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the company cash flow statement; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we have identified in the current year is: • Valuation of investment properties Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £28,600,000 which was determined on the basis of 2% of total assets. We applied a lower threshold of £1,020,000, based on 2% of revenue, for testing of balances impacting the statement of comprehensive income, excluding fair value movements on investment property and securities, financing income and expense and tax charge.
Scoping	Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement.
Significant changes in our approach	There have been no changes in our approach over the year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the judgements and assumptions in the going concern assessment and associated forecasts of financial performance and financial position, considering the reasonableness of assumptions regarding rental collection levels and historical trading performance.
- reading the key loan documentation to understand the principal terms, including financial covenants, and recalculating the group's existing and forecast compliance with debt covenants and any associated cure mechanism and cash traps.
- assessing the financial ability and willingness of the parent company to provide support to the Group.
- applying further sensitivities to the forecasts and considered the extent of change in the underlying assumptions that either individually or collectively would be required for the group and the parent company to no longer have the resources to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of investment properties

Key audit matter description	The investment property portfolio has a carrying value of £1,300.1 million at 31 December 2022 (2021 - £1,171.7 million), comprising 91% of the group's assets. The portfolio consists of four office buildings in London, one property in Oxford and a further eight properties held in Cambridge. The investment property portfolio is disclosed in Note 15 to the group financial statements The valuation of the group's property portfolio involves a significant level of judgements and assumptions that form inputs into the valuation process performed by the group's independent valuers, such as yields and occupancy, rental growth and collections. There is a risk of fraud in relation to the valuation of the property portfolio, where the use of assumptions listed above could be subject to undue influence by management as part of the valuation process and the challenge of the external reviewers. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated statement of comprehensive income. The accounting policy for investment property is set out in Note 2 to the group financial statements including the group's assessment of this as a key source of estimation uncertainty.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the group's relevant controls around investment property valuations. • We evaluated the competence, capabilities and objectivity of the external valuers. • We challenged movements in the significant judgements and assumptions by benchmarking the inputs against market data with the involvement of our real estate valuation specialists. • We analysed the individual property valuations to understand significant movements against prior year and comparative market evidence considered by the group's external valuers.
Key observations	Based on the work performed above, we concur that the judgements and assumptions adopted in the valuation of investment properties were reasonable and appropriate.

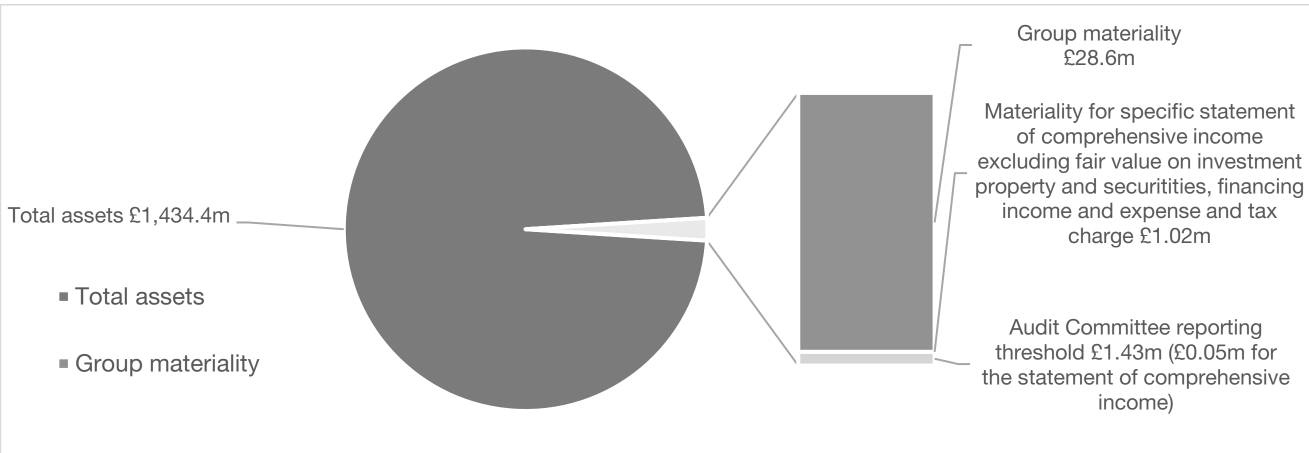
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£28,600,000 (2021 - £25,000,000)	£14,300,000 (2021 - £9,857,000)
Basis for determining materiality	2% of total assets (2021 – 2% of total assets) We applied a lower threshold of £1,020,000 (2021 - £780,000) for testing of balances impacting the statement of comprehensive income, balances impacting the statement of comprehensive income, excluding fair value movements on investment property and securities, financing income and expense and tax charge on 2% of revenue (2021 – 2% of revenue).	2% of total assets (2021 – 2% of total assets) We applied a lower threshold of £918,000 (£702,000) for testing of balances impacting the statement of comprehensive income, balances impacting the statement of comprehensive income, excluding fair value movements on investment property and securities, financing income and expense and tax charge based on 2% of revenue (2021 – 2% of revenue).
Rationale for the benchmark applied	These benchmarks were chosen as they are considered to be the most critical financial performance measures of the group and parent company.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality (2021 – 70% of group materiality)	70% of parent company materiality (2021 - 70% of parent company materiality)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our risk assessment, including our assessment of the Group’s overall control environment; • There have been no significant changes in the business; and • Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,430,000 (2021 - £1,250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In respect of the comprehensive income statement, our reporting threshold is £51,000 (2021 - £40,000). We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement. The audit procedures related to all relevant subsidiaries have been performed by the group engagement team.

The group contains a total of 26 component entities. Each component entity is assessed based on its financial significance or whether it is significant due to risk. We performed full scope audits for 7 of the component entities, covering 49% of the total assets of group. We performed audit of specified account balances over a further 6 component entities, equating to 50% of the total assets of the group. Together, these components cover 99% of the total assets of the group.

The remaining entities which are not in scope, comprise of less than 1% of both total assets and revenue for the group. We performed analytical review at group level to confirm our conclusion that there were no material misstatements in the aggregated financial information. All work is completed by the group audit team.

7.2. Our considerations of the control environment

From our understanding of the Group and after assessing relevant controls, we tested controls in respect of the bi-annual valuation of the investment property, given its significance to the group. We also tested controls around the revenue cycle that were used within the valuation process.

In addition, we have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle.

With the involvement of our IT specialist, we obtained an understanding of the IT environment. We did not test general IT controls and we did not place reliance on IT controls.

7.3. Our considerations of climate change risk

We have made enquries of management to understand the processes in place to assess the potential impact of climate change on the business and the financial statements. As detailed on page 5, the group considers climate change to be a principal risk which could potentially impact on the ability to generate revenue. We read the climate related disclosures in the strategic report to consider if they are materiality consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the company information, strategic report and directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instrument and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the significant judgements and assumptions used in the investment property valuations. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, The International Stock Exchange and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group’s ability to operate or to avoid a material penalty. These included the Landlord & Tenant Act, Employment Legislation and Health and Safety Regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified Valuation of investment properties as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Brockton Everlast Inc. Limited
Report on the audit of the financial statements
For the year ended 31 December 2022

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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

Matthew Hall

Matthew Hall, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 February 2023

Brockton Everlast Inc. Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	31 Dec 22 £	31 Dec 21 £
Continuing operations			
Rental income		46,454,687	34,080,412
Investment advisory fees and other income		4,920,110	5,276,370
Group revenue	6	51,374,797	39,356,782
Cost of owning and letting of properties		(4,143,896)	(3,072,861)
Net operating income		47,230,901	36,283,921
Fair value movements on investment property	15	(72,446,492)	224,638,632
Fair value movements on securities	16	1,365,277	125,399
Administrative and general expenses	8	(14,540,934)	(17,958,008)
Depreciation	19	(499,527)	(511,856)
Amortisation	14	(113,333)	(405,000)
Remuneration amortisation	29	(2,031,568)	(6,209,250)
Operating (loss) / profit		(41,035,676)	235,963,838
Financing income	12	4,640,332	2,654,987
Financing expenses	12	(17,102,897)	(10,284,408)
Fair value movements on derivative financial instruments	12	8,816,780	889,075
Net financing expense		(3,645,785)	(6,740,346)
(Loss) / profit before tax	9	(44,681,461)	229,223,492
Tax credit	13	59,541	1,839,796
(Loss) / profit for the year		(44,621,920)	231,063,288
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Gain on cash flow hedges	12	8,998,640	2,182,407
Movement in cost of hedging	12	(584,092)	-
		8,414,548	2,182,407
Total comprehensive (loss) / income for the year		(36,207,372)	233,245,695
(Loss) / earnings per ordinary share			
Basic and diluted (pence per share)	28	(7.9)	59.9

