

INTERIM
FINANCIAL
REPORT



BLACKWALL
PROPERTY TRUST

HALF YEAR ENDED
DECEMBER
2017



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Company Details

ARSN

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Directors' Report

Units on issue - 66.6 million
Gross assets - \$260 million
Gearing - 46%
NTA per unit - \$1.41
Profit - \$5.2 million

5 cpu

Interim distribution
100% tax deferred
to be paid
9 April 2018

BWR is a total return property investment trust controlling assets of \$260 million. BlackWall, the Trust's manager, has a long and successful track record in turn-around and opportunistic property positions. In addition to stable income producing investments, BWR has and will continue to participate in investments of this type.

Like all REITS, BWR has benefitted from the rising tide of recent "bull property markets". However, historically BlackWall's (and BWR's) deal flow has increased and been more lucrative in times of financial distress.

BlackWall holds a material investment in BWR as does each of its directors individually.

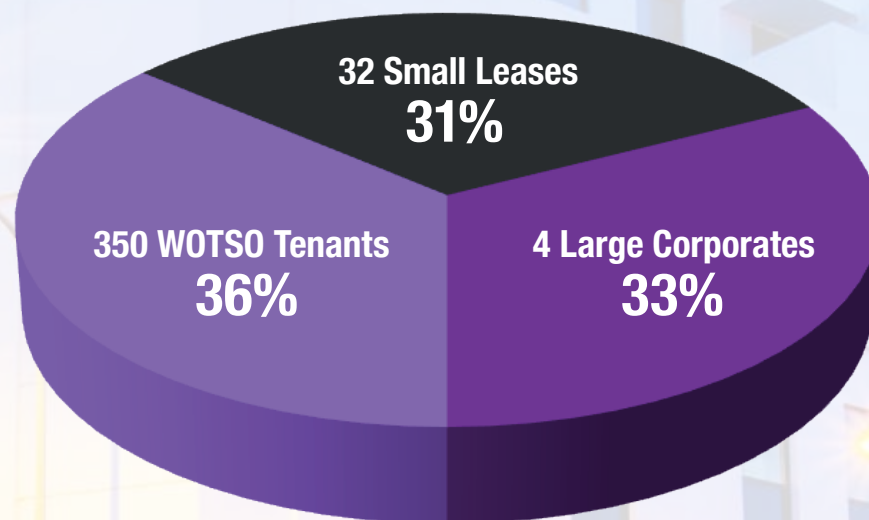
WOTSO WorkSpace

BlackWall's wholly-owned flexible workspace business, WOTSO, is one of BWR's largest tenants. Since 2016, WOTSO has grown from 7% to 36% of BWR's rent roll. We expect WOTSO's contribution to grow.

BlackWall's aim for BWR is to house a growing number of smaller tenants rather than concentrating leasing and expiry risk in large footprint corporate leasing deals. In short, we would rather own a building leased to 100 small tenants with staggered lease expiries over one leased to a single large corporate.

WOTSO's business model is consistent with this view. Underpinning the rent WOTSO pays to BWR is monthly office and workspace fees paid by over 350 SMEs, consultants and some larger corporates.

BWR Rent Roll Diversity



Further, WOTSO has and will continue to generate opportunities for BWR. Specifically:

1. BWR can target the acquisition of office buildings with vacant possession or material vacancy. BWR's purchase of 162 Macquarie Street, Hobart is a recent example.
2. WOTSO can be established or grow into premises vacated by conventional tenants. This has been successful at Pyrmont, Canberra North and South, Varsity Lakes and the Bakehouse Quarter.

Case Study – Canberra South, ACT

Canberra South was previously known as the Canberra Eye Hospital. The property is a relatively small (2,600 sqm) modern commercial office building located in the suburb of Symonston, a 10 minute drive from Canberra Airport and 15 minutes from the CBD.

