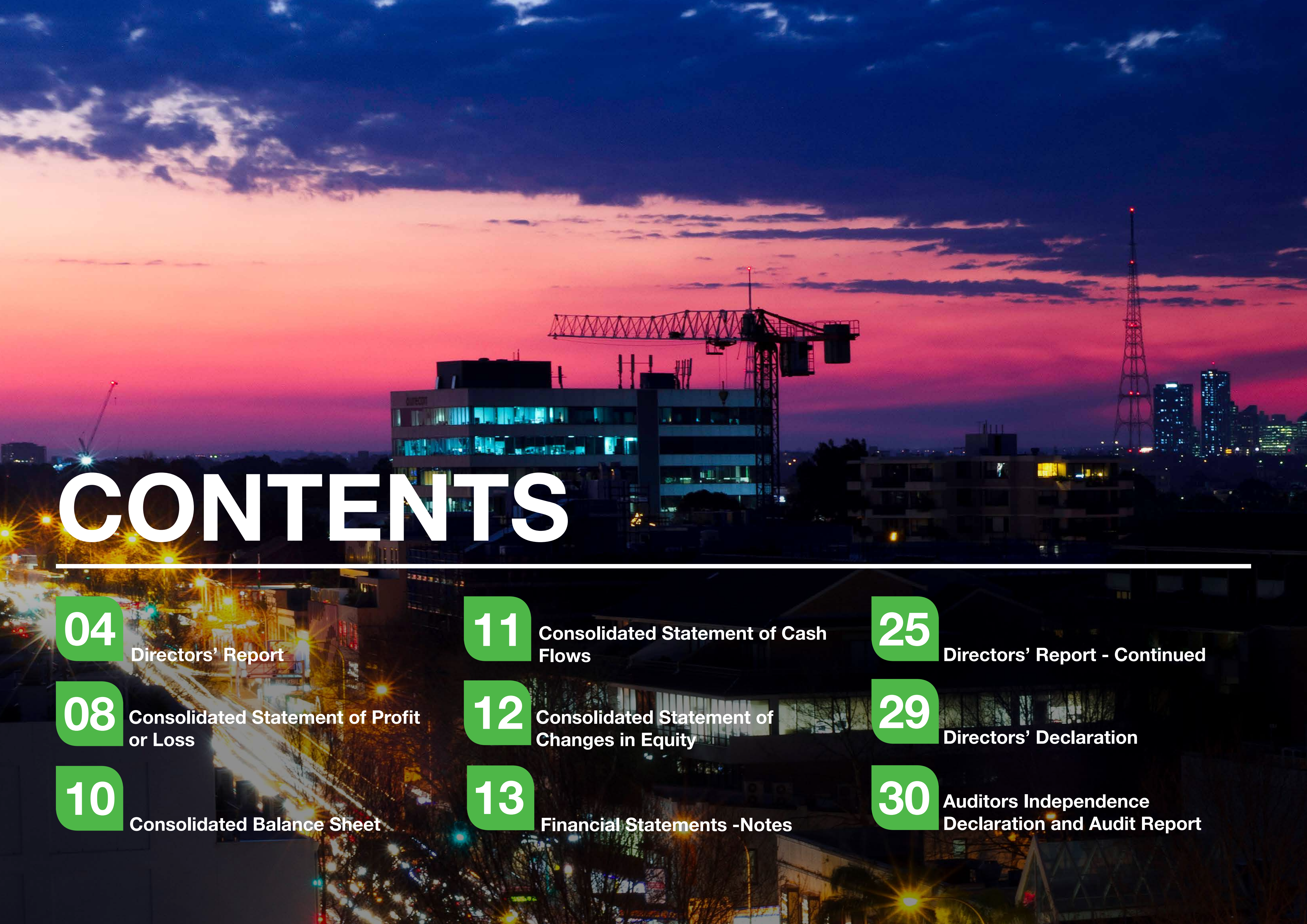
Annual Report
June 2018

BLACKWALL



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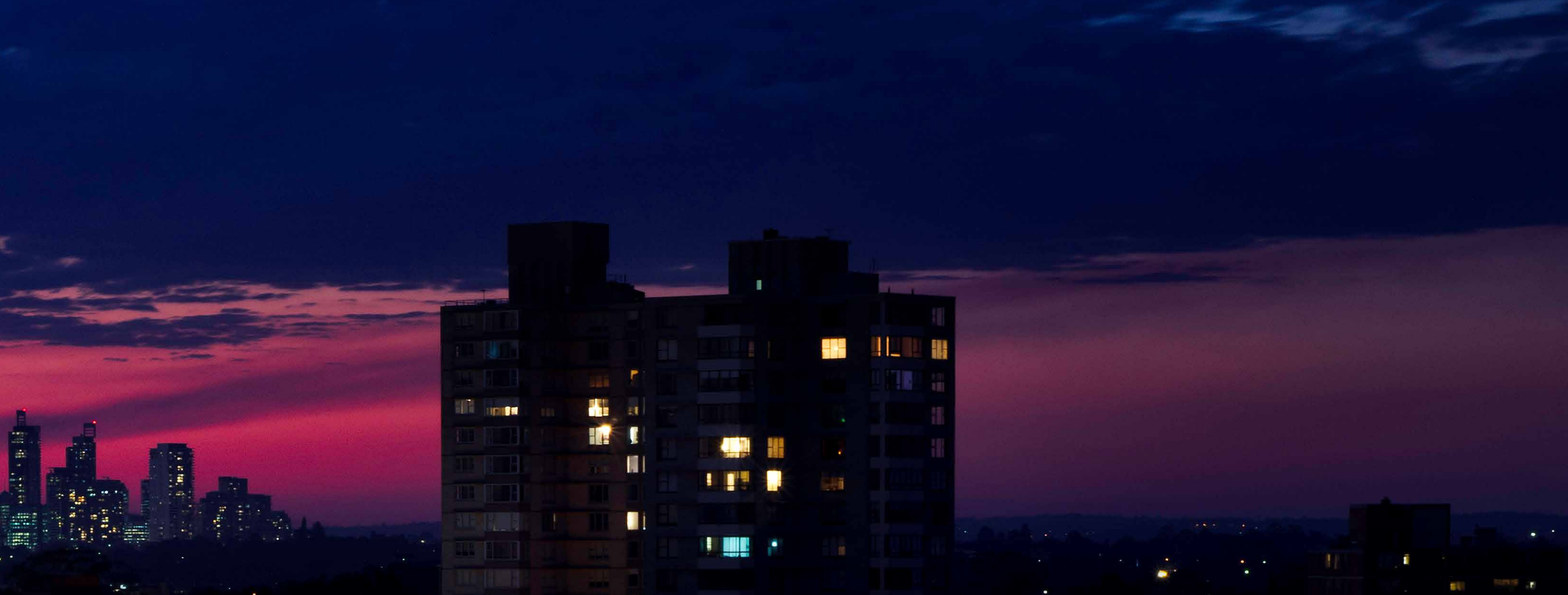


What We Do

WOTSO

WOTSO earns income from leasing desks in our growing workspace network in Australia, Singapore and Malaysia.

BlackWall Asset Management

BlackWall Asset Management generates management, performance and transaction fees from real estate investment structures – the largest of these is our ASX listed REIT, BlackWall Property Trust (ASX Code – BWR).

Investments

Net asset backing of 49 cents per share, often these investments have strategic or operational benefits for WOTSO, BlackWall Asset Management or both.

Directors' Report

BWF - Sum Of The Parts

Each of our three business units are now of a scale and maturity that they are capable of being analysed and valued separately. Accordingly we believe that the price of BlackWall shares is most accurately represented by a "sum of its parts."

For this reason these financial statements have been prepared to allow the reader, where possible, to see the elements of the Balance Sheet, P&L and cash flow generated by each of BlackWall Asset Management, WOTSO and our Investments.

2018 Final Dividend

A final fully franked dividend of 2.1 cents per share has been declared to be paid on 19 October 2018. This brings the full year dividend to 4 cents per share, up 11%, on 2017.