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

Brockton Everlast Inc. Limited

Consolidated Statement of Financial Position

As at 31 December 2022

Company Number 11189374

	Note	31 Dec 22 £	31 Dec 21 £
Non-current assets			
Intangible assets	14	11,939,352	12,052,685
Investment property	15	1,300,066,573	1,171,655,944
Securities measured at fair value through profit or loss	16	13,827,346	12,462,069
Derivative financial instruments	17	27,591,733	2,452,650
Property, plant and equipment	19	1,773,542	2,220,420
Lease incentives	15	4,091,632	3,510,609
Deferred tax	13	322,750	263,304
Loans receivable	20	25,092,305	-
		1,384,705,233	1,204,617,681
Current assets			
Loans receivable	20	-	20,643,827
Derivative financial instruments	17	1,055,656	124,817
Trade and other receivables	21	15,634,199	15,952,837
Cash and cash equivalents	30	32,917,374	11,594,182
		49,607,229	48,315,663
Current liabilities			
Trade and other payables	22	(29,426,904)	(19,555,814)
Long-term incentive plan liability	25	-	(26,709,419)
Lease liabilities	24	(348,373)	(241,643)
Interest bearing loans and borrowings	26	(84,209,869)	(35,426,808)
		(113,985,146)	(81,933,684)
Net current liabilities		(64,377,917)	(33,618,021)
Non-current liabilities			
Lease liabilities	24	(16,120,993)	(6,117,474)
Long-term incentive plan liability	25	-	(97,187)
Interest bearing loans and borrowings	26	(407,135,600)	(469,607,884)
Securities measured at fair value through profit or loss	16	(319,322)	(319,322)
		(423,575,915)	(476,141,867)
NET ASSETS		896,751,401	694,857,793
Equity and reserves			
Share capital	27	680,809,846	428,775,791
Other reserves	29	6,615,641	(3,865,832)
Retained earnings		209,325,914	269,947,834
TOTAL EQUITY		896,751,401	694,857,793

The notes on pages 27 to 59 form an integral part of these consolidated financial statements. The consolidated financial statements were approved and authorised by the Board on 22 February 2023 and were signed on its behalf by:

Jason Blank
Director

David Marks
Director

Brockton Everlast Inc. Limited

Company Statement of Financial Position

As at 31 December 2022

Company Number 11189374

	Note	31 Dec 22 £	31 Dec 21 £
Non-current assets			
Investment in subsidiary	31	627,997,872	373,406,386
Securities measured at fair value through profit or loss	16	13,827,346	12,462,069
Deferred tax asset	13	1,261,093	-
Loans receivable	20	25,092,305	-
		668,178,616	385,868,455
Current assets			
Loans receivable	20	-	20,643,827
Trade and other receivables	21	413,014	849,181
Intercompany loan	23	31,824,489	80,960,743
Deferred tax asset		-	1,403,817
Cash and cash equivalents		16,664,189	3,024,264
		48,901,692	106,881,832
Current liabilities			
Trade and other payables	22	(5,210,171)	(4,683,320)
Interest bearing loans and borrowings	26	(20,130,470)	(34,676,808)
		(25,340,641)	(39,360,128)
Net current assets		23,561,051	67,521,704
Non-current liabilities			
Securities measured at fair value through profit or loss	16	(319,322)	(319,322)
		(319,322)	(319,322)
NET ASSETS		691,420,345	453,070,837
Equity and reserves			
Share capital	27	680,809,846	428,775,791
Retained earnings		10,610,499	24,295,046
TOTAL EQUITY		691,420,345	453,070,837

The Company made a profit in the year of £2,315,453 (year to 31 December 2021: £5,250,400 profit).

An exemption has been taken from the requirement to publish a separate profit and loss account for the parent company as set out in section 408 of the Companies Act.

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

The financial statements were approved and authorised by the Board on 22 February 2023 and were signed on its behalf by:

Jason Blank
Director

David Marks
Director

Brockton Everlast Inc. Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Share Capital (Note 27)	Other Reserves (Note 29)	Retained earnings	Total Equity
	£	£	£	£
Balance at 1 January 2021	**318,693,443**	**(12,292,846)**	**10,884,546**	**317,285,143**
Profit for the year after tax	-	-	231,063,288	231,063,288
Other comprehensive income	-	2,182,407	-	2,182,407
Total comprehensive income for the year	-	2,182,407	231,063,288	233,245,695
Share-based remuneration	-	6,209,250	-	6,209,250
Long-term incentive plan provision	-	35,357	-	35,357
Dividends paid (note 28)	-	-	(12,000,000)	(12,000,000)
Shares cancelled in the year	(40,000,000)	-	40,000,000	-
Share subscription in the year	150,082,348	-	-	150,082,348
Balance at 31 December 2021	**428,775,791**	**(3,865,832)**	**269,947,834**	**694,857,793**
Loss for the year after tax	-	-	(44,621,920)	(44,621,920)
Other comprehensive income	-	8,414,548	-	8,414,548
Total comprehensive loss for the year	-	8,414,548	(44,621,920)	(36,207,372)
Share-based remuneration	-	2,031,568	-	2,031,568
Long-term incentive plan movements	-	(7,456,243)	-	(7,456,243)
Capital contribution	-	7,491,600	-	7,491,600
Dividends paid (note 28)	-	-	(16,000,000)	(16,000,000)
Share subscription in the year	252,034,055	-	-	252,034,055
Balance at 31 December 2022	**680,809,846**	**6,615,641**	**209,325,914**	**896,751,401**

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

Brockton Everlast Inc. Limited

Company Statement of Changes in Equity
For the year ended 31 December 2022

	Share Capital (Note 27)	Retained earnings	Total Equity
	£	£	£
Balance at 1 January 2021	**318,693,443**	**(8,955,354)**	**309,738,089**
Profit for the year after tax	-	5,250,400	5,250,400
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	5,250,400	5,250,400
Dividends paid (note 28)	-	(12,000,000)	(12,000,000)
Shares cancelled in the year	(40,000,000)	40,000,000	-
Share subscription in the year	150,082,348	-	150,082,348
Balance at 31 December 2021	**428,775,791**	**24,295,046**	**453,070,837**
Profit for the year after tax	-	2,315,453	2,315,453
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,315,453	2,315,453
Dividends paid (note 28)	-	(16,000,000)	(16,000,000)
Share subscription in the year	252,034,055	-	252,034,055
Balance at 31 December 2022	**680,809,846**	**10,610,499**	**691,420,345**

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

Brockton Everlast Inc. Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2022

Analysis of Cash Flows	Note	31 Dec 22	31 Dec 21
		£	£
Net cash generated from operating activities	30	13,058,980	18,194,062
Investing activities			
Acquisition of investment property		(32,892,588)	(249,673,532)
Acquisition of subsidiary, net of cash acquired	30	(75,477,051)	(9,984,610)
Subsequent expenditure on investment property		(34,241,297)	(7,740,297)
Lease incentives paid		(34,231)	(115,726)
Loans issued		-	(18,000,000)
Additions to property, plant and equipment	19	(52,649)	(118,696)
Net cash used in investing activities		(142,697,816)	(285,632,861)
Financing activities			
Proceeds from share subscription	27	252,034,055	138,065,000
Proceeds from new borrowings	26	20,130,470	245,539,808
Repayment of borrowings	26	(100,681,808)	(99,813,000)
Dividends paid		(16,000,000)	(12,000,000)
Facility fee charges from bank financing		(572,776)	(3,404,252)
Movement in monies held in restricted accounts		(3,623,430)	-
Repayment of obligations under lease liabilities	24	(324,483)	(455,017)
Net cash from financing activities		150,962,028	267,932,539
Net increase in cash and cash equivalents		21,323,192	493,740
Cash and cash equivalents at beginning of the year		11,594,182	11,100,442
Cash and cash equivalents at end of the year	30	32,917,374	11,594,182

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

Brockton Everlast Inc. Limited

Company Cash Flow Statement

For the year ended 31 December 2022

Analysis of Cash Flows	Note	31 Dec 22 £	31 Dec 21 £
Operating activities			
Profit for the year		2,315,453	5,250,400
Adjustments for:			
Fair value movements on securities		(1,365,277)	(125,399)
Tax credit		142,724	(679,127)
Finance costs credited		-	(530,326)
Interest income receivable		(4,448,478)	(2,643,827)
Operating cash flows before movement in working capital		(3,355,578)	1,271,721
Decrease / (increase) in receivables		436,167	(533,731)
Increase in payables		526,851	3,053,368
Cash generated from operations		(2,392,560)	3,791,358
Interest and finance fees credited		-	530,326
Net cash (used in) / generated from operating activities		(2,392,560)	4,321,684
Investing activities			
Subscription for shares in subsidiary undertakings		(254,591,486)	(106,285,039)
Loans issued		-	(18,000,000)
Repayment / (provision) of loans to subsidiary undertakings		49,136,254	(40,037,575)
Net cash used in investing activities		(205,455,232)	(164,322,614)
Financing activities			
Proceeds from share subscription		252,034,055	138,065,000
Proceeds from new borrowings		-	135,928,000
Repayment of borrowings		(14,546,338)	(101,251,192)
Repayment of advance from shareholder		-	-
Dividends paid		(16,000,000)	(12,000,000)
Net cash from financing activities		221,487,717	160,741,808
Net increase in cash and cash equivalents		13,639,925	740,878
Cash and cash equivalents at beginning of the year		3,024,264	2,283,386
Cash and cash equivalents at end of the year		16,664,189	3,024,264
Cash and cash equivalents			
Cash and bank balances		16,664,189	3,024,264

The notes on pages 27 to 59 form an integral part of these consolidated financial statements.

1. General information

Brockton Everlast Inc. Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is 89 Wardour Street, London, W1F 0UB.

The principal activities of the Company and its subsidiaries (the Group) are that of property investment and the provision of investment advisory services to private equity real estate funds.