Historically the property housed three tenants, the Canberra Eye Hospital operating out of 1,100 sqm and two commercial office premises of roughly 750 sqm each. Just over 12 months ago one of the commercial tenants vacated half of its space. A small WOTSO was established offering 10 office suites and a 25 person collaborative workspace. After close to 15 years in the property, in mid 2017, the Canberra Eye Hospital gave notice that they would vacate to move to a purpose-built facility. Given the level of enquiry in WOTSO, the Eye Hospital space will be converted to more collaborative workspace and larger flexible office suites. With these changes over time the building's revenue will have transitioned from being reliant on three tenants to being underpinned by over 150 sole traders and SMEs.

55 Pyrmont Bridge Road, Pyrmont

In general, BWR invests in direct real estate ownership. In addition, the Trust will take positions in property investment structures managed by BlackWall. Where possible, and if appropriate, BWR aims to grow its investment in these structures. The Trust's investment in 55 Pyrmont Bridge Road is an example of this. In November 2017, BlackWall completed a restructure of the trust controlling 55 Pyrmont Bridge Road, effectively converting a fixed-term debt position into a long-term property investment. BWR underwrote a part of this transaction and, as a consequence, grew its position to a point of effective control. To reflect this, the property has been consolidated onto the BWR balance sheet. The minority interests in 55 Pyrmont Bridge Road are shown in the BWR balance sheet as the \$44 million Non-Controlling Interests.

The Bakehouse Quarter

In June 2017 BlackWall negotiated a call option arrangement to sell the Bakehouse Quarter to Yuhu Group for a premium of \$100 million to the then carrying value.

Completion of the Bakehouse Quarter sale is scheduled to occur in the period between 1 September and 31 October 2018. At the balance sheet date, BWR holds its Bakehouse Quarter investment at a value equating to 48 cents per BWR unit. If the sale completes, this value will grow by 7 cents per unit and BWR will receive around \$30 million in cash.

If the sale of the Bakehouse Quarter completes as expected, the cash generated in BWR can be applied to the acquisition of opportunistic or distressed assets which are suitable for WOTSO's business model.

The Trust's Tax Position

BWR has over \$30 million of carry forward tax losses (both capital and revenue). If the sale of the Bakehouse Quarter completes as expected a portion of losses will be taken up, however, a material amount will remain. As a consequence, distributions from the Trust are expected to continue as tax deferred returns of capital for some time. If the Bakehouse Quarter sale settles, the tax effect will occur in the 2019 tax year. A more exact picture of the Trust's carry forward losses will be set out in the 2018 annual report.

Subsequent Events

To the best of the Directors' knowledge, since the end of the financial half year, there have been no matters or circumstances except for the comments above that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Directors' Report continues on page 16.

Financial Statements

Consolidated Balance Sheet at 31 December 2017

ASSETS	NOTE	DECEMBER 2017 \$'000	JUNE 2017 \$'000
Current Assets			
Cash and cash equivalents		2,375	1,690
Trade and other receivables	3	566	5,078
Bakehouse Quarter investment		32,008	-
Other assets	4	263	173
TOTAL CURRENT ASSETS		35,212	6,941
Non-current Assets			
Property investment portfolio	5	224,600	156,293
TOTAL NON-CURRENT ASSETS		224,600	156,293
TOTAL ASSETS		259,812	163,234
LIABILITIES			
Current Liabilities			
Trade and other payables	6	2,122	631
Other liabilities	7	629	383
Borrowings	8	50,000	-
Interest rate hedges	8	279	296
TOTAL CURRENT LIABILITIES		53,030	1,310
Non-current Liabilities			
Borrowings	8	69,082	68,882
Interest rate hedges	8	203	368
TOTAL NON-CURRENT LIABILITIES		69,285	69,250
TOTAL LIABILITIES		122,315	70,560
NET ASSETS		137,497	92,674
EQUITY			
Issued capital		136,036	136,036
Retained earnings / (accumulated losses)		(42,540)	(43,362)
Attributable to owners of the Trust		93,496	92,674
Non Controlling Interests		44,001	-
TOTAL EQUITY		137,497	92,674
Net tangible assets (excludes interest hedges)		93,978	93,338
Number of units on issue		66,635,378	66,635,378
NTA per unit		\$1.41	\$1.40

Property Investment Portfolio

BWR's property investments are by direct ownership or as positions in property investment structures managed by BlackWall. Where possible, and if appropriate, BWR aims to grow its investment in these structures. The Trust's investment in 55 Pyrmont Bridge Road is such that the Trust has control of the entity holding the asset. As a consequence, the asset has been consolidated onto the BWR balance sheet from 31 December 2017.