2018 Highlights

$9.5m
WOTSO Turnover Up 54%

$7.9m
Net Profit After Tax

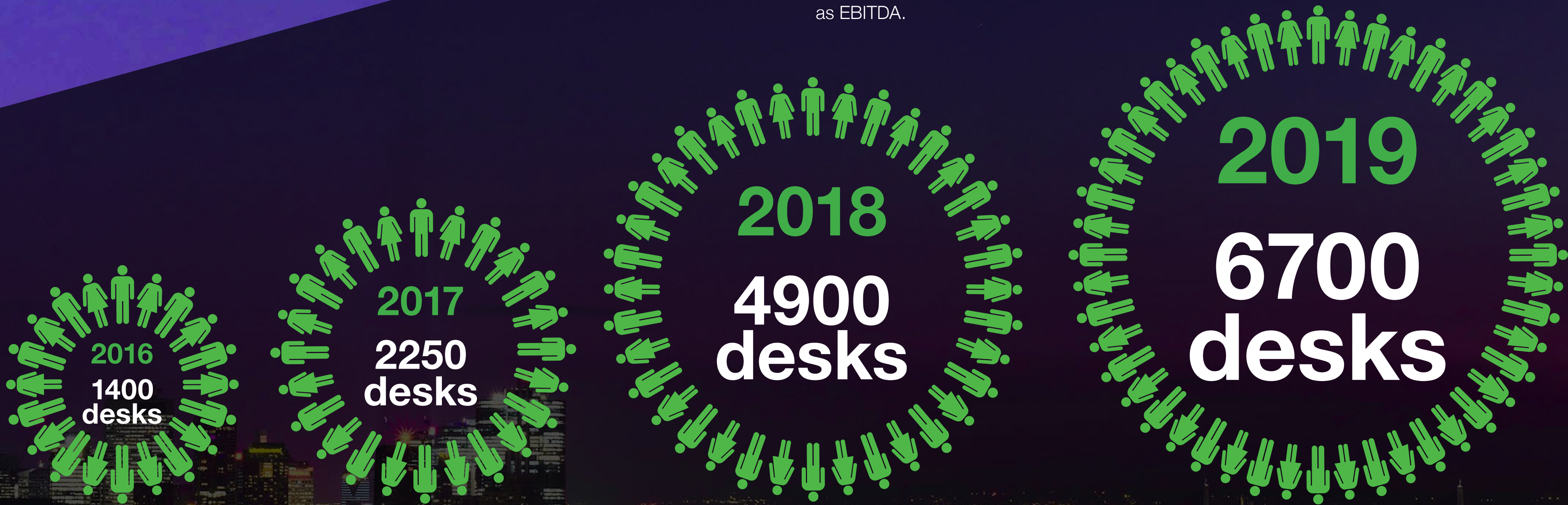
49 cps
Net Asset Backing

WOTSO

WOTSO's operations and potential now go beyond the Australian real estate portfolio controlled by Blackwall. This has been highlighted by our Malaysian joint venture and our newly opened facilities in Australia. The most recent is located in Westfield Chermside in Brisbane. It is interesting to note that the take up at Chermside has been faster than any new site so far.

WOTSO's inventory is the desks it rents in open plan areas on a non-exclusive (hot desk) or exclusive (permanent desk) basis. We also offer desks in offices (private desks). Our potential revenue is therefore a function of desks at each location. The graphic below shows WOTSO's growth historically as well as the deals we have locked in so far for the 2019 calendar year.