These consolidated financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

2. Critical accounting estimates and judgements

The Group's significant accounting policies are stated in note 4, and accounting policies that are specific to a component of the financial statements have been incorporated in the relevant note. The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below:

Estimates:

Valuation of investment property:
The Group considers the key source of estimation uncertainty to relate to the carrying value of the Group's investment property held at £1.30bn (2021: £1.17bn) (see note 15). The primary source of evidence for property valuations should be recent, comparable market transactions conducted on an arm's-length basis. During the year, the directors instructed Cushman & Wakefield Debenham Tie Leung Limited ("Cushman & Wakefield") to undertake a valuation exercise in accordance with RICS Valuation Standards on the Group's investment property. The valuation of the Group's investment property is inherently subjective. Assumptions are made with regards to capitalisation yields, market conditions and estimated future rental streams net of income voids arising from vacancies and rent-free periods and associated running costs.

Judgements:

Service charges and expenses recoverable from tenants
Where service charges and other expenses are recharged to tenants, the expense and the income received in reimbursement are offset within the statement of comprehensive income and are not separately disclosed, as the Directors consider that the Group acts as agent in this respect. The annual service charge budget across the Group's investment property portfolio is c£3.5m. Service charges and other property-related expenses that are not recoverable from tenants are recognised in expenses on an accruals basis.

3. Adoption of new and revised standards

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations have been adopted and have not had any significant impact on the amounts reported in these consolidated financial statements.

Standards affecting presentation and disclosure:

- Amendments to IFRS 3; Reference to the Conceptual Framework
- Amendments to IAS 16; Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to IAS 37; Onerous Contracts — Cost of Fulfilling a Contract; and
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

New and revised IFRSs adopted by the United Kingdom that are not mandatorily effective for the year ending 31 December 2022

The following standards and amendments have been adopted by the United Kingdom but are not yet mandatorily effective for the year ending 31 December 2022. Accordingly, they have not been applied in preparing these consolidated financial statements:

- IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) - Insurance Contracts
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback

The Group is continuing to assess the impact of the new standards above and at present is confident that none will have a material impact on the consolidated financial statements of the Group.

4. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with United Kingdom adopted international accounting standards.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, securities and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below, and accounting policies that are specific to a component of the financial statements have been incorporated in the relevant note.

Going concern

After making due and proper enquiries, the Directors have formed a judgement that, at the time of approving the consolidated financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of the approval of these accounts, and on that basis can continue to adopt the going concern basis in preparing the consolidated financial statements. In reaching this conclusion the Directors have considered the net current liability position at 31 December 2022 of £64.38m, and consequently the Group has received a letter of support from its ultimate controlling party, Alony-Hetz Properties & Investments Limited for a period of 12 months from the date of approval of these accounts. In reaching this conclusion, the Members have also considered the ability and willingness of Alony-Hetz Properties & Investments Limited to provide such support.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022.

(a) Subsidiaries

Control:
Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group has power over the investee. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary entities are fully consolidated from the date on which control is transferred to the Group, being the date on which the Group gains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Group using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

4. Significant accounting policies (continued)

Accounting for business combinations:
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, including that resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Accounting for acquisition of subsidiaries treated as asset acquisitions:
For acquisition of a subsidiary not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the acquiree based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

(b) Change in ownership interest in a subsidiary without change of control

Transactions with non-controlling interest holders that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

(c) Loss of control of a subsidiary

The loss of control of a subsidiary usually occurs when the Group sells or otherwise transfers its controlling interest in a single transaction or as a result of multiple transactions. However, other events may also result in the loss of control such as a subsidiary issuing shares that dilutes the Group's controlling interest, expiration of a contractual agreement that conferred control of the subsidiary, or when a subsidiary becomes subject to the control of a government, court, administrator or regulator (without any change in the ownership interest in the subsidiary).

In some situations, a single transaction that does not lead to loss of control in isolation may in fact be part of a series of linked transactions that will have this effect when considered together. In such situations, the Group considers the terms and conditions of the transactions and their economic effects to determine whether two or more transactions should be considered as a single transaction for accounting purposes.

When the Group ceases to have control, any retained interest in the investment (former subsidiary) is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset in accordance with the relevant IFRSs. In addition, any amounts previously recognised in other comprehensive income in respect of that investment are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less, where applicable, any provision for impairment under the provisions of IAS 36. A provision for impairment is recognised to reflect the recoverable amount of the subsidiaries. In accordance with IAS 36, provisions for impairment will be reduced or increased dependent on the assessment of the recoverable amount of the subsidiary in future. The value of investments can never exceed costs.

5. Operating segments

The Directors have considered the requirements of IFRS 8 'Operating Segments' and are of the view that the Group is engaged in a single unified business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has no segments. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The view that the Group is engaged in a single unified business is based on the fact that the key financial indicator received and reviewed by the Board is the total return from the property portfolio taken as a whole and also that there is no active allocation of resources to particular types or groups of properties in order to try to match the asset allocation of an index or benchmark.

Included in revenue are revenues of approximately £18.3m (year to 31 December 2021: £11.4m) which arose from sales to the Group's largest customer, £5.4m (year to 31 December 2021: £4.6m) which arose from sales to the Group's second largest customer, and £4.6m (year to 31 December 2021: £4.6m) which arose from sales to the Group's third largest customer. No other single customers contributed 10 per cent or more to the Group's revenue in either 2022 or 2021.

6. Group revenue

Accounting policy
Revenue comprises rental income, net of Value Added Tax, which is recognised on a straight-line basis over the term of the leases. Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term and is included in revenue in the consolidated statement of comprehensive income due to its operating nature, except for contingent rental income which is recognised when it arises.
Tenant lease incentives are recognised within rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.
Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of comprehensive income when the right to receive them arises.
Revenue also represents amounts chargeable to clients for investment and other advisory services provided during the period. Revenue is only recognised where the Group has a contractual right to receive consideration for the work undertaken. Revenue is measured at the fair value of the consideration received or receivable and is stated net of value added taxes.

	31 Dec 22	**31 Dec 21**
	£	**£**
Rental income	46,454,687	34,230,412
Advisory fees	4,920,110	5,126,370
	51,374,797	39,356,782

All revenue is from continuing operations and from the United Kingdom.

7. Operating leases – Group as lessor

The Group has entered into leases on its property. The commercial property leases have a weighted average remaining lease term of approximately 5.3 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	31 Dec 22	31 Dec 21
	£	£
Within 1 year	40,910,257	36,841,709
In year 2	36,702,321	30,153,190
In year 3	34,629,511	25,788,848
In year 4	34,418,191	23,875,577
In year 5	29,240,313	22,492,758
Over 5 years	36,478,558	51,800,536
	212,379,151	190,952,618

8. Administrative and general expenses

	31 Dec 22	31 Dec 21
	£	£
Professional fees	1,485,018	1,088,068
Staff salaries and members' remuneration (note 10)	10,669,773	15,466,006
Other expenses	2,386,143	1,403,934
	14,540,934	17,958,008

9. (Loss) / profit before tax

	31 Dec 22	31 Dec 21
	£	£
(Loss) / profit before tax is stated after charging:		
Amortisation of intangible assets (note 14)	113,333	405,000
Depreciation of owned assets (note 19)	499,527	511,856
Fees payable to the Group's auditor in respect of:		
Company audit	184,370	147,842
Subsidiary entity audits	93,024	79,776
Tax compliance	8,000	11,400
	285,394	239,018

No amortisation or depreciation is incurred by the Company, and the Company incurs the costs in respect of the audit of its subsidiaries.

10. Staff costs and employee numbers

The average monthly number of employees (including Directors) during the period was:

	31 Dec 22	31 Dec 21
	£	£
Directors	5	5
Investment and professional	24	23
Support	11	11
	40	39

There were no employees in the Company in the year to 31 December 2022, and none in the prior year.

	31 Dec 22	31 Dec 21
	£	£
Wages and salaries	12,235,509	8,949,068
Social security costs	1,099,862	998,059
Pension costs and other benefits	522,960	240,198
Employee LTIP (note 25)	(61,830)	25,954,729
	13,796,501	36,142,054
Less: capitalised into investment properties (note 15)	(3,126,728)	(20,676,048)
Staff salaries and members' remuneration: administrative and general expenses (note 8)	10,669,773	15,466,006
Remuneration amortisation (note 29)	2,031,568	6,209,250
Total staff salaries and members' remuneration	12,701,341	21,675,256

During the year £86,008 (year to 31 December 2021: £69,739) was paid towards defined contribution pension plans.

11. Directors' remuneration

	31 Dec 22	31 Dec 21
	£	£
Salaries and remuneration	2,625,000	2,526,471
Short-term employee benefits	43,348	38,878
	2,668,348	2,565,349

Directors' remuneration is included within note 10 above.

During the year £892,264 (year to 31 December 2021: £858,596) was paid in salaries and remuneration and short-term employee benefits to the highest paid director.

During the year, the directors received £18,731,522 (year to 31 December 2021: £nil) in respect of the Group's Long Term Incentive Plan. Of the amount received, £11,239,922 was fully accrued at 31 December 2021, and the balance, £7,491,600, was settled via the issuance of Units in the Company's parent undertaking, Brockton Holdings LP. The amount received by the highest paid director was £6,243,840, of which £2,497,200 was settled via the issuance of Units in Brockton Holdings LP.