Unless stated otherwise, the carrying values below are based on Director valuations having regard to independent valuations:

- 55 Pyrmont Bridge Road - independent valuation dated June 2017.
- Canberra North - independent valuation dated March 2017 adjusted for subsequent capital expenditure.
- Bakehouse Quarter investment - to reflect the sale transaction described earlier the underlying property value is adjusted to \$325 million (plus a net \$28 million option fee paid). The position has also been reclassified as a current asset.
- Hobart - carried at its acquisition cost plus capital expenditure.
- Yandina - a special purpose print facility in regional Queensland. As there is limited alternate use for this asset its value has been adjusted to reflect leasing risk on expiry in 2026.

The movement in carrying values of BWR's investments are reflected in the Statement of Profit or Loss through gains on assets. A reconciliation of these movements for the half year is set out below.

In some cases, these structures will have carry forward tax losses, often derived from the development process. Where this is the case, distributions are received as returns of capital. To account for this, distributions are applied against the carrying value of the position in the Balance Sheet and then shown in the Statement of Profit or Loss as an unrealised gain.

Consolidated Statement of Profit or Loss and other Comprehensive Income for the half year ended 31 December 2017

	NOTE	DECEMBER 2017 \$'000	DECEMBER 2016 \$'000
REVENUE			
Property income		6,416	5,199
Net gain / (loss) on assets		3,935	1,657
Interest income		14	7
Other income		205	-
TOTAL REVENUE		10,570	6,863
EXPENSES			
Property outgoings		(1,591)	(1,196)
Depreciation expense		(1,506)	(1,290)
Finance costs		(1,503)	(1,333)
Administration expenses	2	(808)	(803)
Loss on sale of assets		(8)	-
TOTAL EXPENSES		(5,416)	(4,622)
PROFIT FROM CONTINUING OPERATIONS		5,154	2,241
Profit from discontinued operations		-	293
PROFIT FOR THE PERIOD		5,154	2,534
Other comprehensive income		-	-
PROFIT AND OTHER COMPREHENSIVE INCOME		5,154	2,534
PROFIT AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Trust		5,154	2,541
Non Controlling Interests		-	(7)
		5,154	2,534
EARNINGS PER UNIT			
Basic earnings per unit		7.7 cents	4.4 cents
CALCULATED AS FOLLOWS:			
Profit for the period		5,154	2,541
Weighted average number of units for EPU		66,635,378	58,178,651

Property Investment Portfolio (\$'000)

	OWNERSHIP	PASSING YIELD	FULLY LET YIELD	DEC 2017	JUNE 2017
COMMERCIAL					
Canberra North, ACT	100%	7.5%	11.3%	25,200	25,000
Varsity Lakes, QLD	100%	6.1%	7.7%	18,000	18,000
Pymont Bridge Road, NSW	32%	7.1%	7.2%	111,000	13,677
Hobart, TAS	100%	8.1%	8.1%	8,700	8,400
Canberra South, ACT	100%	2.6%	7.3%	8,100	8,100
MIXED USE					
Bakehouse Quarter, NSW	14%	-	-	-	28,216
Sippy Downs, QLD	100%	6.1%	7.1%	26,200	26,200
INDUSTRIAL					
Yandina, QLD	100%	13.0%	13.0%	20,900	22,200
Toowoomba, QLD	100%	2.2%	7.6%	6,500	6,500
TOTAL				224,600	156,293