12. Finance costs and income

	31 Dec 22	31 Dec 21
Finance income	**£**	**£**
Loan interest income	4,448,478	2,643,827
Bank and other interest income	191,854	11,160
	4,640,332	2,654,987

	31 Dec 22	31 Dec 21
Finance expenses	**£**	**£**
Bank loan interest payable	14,291,167	8,159,719
Amortisation of capitalised loan expenses	1,850,146	2,259,018
Bank loan fees	269,688	174,936
Lease liabilities interest payable	392,535	219,261
Other interest payable	288	1,800
Shareholder loan interest payable	-	(530,326)
Amortisation of cash flow hedge cap premium	299,073	-
	17,102,897	10,284,408

Shareholder loan interest payable was a credit in the year to 31 December 2021 due to the reversal of charges in prior years.

	31 Dec 22	31 Dec 21
Fair value movement of derivative financial instruments	**£**	**£**
Gain recognised through profit and loss	8,816,780	889,075
Gain on cash flow hedges recognised through other comprehensive income	8,998,640	2,182,407
Loss on cost of hedging recognised through other comprehensive income	(584,092)	-

There is no tax impact of the gain / (loss) on cash flow hedges recognised through other comprehensive income.

13. Current and deferred tax

Accounting Policy
The taxation charge / (credit) for the year is recognised in the consolidated statement of comprehensive income according to the accounting treatment of the related transaction.
Current tax payable or receivable is based on the taxable income for the year and any adjustment in respect of prior periods.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax on the Group's (loss) / profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to (losses) / profits of the Group as follows:

	31 Dec 22	**31 Dec 21**
	£	**£**
(Loss) / profit before tax	(44,681,461)	229,223,492
(Loss) / profit multiplied by standard rate of UK Corporation Tax of 19% (2021: 19%)	(8,489,478)	43,552,463
Effects of:		
Permanent differences	(1,964,205)	6,101,576
Temporary differences	(220,460)	216,245
Revaluation deficit / (surplus) attributable to REIT properties	13,047,771	(47,088,902)
REIT exempt property rental profits	(3,223,988)	(2,966,515)
Impact of tax losses	722,914	(116,627)
Investment in tax transparent entities	-	(1,633,971)
Impact of tax rate differences	68,000	-
Over provision in respect of prior year	(95)	95,935
Total tax credit for the year	(59,541)	(1,839,796)
Split between:		
Current tax	(95)	95,935
Deferred tax	(59,446)	(1,935,731)
Total tax credit for the year	(59,541)	(1,839,796)

There is no tax impact of the gain on cash flow hedges and the movement in cost of hedging recognised through other comprehensive income.

13. Current and deferred tax (continued)

The following is the deferred tax asset recognised by the Group and Company, and movements thereon during the current year*.

Deferred tax Group	**Intangible assets and remuneration**	**Capital allowances**	**Securities measured at fair value**	**Losses**	**Total**
	£	£	£	£	£
At 1 January 2021	(2,499,618)	102,501	-	724,690	(1,672,427)
Credit / (charge) to income statement	1,256,708	(103)	(31,350)	710,476	1,935,731
At 31 December 2021	(1,242,910)	102,398	(31,350)	1,435,166	263,304
Credit / (charge) to income statement	171,018	31,151	(341,319)	198,596	59,446
At 31 December 2022	(1,071,892)	133,549	(372,669)	1,633,762	322,750

Deferred tax Company	**Securities measured at fair value**	**Losses**	**Total**
	£	£	£
At 1 January 2021	-	724,690	724,690
Credit / (charge) to income statement	(31,350)	710,477	679,127
At 31 December 2021	(31,350)	1,435,167	1,403,817
Credit / (charge) to income statement	(341,319)	198,595	(142,724)
At 31 December 2022	(372,669)	1,633,762	1,261,093

The deferred tax in respect of intangible assets and remuneration comprises amounts in relation to the trade name and equity-settled share-based remuneration. The deferred tax in respect of losses is anticipated to be offset against profits in future periods. As at 31 December 2022 the Group had £3.53m (31 December 2021: £nil) of unrecognised deferred tax assets in respect of tax losses.

*Deferred taxes at the reporting date have been measured using the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The corporation tax main rate is currently 19% and will increase to 25% applying to profits over £250,000 from 1 April 2023. This is not anticipated to have a material impact on the Group's results.

14. Intangible assets

Accounting policy
Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the fair value of the assets given and equity instruments issued. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired entity at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income. Costs attributable to an acquisition are expensed in the consolidated statement of comprehensive income.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is evidence that it may be required.

	Trade name	Other intangible assets	Goodwill	Total
Cost	**£**	**£**	**£**	**£**
At 31 December 2021 and 31 December 2022	1,700,000	3,500,000	10,777,685	15,977,685
Amortisation				
At 1 January 2021	311,666	3,208,334	-	3,520,000
Amortisation for the year	113,334	291,666	-	405,000
At 31 December 2021	425,000	3,500,000	-	3,925,000
Amortisation for the year	113,333	-	-	113,333
At 31 December 2022	538,333	3,500,000	-	4,038,333
Carrying amount				
At 31 December 2022	1,161,667	-	10,777,685	11,939,352
At 31 December 2021	1,275,000	-	10,777,685	12,052,685

Trade name

The 'Brockton' trade name has been in use since the inception of the Group's subsidiary BC LLP and supports substantially all of the Group's revenue. The use of the 'Brockton' trade name is expected to continue indefinitely into the future such that it represents an asset with a long life. The estimated useful life for the trade name is 15 years and is amortised on a straight-line basis over this period.

Other intangible assets

The other intangible assets are related to existing contractual agreements that were acquired by the Group on the acquisition of BC LLP. The estimated useful life for this intangible asset is three years and as at 31 December 2021 was fully amortised.

14. Intangible assets (continued)

Goodwill

Goodwill was allocated to the Brockton Everlast business on acquisition of BC LLP. The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating units is determined based on fair value less costs of disposal calculations. Since the acquisition of BC LLP in March 2018, the directors have continued to assess the recoverability of the goodwill balance. This has been done through knowledge of the real estate market, knowledge of recent comparable transactions, and discussions in the year with third parties. As at 31 December 2022 there is significant headroom between the fair value less costs of disposal and the carrying value, and therefore it was determined that no impairment of goodwill is required.

This valuation falls within Level 3 of the fair value hierarchy as defined by IFRS 13.

15. Investment property

Accounting Policy

Investment property comprises completed property and property under construction or redevelopment that is held to earn rental income or for capital appreciation or both.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Investment property falls within Level 3 of the fair value hierarchy as defined by IFRS 13.

Subsequent expenditure is included in the carrying amount of the property when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

The Group capitalises employment costs to the extent that they are directly attributable to the Group's development assets. Gains or losses arising from changes in the fair value of the Group's investment properties are included in the consolidated statement of comprehensive income of the period in which they arise.

	31 Dec 22	**31 Dec 21**
	£	**£**
At 1 January	1,171,655,944	661,067,151
Acquisition of investment property	171,742,347	237,630,000
Associated acquisition costs	3,392,337	15,750,288
Capital expenditure	12,161,128	7,580,044
Other costs capitalised (note 10)	3,126,728	20,676,048
Lease incentives	4,091,632	3,510,609
Leasehold asset acquisition	10,446,906	4,313,781
Reassessment of lease liabilities	(12,325)	-
Lease liabilities	(14,643,205)	(4,291,553)
Fair value movements in the year	(72,446,492)	224,638,632
Fair value	1,289,515,000	1,170,875,000
Lease incentives included in other non-current assets	(4,091,632)	(3,510,609)
Lease liabilities included in current and non-current liabilities	14,643,205	4,291,553
Carrying value at year end	1,300,066,573	1,171,655,944

The investment properties valuation comprises:		
Operational properties	1,081,515,000	938,125,000
Land	208,000,000	232,750,000
	1,289,515,000	1,170,875,000

15. Investment property (continued)

In the year to 31 December 2022 the Group acquired three buildings totalling c.256,000 sq ft in Cambridge for a total of £171.74 million (including associated costs). This increased the Group's investment property portfolio to c.1.45m sq ft.

The Group has pledged substantially all of its investment property to secure banking facilities granted to the Group (note 26).

The property portfolio is subject to external valuations and was revalued at 31 December 2022 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation.

Cushman & Wakefield were the only valuers engaged by the Group and the total fees, including the fee for this assignment, earned by Cushman & Wakefield (or other companies forming part of the same group of companies within the UK) from the Group is less than 5.0% of their total UK revenues. Cushman & Wakefield are a well-known firm, with sufficient experience of the Group's market. The Group assessed their competence and capabilities and verified their qualifications by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. Based on this work, the Group is satisfied that Cushman & Wakefield remain independent and competent and that the scope of their work was appropriate.

Valuation process

The valuation reports produced by the external valuers are based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's and its property managers' financial and property management systems and is subject to the Group's overall control environment. In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property.

Members of the Group's Investment team verify all major inputs to the external valuation reports, assess the individual property valuation changes from any prior valuation reports and hold discussions with the external valuers. When this process is complete, the valuation report is recommended to the Audit Committee, which considers it as part of its overall responsibilities.

Valuation techniques

The fair value of the property portfolio has been determined using a combination of:

i) the income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate, and the resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms;

ii) the residual method, whereby the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion and a risk premium, and

iii) Sales comparison approach, whereby investments are valued taking into account comparable investments in close proximity that are similar to the investment valued which have been sold within the last year in an open and competitive market and sold under typical market conditions. These values are adjusted for differences in key attributes such as property size and quality. The most significant input into this valuation approach is price per acre or square foot.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

15. Investment property (continued)

There were no transfers between Levels 1 and 2 or between Levels 2 and 3 in the fair value hierarchy during the year.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of £72.45m (year to 31 December 2021: gain of £224.64m) and are presented in the consolidated statement of comprehensive income in the line item 'fair value movements on investment property'.

All gains and losses recorded in profit or loss in the year for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the year end.

Quantitative information about fair value measurement using unobservable inputs (Level 3):

	Operational		Land	
	Minimum - Maximum	**Weighted Average**	**Minimum - Maximum**	**Weighted Average**
Gross ERV (per sq ft pa)	£30 - £82	£56	£51	£51
True Equivalent Yield	4.37% - 6.16%	5.11%	4.37%	4.37%
Price per acre	n/a	n/a	£14.4m	£14.4m

The weighted average is calculated on the net internal area for the gross ERV, and fair value for true equivalent yield.

Sensitivity of measurement to variations in the significant unobservable inputs:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Gross ERV	Increase	Decrease
True Equivalent Yield	Decrease	Increase
Price per acre	Increase	Decrease

There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in gross ERV and would mitigate its impact on the fair value measurement.

A sensitivity analysis was performed to ascertain the impact on the fair value of a shift in true equivalent yield, ERV, and price per acre as per the table below.

	Impact on fair value measurement	
	Operational	**Land**
True Equivalent Yield: +25bp / -25bp	-6.7% / +7.9%	-14.1% / +17.2%
Estimated Rental Value: +10% / -10% on £ per sq ft pa	+11.4% / -11.9%	+25.8% / -24.6%
Price per acre: +£2.5m / -£2.5m	n/a	+17.4% / -17.4%

16. Securities measured at fair value through profit or loss

Accounting Policy
The Group accounts for securities in accordance with its policy for financial assets and financial liabilities as disclosed in notes 21 and 22.

In the year to 31 December 2021, the Group acquired a c.25% interest in Brockton Capital Fund I L.P., a private equity real estate fund. The Group also acquired a c.10% interest in Brockton Capital Fund I (Scotland) L.P., the general partner of Brockton Capital Fund I L.P. and the beneficiary of any Carried Interest in Brockton Capital Fund I L.P.. These securities were acquired from Alony-Hetz Properties & Investments Limited, the ultimate controlling party, and ultimate parent company of the Group.

	31 Dec 22	31 Dec 21
	£	£
At 1 January	12,142,747	-
Acquisition in the year	-	12,017,348
Fair value movements in the year	1,365,277	125,399
At year end	13,508,024	12,142,747
Split between:		
Non-current assets	13,827,346	12,462,069
Non-current liabilities	(319,322)	(319,322)
	13,508,024	12,142,747

17. Derivative financial instruments

Accounting policy

The Group uses derivative instruments to help manage its interest rate risk and does not hold or issue derivatives for trading purposes.

The Group has elected to apply IFRS 9 hedge accounting model as its accounting policy. The balance sheet classification of hedging instruments is determined in accordance with the remaining term of the hedging relationship at the end of the reporting period – if the remaining term is over 12 months as at the consolidated statement of financial position date, the hedging instrument is classified as a non-current asset or liability in the statement of financial position; and if the remaining term is less than 12 months at the end of the reporting period, the hedging instrument is classified as a current asset or liability in the statement of financial position.

The IFRS 9 hedge accounting model employs a principles-based approach. In order to qualify for hedge accounting, the hedge relationship must meet the hedge effectiveness criteria at the beginning of each hedged period which requires that:

• there is an economic relationship between the hedged item and the hedging instrument;

• the effect of credit risk does not dominate the value changes that result from that economic relationship; and

• the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

The effective portion of changes in value of financial instruments designated as cash flow hedges is immediately recognised in other comprehensive income under "gain / (loss) on cash flow hedges" and the non-effective portion is immediately recognised in the statement of comprehensive income.

Subsequent to discontinuation of hedge accounting, the amounts charged to other comprehensive income are charged to the income statement when the hedged item or the hedged anticipated transactions are charged to the income statement.

Derivative instruments which are not designated as a hedge under IFRS 9 are recognised initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Fair value measurements for derivative financial instruments are obtained from quoted market prices and/or valuation models as appropriate. When not directly observable in active markets, the fair value of derivative contracts are computed based on assumptions as well as directly observable market information, including interest rate forward and yield curves. Changes in assumptions and forward curves could materially impact the computed fair value of derivative contracts, particularly long-term contracts, resulting in a corresponding impact on income or loss in the consolidated statement of comprehensive income.

The Group's derivative financial instruments are classified as level 2 in the fair value hierarch.

17. Derivative financial instruments (continued)

Interest rate caps	**Notional Value**	**Cap Rate**	**Maturity Date**	**31 Dec 22**	**31 Dec 21**
Counterparty	**£**			**£**	**£**
Lloyds Bank Corporate Markets Plc	117,000,000	0.3807%	Apr 22	-	45,152
Lloyds Bank Corporate Markets Plc	56,200,000	0.50% - 1.25%	Oct 24	3,096,041	-
BNP Paribas	132,300,000	1.8807%	Apr 24	4,189,784	463,237
Australia and New Zealand Banking Group Limited	48,780,000	2.00%	Feb 25	2,518,312	304,723
Deutsche Bank	41,926,393	1.85%	Jun 26	3,391,420	469,624
Deutsche Bank	21,000,000	1.85%	Jun 26	1,698,687	-
NatWest Markets Plc	63,360,000	1.95%	Sep 23	1,055,656	-
				15,949,900	1,282,736

A premium of £3,138,036 was paid for the above interest rate caps (£1,339,799 in the year to 31 December 2022, £290,000 in the year to December 2021, and the balance in prior periods).

Interest rate swaps	**Notional Value**	**Swap Rate**	**Maturity Date**	**31 Dec 22**	**31 Dec 21**
Counterparty	**£**			**£**	**£**
NatWest Markets Plc	63,360,000	0.6957%	Dec 22	-	79,665
Deutsche Bank	48,073,607	0.478%	Jun 26	5,778,567	1,215,066
Deutsche Pfandbriefbank AG	65,000,000	1.176%	Nov 26	6,918,922	-
				12,697,489	1,294,731

Presented as	**31 Dec 22**	**31 Dec 21**
	£	**£**
Non-current assets	27,591,733	2,452,650
Current assets	1,055,656	124,817

The swap with Deutsche Pfandbriefbank AG was acquired in October 2022 for £8.19m, which was its fair value at that date.

The Group has entered into interest rate hedges on the terms disclosed above in an effort to limit its exposure to changes in the variability of future interest rates on interest bearing loans and borrowings disclosed in note 26. The variable interest rates are based on SONIA.

All interest rate caps and swaps fulfil the requirements for applying hedge accounting, though the Group has not elected to apply hedge accounting to some of its interest rate caps.

Value changes of the interest rate swaps, excluding accrued interest, are recorded directly in other comprehensive income. Accrued interest is recognised directly as finance expense. Consequently, there are no transfers between other comprehensive income and finance expense. In the reporting period, cash flow hedges were effective.

The maximum exposure to credit risk at the reporting date is the total of the positive fair value of the derivative financial instruments in the balance sheet.

The movement in the fair value of the interest rate swap relates entirely to the swap's intrinsic value.

The movement in fair value is shown in note 12.

18. Financial assets and liabilities, and risk management

The Group is exposed through its operations to the following financial risks:

- real estate market risk;
- credit risk;
- market risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash at bank, trade and other payables, floating rate bank loans, fixed rate loans and interest rate caps and swaps.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to executive management for designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility and its ability to maximise returns. Further details regarding these policies are set out below:

Real estate market risk

General economic conditions and structural changes are the main factors which affect the general and specific development of supply and demand on the office and commercial real estate market; these in turn, influence the level of rents and the risk of vacancies. Furthermore, capital and financial markets impact yield expectations of real estate investors (discount rates). The Group manages the risk by monitoring the indicators of market direction and forward planning of investment decisions; where possible, selection of a large and diversified tenant base; review of tenant covenants before new leases are signed; long-term leases and active credit control process; good relationships with tenants and property managers and active asset management of the properties to control operating costs and ensure the properties' continuing attractiveness to the market and existing tenants.

Within the framework of its investment property valuations, the Group checks the external, independent valuation against the company's valuations using internal models and according to its own experience with regard to market rents, maintenance and renovation expenses, lengths of vacancies, yield expectations of investors, realised property sales process and so on. What is important in this comparison is the quantification of sensitivities with regard to critical determinants, rather than the comparison of absolute values. By means of scenario analyses, the impact of changing environmental factors, which are economically consistent, is checked regularly. In most scenarios there are compensation effects of various factors; consequently, property values are more stable than generally assumed. The worst scenario is a deflationary one which lasts several years.

A sensitivity analysis of the investment property valuation to movements in significant inputs is provided in note 15.

18. Financial assets and liabilities, and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. Such assessment includes reviews of the latest sets of financial statements, external ratings, when available, and, in some cases, forecast information and bank and trade references. The covenant strength of each tenant is determined based on this review and, if appropriate, a deposit or a guarantee is obtained.

As the Group operates predominantly in central London, it is subject to some geographical risk. However, this is mitigated by the wide range of tenants from a broad spectrum of business sectors.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk arises for the Group from its use of variable interest bearing instruments (interest rate risk).