Net gain / (loss) on assets (\$'000)

	DECEMBER 2017	DECEMBER 2016
Bakehouse Quarter, NSW	4,058	225
Pymont Bridge Road, NSW	28	1
Yandina, QLD	(1,225)	184
Sippy Downs, QLD	171	149
Varsity Lakes, QLD	128	237
Toowoomba, QLD	75	82
Canberra South, ACT	80	189
Hobart, TAS	162	-
Canberra North, ACT	276	(109)
TOTAL NET GAIN / (LOSS) ON PROPERTY INVESTMENT PORTFOLIO	3,753	958
Gain on sale of other financial assets	-	-
Net gain / (loss) on interest rate hedges	182	699
TOTAL NET GAIN / (LOSS) ON ASSETS	3,935	1,657

Consolidated Statement of Cash Flows for the half year ended 31 December 2017

	NOTE	DECEMBER 2017 \$'000	DECEMBER 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants		6,384	5,807
Payments to suppliers		(3,085)	(2,960)
Interest paid		(1,447)	(1,368)
Distributions received		1,209	45
Interest received		14	7
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		3,075	1,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Woods		3,992	-
Returns of capital from Pymont Bridge Trust		2,099	-
Returns of capital from Bakehouse		248	223
Cash acquired on consolidation of Pymont		64	-
Payment for additional Pymont investment		(3,759)	(3,625)
Payment for capital expenditure		(703)	(374)
Proceeds from sale of Coolum property		-	3,506
Payment for BlackWall Telstra House Trust		-	(1,851)
Deposit paid for Hobart property		-	(780)
Payment for other related property		-	(21)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		1,941	(2,922)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	9,107
Distributions paid		(4,331)	(2,307)
Payments for purchase of BWR units		-	(4,547)
Payment for capital raising costs		-	(128)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(4,331)	2,125
NET INCREASE / (DECREASE) IN CASH HELD		685	734
Cash and cash equivalents at the beginning of the year		1,690	2,154
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		2,375	2,888

Reconciliation of Operating Cash Flows (\$'000)

	DECEMBER 2017	DECEMBER 2016
Profit for the period	5,154	2,534
NON-CASH FLOWS IN PROFIT:		
Net gain on assets	(3,934)	(1,751)
Depreciation and amortisation	1,506	1,290
Loss on disposal of assets	8	-
Straight-line rental income	(336)	(146)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
(Increase) / decrease in trade and other receivables	466	47
(Increase) / decrease in other assets	56	(35)
Increase / (decrease) in trade and other payables	(62)	(529)
Increase / (decrease) in other liabilities	217	121
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,075	1,531

Consolidated Statement of Changes in Equity (\$'000)

	ISSUED CAPITAL NO.'000	ISSUED CAPITAL	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JULY 2017	66,636	136,036	(43,362)	92,674	-	92,674
Acquisition of subsidiary	-	-	-	-	44,001	44,001
Profit for the year	-	-	5,154	5,154	-	5,154
Distributions paid	-	-	(4,331)	(4,331)	-	(4,331)
BALANCE AT 31 DECEMBER 2017	66,636	136,036	(42,540)	93,496	44,001	137,497
Buy-back since 31 December	-	-	-	-	-	-
BALANCE AT SIGNING DATE	66,636	136,036				
BALANCE AT 1 JULY 2016	57,838	126,216	(55,042)	71,174	640	71,814
Issue of units	2,757	4,065	-	4,065	-	4,065
On-market buy-back	(9)	(11)	-	(11)	-	(11)
Profit / (loss) for the period	-	-	2,541	2,541	(7)	2,534
Distributions paid	-	-	(2,313)	(2,313)	-	(2,313)
Partial disposal of BOF interest	-	-	-	-	(9)	(9)
BALANCE AT 31 DECEMBER 2016	60,586	130,270	(54,814)	75,456	624	76,080

Financial Statements Notes

1. Segment Reporting

The Trust operates in one business segment, being the ownership and leasing of investment properties in Australia.