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, or interest rate caps. During the year, 100% of the Group's floating rate borrowings were covered by an interest rate cap or swap, and the swaps plus the caps acquired in the year were designated as a cash flow hedge.

The Group has demonstrated that at the inception of the cash flow hedge it was expected that the hedge would be highly effective due to the effective date, maturity date, notional amount, reset day and roll day of the interest rate swap all matching the terms of the interest payments arising under the floating rate loan. It also demonstrates that the floating leg of the swap will not give rise to material ineffectiveness and therefore the prospective effectiveness test is satisfied.

The Group uses regression analysis to test the actual effectiveness of the hedge (retrospectively) at each reporting period, although it is expected that the hedge will remain effective throughout its life. The regression analysis compares the movements in fair value of the hedging instrument, i.e. the interest rate swap, with the movements in the present value of the future cash flows payable as interest under the loan (the hedged cash flows). The hedge will be deemed to be effective when the ratio between the fair value of the hedging instrument and the hedged item is within 80-125%.

The Group monitors its interest rate exposure on a regular basis. Sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.23m (2021: £1.43) or a decrease of £0.23m (2021: £1.02m) respectively.

The Group has no financial investment which is exposed to equity market risk, and due to the fact that the Group is only active in the UK property market, there is no currency risk.

18. Financial assets and liabilities, and risk management (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, facilities and other credit lines as appropriate.

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted cash flows. Derivative financial instruments have been designated as being measured at fair value though profit or loss / other comprehensive income. All other financial assets and liabilities are measured at amortised cost.

Financial Assets	**On demand**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
31 December 2022	**£**	**£**	**£**	**£**	**£**
Trade and other receivables	-	15,150,575	-	-	15,150,575
Loans receivable (note 20)	-	-	37,092,563	-	37,092,563
Securities measured at fair value through profit or loss	-	-	13,827,346	-	13,827,346
Derivative financial instruments	-	1,055,656	27,591,733	-	28,647,389
Cash and cash equivalents	32,917,374	-	-	-	32,917,374
At 31 December 2022	32,917,374	16,206,231	78,511,642	-	127,635,247

Financial Liabilities	**On demand**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
31 December 2022	**£**	**£**	**£**	**£**	**£**
Trade and other payables	-	11,972,397	-	-	11,972,397
Lease liabilities	-	1,072,101	4,198,312	116,404,806	121,675,219
Securities measured at fair value through profit or loss	-	-	319,322	-	319,322
Interest bearing loans and borrowings	-	84,209,869	407,135,600	-	491,345,469
Interest on interest bearing loans and borrowings	-	15,954,824	23,181,188	-	39,136,012
At 31 December 2022	-	113,209,191	434,834,422	116,404,806	664,448,419

18. Financial assets and liabilities, and risk management (continued)

Financial Assets	**On demand**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
31 December 2021	**£**	**£**	**£**	**£**	**£**
Trade and other receivables	-	10,416,380	-	-	10,416,380
Loans receivable (note 20)	-	20,643,827	-	-	20,643,827
Securities measured at fair value through profit or loss	-	-	12,462,069	-	12,462,069
Derivative financial instruments	-	124,817	2,452,650	-	2,577,467
Cash and cash equivalents	11,594,182	-	-	-	11,594,182
At 31 December 2021	11,594,182	31,185,024	14,914,719	-	57,693,925

Financial Liabilities	**On demand**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
31 December 2021	**£**	**£**	**£**	**£**	**£**
Trade and other payables	-	8,804,531	-	-	8,804,531
Lease liabilities	-	241,643	1,592,466	4,525,008	6,359,117
Securities measured at fair value through profit or loss	-	-	319,322	-	319,322
Interest bearing loans and borrowings	-	35,426,808	474,570,000	-	509,996,808
Interest on interest bearing loans and borrowings	-	11,312,023	21,719,324	-	33,031,347
At 31 December 2021	-	55,785,005	498,201,112	4,525,008	558,511,125

19. Property, plant and equipment

Accounting policy
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss.
The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.
Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements	5 years
Fixtures and fittings	5 years
Computer equipment	3 years

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

	Leasehold improvements	Computer equipment	Fixtures and fittings	Right-of-use asset	Total
Cost	**£**	**£**	**£**	**£**	**£**
At 1 January 2021	931,800	232,977	12,169	2,892,599	4,069,545
Additions	16,843	101,853	-	-	118,696
At 31 December 2021	948,643	334,830	12,169	2,892,599	4,188,241
Additions	5,780	46,460	409	-	52,649
At 31 December 2022	954,423	381,290	12,578	2,892,599	4,240,890
Accumulated depreciation					
At 1 January 2021	625,125	121,507	7,646	701,687	1,455,965
Charge for the year	110,748	72,391	1,479	327,238	511,856
At 31 December 2021	735,873	193,898	9,125	1,028,925	1,967,821
Charge for the year	91,299	83,913	1,515	322,800	499,527
At 31 December 2022	827,172	277,811	10,640	1,351,725	2,467,348
Carrying amount					
At 31 December 2022	127,251	103,479	1,938	1,540,874	1,773,542
At 31 December 2021	212,770	140,932	3,044	1,863,674	2,220,420

The Group's right of use asset is in respect of an occupational lease the Group has entered in to on the premises from which it operates. The lease does not contain an option to terminate nor extend, save for the provisions under the Landlord and Tenant Act 1954. The Group recognised a right-of-use asset on implementation of IFRS 16 (note 24) which is depreciated over the term of the lease.

20. Loans receivable

Accounting policy
Loans and receivables are classified at amortised cost and are measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate. See the accounting policy in note 21 for more detail.

Loans receivable comprises an £18,000,000 loan that was issued to a residential development in Mayfair, London. As at 31 December 2021 the loan was repayable in April 2022, and was included within current assets. In the year to 31 December 2022 the Group extended the repayment date to December 2024. The loan accrues interest at 20% per annum, compounding quarterly. The receivable balance includes accrued interest.

21. Trade and other receivables

Accounting policy
The Group classifies its financial assets into one of the two categories set out below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:
1. Fair value through profit or loss:
The Group may from time to time use derivative financial instruments such as interest rate caps and swaps to hedge its interest rate risk. Where it does, in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value are classified as fair value through profit or loss. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or costs line.
The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.
2. Amortised cost
The Group's financial assets measured at amortised cost in the consolidated statement of financial position comprise trade and other receivables and cash and cash equivalents. Financial assets are included within current assets except for assets maturing after one year, which will be classified as non-current. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.
Impairment provisions for trade and other receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade and other receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for these receivables. For these receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of owning and letting the properties in the consolidated statement of comprehensive income. On confirmation that the trade and other receivables will not be collected, the gross carrying value of the asset is written off against the associated provision.
Cash and cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with no significant risk of changes in value.
Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents.

	Group 31 Dec 22 £	**Group 31 Dec 21 £**	**Company 31 Dec 22 £**	**Company 31 Dec 21 £**
Trade receivables	4,198,133	3,005,181	159,274	841,715
Tenant deposits	1,194,599	1,420,230	-	-
Restricted cash	3,623,430	-	-	-
VAT recoverable	-	4,794,730	124,704	-
Other debtors	6,134,413	5,990,969	99,746	7,466
Prepayments	483,624	741,727	29,290	-
	15,634,199	15,952,837	413,014	849,181

For the purposes of impairment assessment, the recoverability of the individual tenants' balances have been assessed. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance has been measured at £1,261,843 (2021: £1,168,792).

In determining the expected credit losses for these assets, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

22. Trade and other payables

Accounting policy
Financial liabilities are classified as either financial liabilities at fair value through profit or loss (i.e. derivatives) or other liabilities, as appropriate.
Other financial liabilities, including trade and other payables, are initially recognised at fair value and subsequently at amortised cost and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

	Group 31 Dec 22	**Group 31 Dec 21**	**Company 31 Dec 22**	**Company 31 Dec 21**
	£	**£**	**£**	**£**
Trade payables	2,158,314	3,425,229	80,176	412,277
VAT payable	2,772,144	-	-	61,616
Bonus provision	4,272,500	1,331,404	-	-
Accruals	6,619,470	4,052,726	5,129,995	4,209,427
Deferred income	9,374,676	8,341,578	-	-
Other payables	1,535,201	983,397	-	-
Tenant deposits	1,194,599	1,420,230	-	-
Corporation Tax	1,500,000	1,250	-	-
	29,426,904	19,555,814	5,210,171	4,683,320

23. Intercompany loan

	Company 31 Dec 22	**Company 31 Dec 21**
	£	**£**
Intercompany loan receivable	31,824,489	80,960,743
	31,824,489	80,960,743

The intercompany loan receivable is unsecured, interest free, has no fixed date of repayment and is repayable on demand.

24. Lease liabilities

Accounting policy
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
• the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
• the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
• the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
• the Group has the right to operate the asset; or
• the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.
For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
• fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
• the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
* the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
* the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
* facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

24. Lease liabilities (continued)

	31 Dec 22	31 Dec 21
	£	£
Within 1 year	1,072,101	519,123
In year 2	1,103,678	613,852
In year 3	1,103,678	645,429
In year 4	1,103,678	645,429
In year 5	887,278	645,429
More than 5 years	116,404,806	28,329,571
Total lease commitments	121,675,219	31,398,833
Total minimum lease commitments	121,675,219	31,398,833
Less future finance charges	(105,205,853)	(25,039,716)
Present value of minimum lease commitments	16,469,366	6,359,117

Present value of net minimum lease commitments	**31 Dec 22**	**31 Dec 21**
	£	£
Within 1 year	348,373	241,643
In year 2	396,687	348,298
In year 3	414,538	396,608
In year 4	433,192	414,455
In year 5	235,151	433,106
More than 5 years	14,641,425	4,525,007
	16,469,366	6,359,117
Analysed as:		
Current lease liabilities	348,373	241,643
Non-current lease liabilities	16,120,993	6,117,474
	16,469,366	6,359,117

The Group has entered in to an occupational lease on the premises from which it operates (see note 19). The lease does not contain an option to terminate nor extend, save for the provisions under the Landlord and Tenant Act 1954. The Group has applied an incremental borrowing rates of 4.5%.

During the year, the Group acquired long-leasehold interests in investment properties that expire in approximately 150 to 200 years. The Group has applied a rate of 4.5% on these leases, based on the implicit rate in the headlease.

25. Long-term incentive plan

Accounting policy
The Group operates a share-based compensation plan comprising awards under a Long-Term Incentive Plan ('LTIP').
The fair value of the employee services received in exchange for the grant of shares is recognised as an employee expense.
The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.
For market-based conditions, the probability of vesting is taken into account in the fair value calculation and no revision is made to the number of shares expected to vest. For non-market conditions, each year the Group revises its estimate of the number of shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.
Awards are valued at fair value using a probability weighted expected returns method.

There are both cash-settled and equity settled long-term incentive plans. The cash-settled scheme vests following finalisation of the 31 December 2025 financial statements, and under IFRS 2 for cash-settled plans, the fair value of the liability for the awards granted is remeasured at each reporting date and upon settlement. Furthermore, the amount of expense is recognized over the vesting period. The equity settled scheme vests from January 2022 through to 31 December 2025 and under IFRS 2, the fair value of shares granted to employees is measured at grant date. The costs of share-based payment plans are determined based on the fair value of the shares and the number of shares expected to vest. The fair value of the LTIP shares is calculated with reference to the growth in the Group's NAV above a target growth rate. Vesting of the LTIP shares is subject to continuing employment within the Group. The fair value is recognised as costs in the consolidated statement of comprehensive income over the vesting period of the shares against an increase in equity for equity-settled share-based payment plans.

The previous share based long term incentive plan vested in February 2022 on finalisation of the 31 December 2021 financial statements. During the year, £7,491,600 of Units were issued in the Company's parent undertaking in respect of the settlement of equity settled LTIP.

Cash-settled scheme	**31 Dec 22**	**31 Dec 21**
	£	**£**
At 1 January	26,806,606	887,234
Expensed to the income statement	(97,187)	6,732,086
Settled in year	(26,709,419)	-
Capitalised in investment properties	-	19,187,286
At year end	-	26,806,606
Analysed as		
Current liabilities	-	26,709,419
Non-current liabilities	-	97,187
	-	26,806,606

Income statement charge	**31 Dec 22**	**31 Dec 21**
	£	**£**
Cash-settled scheme	(97,187)	6,732,086
Equity-settled scheme	35,357	35,357
Total charge to the income statement	(61,830)	6,767,443

26. Interest bearing loans and borrowings

Accounting policy
Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or other cancellation of liabilities are recognised respectively in Finance income and Finance costs.

	Interest Rate	Start Date	Maturity Date	31 Dec 22	31 Dec 21
				£	£
Lloyds Bank Plc (facility A)	SONIA + 2.87%	Dec 21	Jan 23	-	63,680,000
Lloyds Bank Plc (facility B)	SONIA + 1.97%	Dec 21	Oct 24	54,625,000	56,200,000
BNP Paribas	SONIA + 1.57%	Apr 19	Apr 24	132,300,000	132,300,000
NatWest Bank Plc	SONIA + 2.75%	Dec 21	Sep 23	63,360,000	63,360,000
Massachusetts Mutual Life Insurance Company	SONIA + 2.12%	Feb 20	Feb 25	48,030,000	48,780,000
Deutsche Bank AG	SONIA + 2.30%	Jun 21	Jun 26	111,000,000	111,000,000
Deutsche Pfandbriefbank AG	SONIA + 2.00%	Oct 22	Nov 26	65,000,000	-
Shareholder loan (note 32)				20,130,470	34,676,808
Unamortised finance costs				(3,100,001)	(4,962,116)
				491,345,469	505,034,692
Analysed as					
Current liabilities				84,209,869	35,426,808
Non-current liabilities				407,135,600	469,607,884
				491,345,469	505,034,692

The Group's interest bearing loans and borrowings are secured against the Group's investment properties (note 15). Additional key terms and loan covenants are:

Lloyds Bank Plc:
Prepayment fees in facility B only of 1.50% in year one, 0.50% between 12 and 18 months, and 0% thereafter. Cash trap event if loan to value ratio is greater than 55.0% or interest cover ratio less than 2.5. Event of default if loan to value ratio is greater than 60.0% or interest cover ratio less than 2.25.

BNP Paribas:
Prepayment fees of 1.25% in year one, 0.70% in year two, and 0% thereafter. Cash trap event if loan to value ratio is greater than 70.0%. Event of default if loan to value ratio is greater than 75.0% or interest cover ratio less than 1.95.

NatWest Bank Plc:
The facility is in cash trap until the end of the term. Event of default if loan to value ratio is greater than 65.0% or interest cover ratio less than 1.0.

Massachusetts Mutual Life Insurance Company:
Prepayment fees of 2.00% in year one, 1.50% in year two, 1.00% in year three, and 0% thereafter. Event of default if loan to value ratio is greater than 75.0% or interest cover ratio less than 2.00. Quarterly repayments of £250,000 since April 2022.

Deutsche Bank AG:
The Group's loan facility with Deutsche Bank AG began in June 2021 with a £90m facility, with a further £21m extension in December 2021. Prepayment fees in year one equal to either the interest that would have accrued up to the first anniversary, or 0.50% (depending on the underlying asset), 0.50% in year two, and 0% thereafter. Cash trap event if loan to value ratio is greater than 70.5% or debt yield less than 5.00% (increasing to 6.00% in June 2023). Event of default if loan to value ratio is greater than 72.5% or debt yield less than 4.15% (increasing to 5.00% in June 2023).

26. Interest bearing loans and borrowings (continued)

Deutsche Pfandbriefbank AG:
Prepayment fees of 1.50% in year one, 1.00% in year two, 0.50% in year three, and 0% thereafter. Event of default if loan to value ratio is greater than 60.0% or interest cover ratio less than 1.50.

In the year the Group repaid £63,680,000 of the Lloyds Bank Plc (facility A) loan and £1,575,000 of the Lloyds Bank Plc (facility B) loan.

The Group has entered into interest rate hedges in order to limit exposure to changes in SONIA (note 17).

27. Share capital

In the year to 31 December 2022 Brockton Everlast Inc. Limited issued 252,034,055 (year to 31 December 2021: 150,082,348 issued, and 40,000,000 cancelled) fully paid ordinary shares of £1 each. The share capital at the balance sheet date was:

	31 Dec 22 Number	31 Dec 22 £	31 Dec 21 Number	31 Dec 21 £
Ordinary share of £1.00 each	680,809,846	680,809,846	428,775,791	428,775,791
	680,809,846	680,809,846	428,775,791	428,775,791

28. (Loss) / Earnings per share

Basic (loss) / earnings per share is calculated by dividing net (loss) / profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted (loss) / earnings per share are identical.

	31 Dec 22 £	31 Dec 21 £
Net (loss) / profit attributable to ordinary shares	(44,621,920)	231,063,288
Weighted average number of ordinary shares:		
Issued ordinary shares at the start of the year	428,775,791	318,693,433
Effect of shares issued and cancelled during the year	138,564,301	66,816,295
Basic and diluted weighted average number of shares	567,340,092	385,509,728
Basic and diluted (loss) / earnings per share (pence)	(7.9)	59.9

The Company declared and paid dividends in the year as set out below:

	31 Dec 22 £	31 Dec 21 £
Dividends declared and paid	16,000,000	12,000,000
Dividend per share (pence)	2.8	3.1

Subsequent to the year end, the Company declared dividend of £16,000,000 to be paid by 31 March 2023. See note 34.

29. Other reserves

	Cash flow hedge	Cost of hedging	Equity settled LTIP	Share-based payment	Share-based remuneration	Capital Contribution	Total
	£	£	£	£	£	£	£
At 1 January 2021	(887,676)	-	70,714	-	(11,475,884)	-	(12,292,846)
Movement in the year	2,182,407	-	35,357	-	6,209,250	-	8,427,014
At 1 January 2022	1,294,731	-	106,071	-	(5,266,634)	-	(3,865,832)
Equity LTIP issued by parent	-	-	-	(7,491,600)	-	7,491,600	-
Movement in the year	8,998,640	(584,092)	35,357	-	2,031,568	-	10,481,473
At 31 December 2022	10,293,371	(584,092)	141,428	(7,491,600)	(3,235,066)	7,491,600	6,615,641

Share-based remuneration:
On 22 March 2018 Brockton Everlast Management Limited, a subsidiary of the Company, completed the acquisition of BC LLP for cash consideration of £39,747,989 by way of acquiring the members' interests in the LLP. Of the purchase consideration, £28,551,305 is subject to bad leaver provisions and is contingent on future services being provided by certain members of BC LLP until December 2025. The full amount is recognised as an equity-settled share-based payment, reflecting investment in the Company vesting over eight years and will be charged to the consolidated statement of comprehensive income over the period to December 2025.