2. Expenses (\$'000)

	DECEMBER 2017	DECEMBER 2016
ADMINISTRATION EXPENSES:		
Responsible entity fees	528	446
Compliance expenses (listing, registry etc)	280	357
TOTAL	808	803

3. Current Assets – Trade and Other Receivables (\$'000)

	DECEMBER 2017	JUNE 2017
TRADE AND OTHER RECEIVABLES		
Asset sale (The Woods)	-	3,992
Distributions	-	1,015
Other	566	71
TOTAL	566	5,078

No debtors have been provided for as at 31 December 2017 (June 2017: \$Nil) or at the date of this report.

4. Current Assets – Other Assets (\$'000)

	DECEMBER 2017	JUNE 2017
Borrowing costs	263	173
TOTAL	263	173

5. Reconciliation of Property Investment Portfolio (\$'000)

	DECEMBER 2017	JUNE 2017
Opening Balance	156,293	136,197
Hobart acquisition	-	7,800
Pymont net acquisition	99,385	5,461
Bakehouse Quarter net acquisition (disposal)	(18)	909
Capital improvements	703	593
Coolum property sale	-	(3,400)
Other property investment sales	-	(1,288)
Revaluation of Bakehouse Quarter	4,058	8,680
Revaluation of Pymont	28	6,258
Revaluation of Yandina	(1,225)	(2,054)
Revaluation of Other property investments	892	804
Returns of capital – Bakehouse Quarter	(248)	(1,473)
Returns of capital – Pymont	(2,090)	(190)
Depreciation	(1,506)	(2,626)
Straight-line rental income	336	622
Bakehouse Quarter reclassified to current asset	(32,008)	-
CLOSING BALANCE	224,600	156,293

6. Current Liabilities – Trade and Other Payables (\$'000)

	DECEMBER 2017	JUNE 2017
Trade payables		
Related parties – BlackWall Limited	1,100	1
Other parties	863	454
Tenant deposits	159	176
TOTAL	2,122	631

7. Current Liabilities – Other Liabilities (\$'000)

	DECEMBER 2017	JUNE 2017
Rental income received in advance	629	383
TOTAL	629	383

8. Current and Non-current liabilities – Borrowings and Interest Rate Hedges

All facilities are priced off BBSY. The total undrawn balance across all facilities is less than \$200k.

The Trust has \$50 million borrowings which are classified as current (2017: \$ nil). As set out earlier in this report, 55 Pyrmont Bridge Road has been consolidated onto the Trust's balance sheet and, as a consequence, the bank debt secured against it is also consolidated. The LVR (loan to value ratio) shown below is calculated against the carrying value in these financial statements with the facility LVR covenant shown in parenthesis.

SECURITY	LVR*	BALANCE \$'000	EXPIRY	MARGIN	LENDER
Pyrmont	45% (90%)	50,200	12/19	2.20%	NAB
Various*	40% (65%)	50,000	10/18	2.10%	NAB
Canberra North	59% (61%)	15,000	09/19	2.10%	NAB
Hobart	45% (50%)	3,882	02/19	2.10%	NAB
TOTAL DECEMBER 2017	46%	119,082			
Various	36% (65%)	50,000	10/18	2.10%	NAB
Canberra North	60% (61%)	15,000	09/19	2.10%	NAB
Hobart	46% (50%)	3,882	02/19	2.10%	NAB
TOTAL JUNE 2017	42%	68,882			

*Secured against all assets held by the Trust save those specifically set out above.

Interest Rate Hedges

	BANK	\$'000	TYPE	FLOOR	CAP	EXPIRY	MTM VALUE \$'000
DEC 2017	NAB	20,000	Collar	2.72%	4.55%	07/19	264
	NAB	30,000	Collar	2.24%	3.24%	01/20	218
TOTAL		50,000					482
JUNE 2017	NAB	20,000	Collar	2.72%	4.55%	07/19	355
	NAB	30,000	Collar	2.24%	3.24%	01/20	309
TOTAL		50,000					664

All of the above hedges are out of the money to the values shown. Of them, \$279,000 are considered current liabilities (June 2017: \$296,000).