Capital Contribution:
The capital contribution reserve is in respect of the Group's equity settled LTIP scheme that was settled via the issuance of Units in the Company's parent undertaking, Brockton Holdings LP. See note 25.

30. Notes to the cash flow statement

Accounting Policy
Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.
The consolidated statement of cash flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities (where applicable). The net result has been adjusted for amounts in the consolidated statement of comprehensive income and movements in the consolidated statement of financial position which have not resulted in cash income or expenditure in the year. Interest paid and received by the Group is classified in the cash flow statement within operating activities.

	31 Dec 22	31 Dec 21
	£	£
(Loss) / profit for the year	(44,621,920)	231,063,288
Adjustments for:		
Fair value movements on investment property	72,446,492	(224,638,632)
Fair value movements on securities	(1,365,277)	(125,399)
Fair value adjustment on derivative financial instruments	(8,816,780)	(889,075)
Depreciation	499,527	511,858
Amortisation of intangible assets and remuneration contract	2,144,901	6,614,250
Amortisation of lease incentives	(546,792)	787,967
Amortisation of hedging instruments	299,073	-
Share-based payment (credit) / charge	(61,830)	6,767,443
Tax credit	(59,541)	(1,839,796)
Acquisition of interest rate derivatives (note 17)	(1,339,799)	(290,000)
Finance costs	16,803,824	10,284,408
Interest income receivable	(4,448,478)	(2,643,827)
Operating cash flows before movements in working capital	30,933,400	25,602,485
Increase in receivables	(1,886,632)	(3,605,790)
(Decrease) / increase in payables	(2,371,811)	2,424,163
Cash generated from operations	26,674,957	24,420,858
Taxes (paid) / received	(2,197)	1,091,220
Interest and finance fees paid	(13,613,780)	(7,318,016)
Net cash generated from operations	13,058,980	18,194,062
Cash and cash equivalents		
Cash and bank balances	32,917,374	11,594,182

All cash and cash equivalents comprise cash held in bank accounts. The Group has no outstanding bank overdrafts.

30. Notes to the cash flow statement (continued)

During the year to 31 December 2022, the Group acquired one investment through a corporate acquisition of MA Propco 50 Limited (company number 10819514). As substantially all of the fair value of the entity acquired is in the investment property, the Group has determined that this constituted an asset acquisition under IFRS 3. The net consideration and assets and liabilities acquired were as follows:

Cash flow in purchase	
Consideration	75,178,368
Amounts recognised on acquisition in respect of assets and liabilities	
Investment property (including transaction costs)	134,033,947
Interest rate swap	8,192,486
Other debtors	171,432
Bank loan	(65,000,000)
Corporation Tax liability	(1,500,000)
Other creditors	(719,497)
Total	75,178,368

The cash flows in the year in respect of acquisition of subsidiary includes an amount of deferred consideration that was paid in respect of an acquisition in the year to 31 December 2021.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest bearing loans and borrowings (note 26)	Derivative financial instruments	Lease liabilities (note 24)	Total
	£	£	£	£
At 1 January 2021	(361,087,925)	(784,015)	(2,321,048)	(364,192,988)
Amounts on initial recognition	-	-	(4,316,739)	(4,316,739)
Cash flows	(142,272,556)	290,000	455,017	(141,527,539)
Fair value movements	-	3,071,482	-	3,071,482
Interest accruing in the year	-	-	(193,580)	(193,580)
Other movements	(1,674,211)	-	17,233	(1,656,978)
At 31 December 2021	(505,034,692)	2,577,467	(6,359,117)	(508,816,342)
Amounts on initial recognition	-	-	(10,446,907)	(10,446,907)
Cash flows	81,124,114	1,339,799	324,484	82,788,397
Fair value movements	-	17,231,328	-	17,231,328
Acquisition of subsidiary	(65,000,000)	7,797,868	-	(57,202,132)
Other movements	(2,434,891)	(299,073)	12,175	(2,721,789)
At 31 December 2022	(491,345,469)	28,647,389	(16,469,365)	(479,167,445)

31. Subsidiary undertakings

	31 Dec 22	31 Dec 21
	£	£
At 1 January	373,406,386	267,121,347
Increase in year	254,591,486	106,285,039
Carrying value at 31 December	627,997,872	373,406,386

A full list of the Group's subsidiary undertakings as at 31 December 2022 is set out in the table below. Effective holding for all subsidiaries is 100% of all share capital and units in issue. At 31 December 2022, BE Midco Limited and Brockton Everlast Management Limited are direct subsidiaries of the Company, with all other subsidiaries being indirect subsidiary undertakings. The Group has no associates, joint ventures or other related undertakings.

Subsidiary undertaking	Country of incorporation or registration	Company Number	Registered address
BE Midco Limited *	England & Wales	11190978	89 Wardour Street, London, W1F 0UB
Brockton Everlast Management Limited	England & Wales	11191196	89 Wardour Street, London, W1F 0UB
Brockton Capital LLP	England & Wales	OC313315	89 Wardour Street, London, W1F 0UB
MA Cutlers Houndsditch 1 Limited *	England & Wales	11618584	89 Wardour Street, London, W1F 0UB
MA Cutlers Houndsditch 2 Limited *	England & Wales	11618717	89 Wardour Street, London, W1F 0UB
MA Union Street Limited	England & Wales	11618723	89 Wardour Street, London, W1F 0UB
MA Waterside 1 Limited *	England & Wales	11824745	89 Wardour Street, London, W1F 0UB
MA Waterside 2 Limited *	England & Wales	11824825	89 Wardour Street, London, W1F 0UB
MA Seacourt Limited	England & Wales	11824868	89 Wardour Street, London, W1F 0UB
MA Telephone House Holdings Limited	England & Wales	11984850	89 Wardour Street, London, W1F 0UB
MA Telephone House Limited*	England & Wales	03128043	89 Wardour Street, London, W1F 0UB
MA CSP Limited	England & Wales	11984830	89 Wardour Street, London, W1F 0UB
MA CSP 2 Limited	England & Wales	11984946	89 Wardour Street, London, W1F 0UB
MA Milton Road Limited *	England & Wales	13184705	89 Wardour Street, London, W1F 0UB
MA Birch Limited *	England & Wales	01520119	89 Wardour Street, London, W1F 0UB
MA Propco 11 Limited *	England & Wales	13184450	89 Wardour Street, London, W1F 0UB
MA Propco 12 Limited *	England & Wales	13184974	89 Wardour Street, London, W1F 0UB
MA Propco 13 Limited	England & Wales	13538548	89 Wardour Street, London, W1F 0UB
MA Propco 14 Limited	England & Wales	13538536	89 Wardour Street, London, W1F 0UB
MA Propco 15 Limited	England & Wales	13538633	89 Wardour Street, London, W1F 0UB
MA Propco 16 Limited	England & Wales	14473808	89 Wardour Street, London, W1F 0UB
MA Propco 17 Limited	England & Wales	14473823	89 Wardour Street, London, W1F 0UB
MA Propco 18 Limited	England & Wales	14474058	89 Wardour Street, London, W1F 0UB
MA Propco 50 Limited *	England & Wales	10819514	89 Wardour Street, London, W1F 0UB
Waterside Holdings Unit Trust	Jersey	n/a	26 New Street, St Helier, Jersey, JE2 3RA
Cutlers Houndsditch Unit Trust	Jersey	n/a	IFC 1, The Esplanade, St. Helier, Jersey JE1 5BP

* For the entities above marked with an asterisk, the Company has provided a parent undertaking guarantee under Section 479C of the Companies Act 2006 meaning that for the year ending 31 December 2022 those entities are entitled to an audit exemption under section 479A of the Companies Act 2006.

32. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	31 Dec 22	31 Dec 21
	£	£
Salary and remuneration	5,120,233	4,498,805
Short-term employee benefits	60,701	56,601
	5,180,934	4,555,406

During the year, Brockton Holdings LP, the immediate parent undertaking of the Company, provided short-term interest free loans to the Group. The maximum amount outstanding during the year was £38,154,398 (year to 31 December 2021: £121,487,489) and the balance outstanding at the year end was £20,130,470 (year to 31 December 2021: £34,676,808). In the year, interest of £nil was charged by Brockton Holdings LP (year to 31 December 2021: £530,326 of interest was credited in respect of the reversal of interest charged in prior years).

During the year, Alony-Hetz Properties & Investments Limited, the Group's ultimate controlling party, invoiced the Group £160,000 in respect of travel costs (year to 31 December 2021: £120,000).

33. Capital management

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

The Directors monitor capital on the basis of the net assets attributable to the shareholder.

34. Events after the reporting date

Subsequent to the year end the Company declared dividends of £16,000,000 to be paid by 31 March 2023.

35. Ultimate controlling party

The immediate parent undertaking of Brockton Everlast Inc. Limited is Brockton Holdings LP, a limited partnership registered in Guernsey.

Brockton Holdings LP is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2022. Brockton Everlast Inc. Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2022. Copies of the Brockton Holdings LP consolidated financial statements are available for viewing at East Wing Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP, the limited partnership's registered address.

The ultimate controlling party, and ultimate parent company of the Company is considered to be Alony-Hetz Properties & Investments Limited, which is listed on the Tel-Aviv Stock Exchange and is incorporated and domiciled in Israel (registration number 520038506).