The gain or loss from valuing the interest rate collar at fair value is recognised in profit or loss. As the current interest rate is below the floor rates, any further interest rate reduction will not have a profit or loss impact.

9. Acquisition of subsidiary

In December 2017 BlackWall Property Trust gained effective control of Pyrmont Bridge Property Pty Ltd and Pyrmont Bridge Trust. These entities own the prominent 14,000 square metre commercial property located at 55 Pyrmont Bridge Road in Sydney.

The assets and liabilities recognised are as follows:

	FAIR VALUE \$'000
Cash	63
Borrowing costs	146
Property investment	111,000
Trade payables	(534)
Other current liabilities	(1,100)
Borrowings	(50,200)
NET ASSETS ACQUIRED	59,375
Less: non-controlling interests	(44,001)
GROUP SHARE OF ASSETS ACQUIRED	15,374

The purchase of the investments were paid in cash, and there were no acquisition related costs.

10. Distributions

A distribution of 5.0 cents per unit has been declared to be paid on 09 April 2018. Distributions paid before the balance date are listed below:

		DECEMBER 2017 \$'000		DECEMBER 2016 \$'000
Prior year final distribution	6.5 cpu	4,331	4 cpu	2,313
TOTAL		4,331		2,313

11. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 31 December 2017 (June 2017: Nil).

12. Subsequent Events

Apart from subsequent events disclosed in the Directors' report, to the best of the Directors' knowledge, since the end of the financial period there have been no other matters or circumstances that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

13. Financial Instruments

(a) Fair value hierarchy

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset that are not based on observable market data (unobservable inputs).

The Trust currently does not have any assets or liabilities that are traded in an active market.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of the investments.

The following table presents the Trust's financial assets and financial liabilities measured at fair value as at the reporting date. Refer to the Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AT 31 DECEMBER 2017 (\$'000)				
Property investment portfolio	-	-	32,008	32,008
Interest rate hedges	-	(482)	-	(482)
AT 30 JUNE 2017 (\$'000)				
Property investment portfolio	-	-	41,893	41,893
Interest rate hedges	-	(664)	-	(664)

(b) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. All these instruments are included in Level 3.

Significant unobservable inputs associated with the valuations of investment properties are as follows:

SIGNIFICANT UNOBSERVABLE INPUTS USED TO MEASURE FAIR VALUE	RANGE OF UNOBSERVABLE INPUTS	IMPACT OF INCREASE IN INPUT ON FAIR VALUE	IMPACT OF DECREASE IN INPUT ON FAIR VALUE
Capitalisation rate (%)	2.6 – 13.0	Decrease	Increase
Net market rent (\$ per sqm)	116 – 1,043	Increase	Decrease

(c) Fair value measurements using significant observable inputs (Level 3)

The following table is a reconciliation of the movements in property joint ventures classified as Level 3:

AT 31 DECEMBER 2017	\$'000
Balance at the beginning of the year	41,893
Purchases	3,759
Disposals / returns of capital	(2,355)
Fair value movement	4,086
Acquisition of subsidiary	(15,375)
BALANCE AT THE END OF THE PERIOD	32,008

AT 30 JUNE 2017	
Balance at the beginning of the year	24,397
Purchases	12,300
Disposals / returns of capital	(9,547)
Fair value movement	14,743
BALANCE AT THE END OF THE YEAR	41,893

There were no transfers between Level 1, 2 and 3 financial instruments during the year. For all other financial assets and financial liabilities, carrying value is an approximation of fair value.

14. Critical Accounting Estimates and Judgments

The Directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Trust.

Key estimates - impairment

The Trust assesses impairment at each reporting date by evaluating conditions specific to the Trust that may lead to impairment of assets. Refer to Trade and Other Receivables note for impairment details.

Key estimates – financial assets

The property investment portfolio contains a portion of financial assets being property investment structures at FVTPL. All gains and losses in relation to financial assets are

recognised in profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities.

Key estimates – fair values of investment properties

The Trust carries its investment properties at fair value with changes in the fair values recognised in profit or loss. At the end of each reporting period, the Directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in the Property Investment Portfolio table. If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment properties may differ and may need to be re-estimated.

15. Statement of Significant Accounting Policies

The financial statements cover BlackWall Property Trust and its controlled entities. BlackWall Property Trust is a managed investment scheme registered in Australia. All controlled funds are established and domiciled in Australia.

The financial statements for the Trust were authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on the date they were issued.

Statement of Compliance

The financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the IFRS IAS 34 Interim Financial Reporting.

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by the Trust during the half-year in accordance with the continuous disclosure obligations of the ASX listing rules.

Basis of Preparation

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets (property joint ventures) and financial liabilities for which the fair value basis of accounting has been applied. When required by Accounting Standards, comparative figures have

been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

The Trust is a group of the kind referred to in ASIC Class Order 2016/191 and, in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2017.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Property joint ventures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Trust invests in property in Australia and reports to management in a single segment. As a result, there is only one segment to report for the Trust.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)

The Trust has adopted AASB 9 early on 1 January 2013 except for the new hedging rules which should not have any material effects to the Trust's financial statements.

AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Trust is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

Auditor's Independence Declaration and Review Report

ACCOUNTING AND
BUSINESS ADVISORS

ESV

Auditor's independence declaration to the directors of Blackwall Property Trust and Controlled Entities

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Blackwall Property Trust and Controlled Entities for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 20th day of February 2018

ESV

ESV Accounting and Business Advisors



Tim Valtwies
Partner

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ACCOUNTING AND
BUSINESS ADVISORS

ESV

Independent Review Report to the Investors of Blackwall Property Trust and its Consolidated Entities ("the Trust")

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Property Trust and Controlled Entities ("the Group"), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on page 5 to 13, and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of Blackwall Fund Services Limited ("the Responsible Entity") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackwall Fund Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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Independent Review Report to the Investors of Blackwall Property Trust and its Consolidated Entities ("the Trust")

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackwall Property Trust and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Dated at Sydney the 21st day of February 2018

ESV

ESV Accounting and Business Advisors

Tim Valtwies
Partner

Directors' Report - Continued & Declaration

Officeholders of the Responsible Entity

The names of the Officeholders of the Responsible Entity in office at any time during or since the end of the period are set out below.

Richard Hill (Non-Executive Director and Independent Chairman)
Joseph (Seph) Glew (Non-Executive Director)
Robin Tedder (Non-Executive Director)
Stuart Brown (Executive Director and Chief Executive Officer)
Timothy Brown (Executive Director and Chief Financial Officer)
Sophie Gowland (Company Secretary)

Auditor

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

ESV continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



Stuart Brown

Director
Sydney, 21 February 2018

In the opinion of the Directors of BlackWall Fund Services Limited, the Responsible Entity of BlackWall Property Trust:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors of the Responsible Entity have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.



Stuart Brown

Director
Sydney, 21 February 2018

Directory of Properties

PROPERTY	PROPERTY ADDRESS
Canberra North	490 Northbourne Ave, Dickson ACT 2602
Varsity Lakes	194 Varsity Pde, Varsity Lakes QLD 4227
Pymont Bridge Road	55 Pymont Bridge Rd, Pymont NSW 2009
Hobart	162 Macquarie St, Hobart SA 7000
Canberra South	10-14 Wormald St, Symonston ACT 2609
Bakehouse Quarter	George St, North Strathfield NSW 2137
Sippy Downs	30 Chancellor Village Blvd, Sippy Downs QLD 4556
Yandina	54 Pioneer Rd, Yandina QLD 4561
Toowoomba	50 Industrial Ave, Toowoomba QLD 4350



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BLACKWALL
PROPERTY TRUST