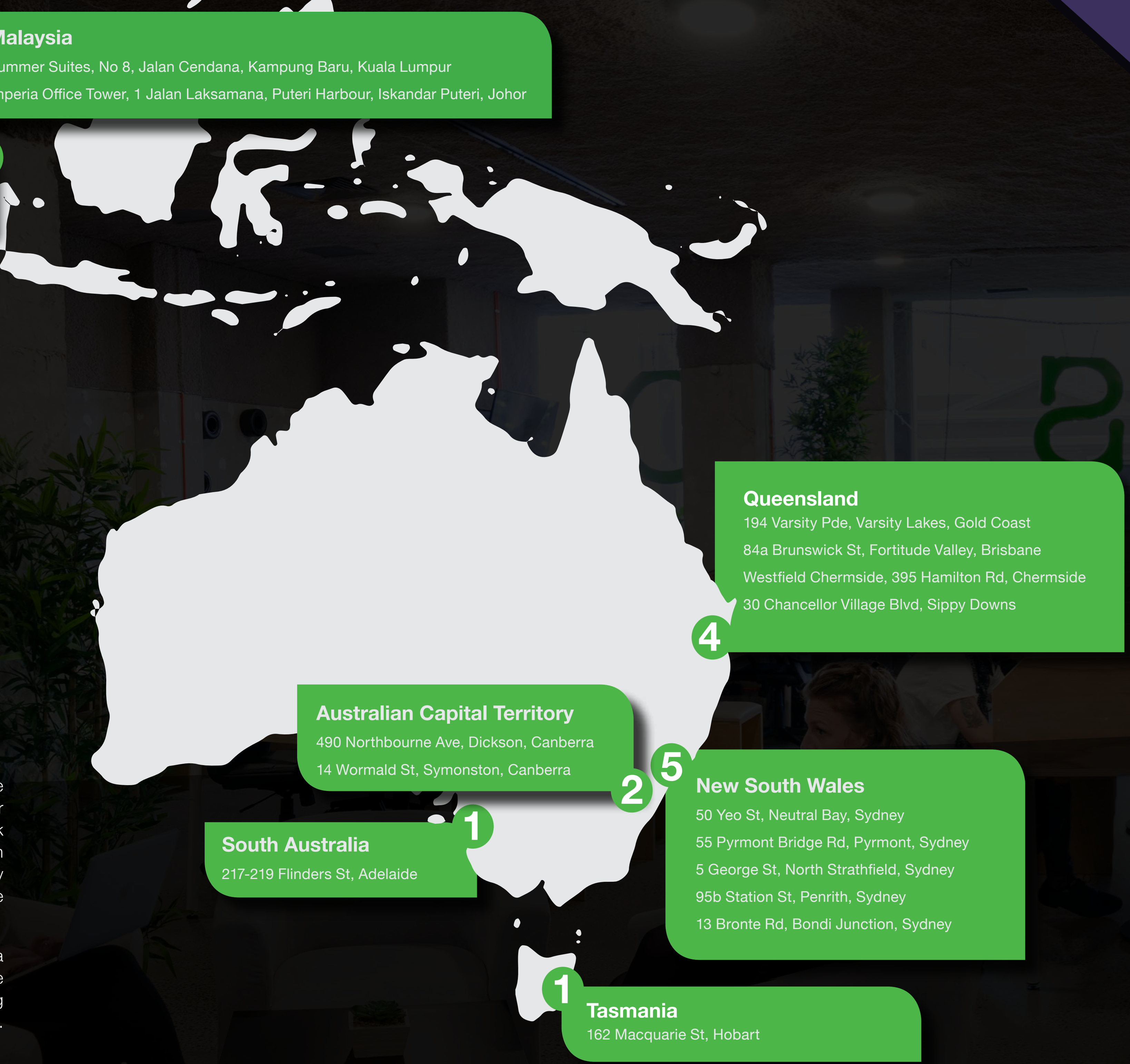
On economic maturity (generally after 3 years) the network has generated an average of $4,750 per desk per annum - taking into account 5% vacancy and down time. This means that when the current network is mature it has the capacity to generate gross revenue (WOTSO Turnover) of just over $30 million. We expect that between 20%-35% of this number will drop to the bottom line as EBITDA.



WOTSO Locations

BlackWall has historically invested in real estate outside the CBD and this has informed our approach to WOTSO. As the WOTSO network grows we find we generate better margins in suburban/regional locations where occupancy costs (the business's biggest expense line) are lower.

That is not to say that WOTSO will not have a CBD presence, rather, we will adopt a "spoke and hub" strategy with CBD locations providing amenity for our regional and suburban network.



BlackWall Asset Management

For over 25 years BlackWall's founders have adopted a patient property investment philosophy. We aim to acquire real estate at a discount with the intention of owning it for the long term. We grow rent by creating leasing opportunities through adaptive reuse and development. Our debt levels reflect our asset's cash flow rather than the amount a financier will lend from time to time. At the outset we structure ways for our investors to exit a project without needing to sell the underlying asset. If we sell an asset it is only when we have exhausted growth opportunities in that asset or the after tax capital gains are more than the returns we can make by continuing to hold the asset. This discipline is ingrained in all aspects of operations and is subscribed to by all involved from senior executives down.

The Bakehouse Quarter is our highest profile project. In June 2017 Yuhu Group, entered into a call option to purchase the site exercisable between 1 July and 31 August 2018 with settlement 2 months later, that is no later than 31 October 2018.

Recently Yuhu and BlackWall, on behalf of the property owner (the Kirela Development Unit Trust) agreed the following amendment to the option arrangement as follows:

- settlement is to occur on 20 February 2019;
- Yuhu may serve a notice (Option Extension Notice) and make a payment of $5 million to extend the option by 1 month up to three times - that is the period in which the option can be exercised may be extended by a maximum of three months on the payment of $15 million in total; and
- Yuhu has agreed to make a pre-payment of the purchase price of $5 million in early December 2018.

At the date of this report Yuhu has served an Option Extension Notice extending the call option to 30 September 2018. We expect that Yuhu will extend the call option at the end of September and again at the end of October paying a total of $15m in option extension fees.

These payments together with a $5m interim payment in December will be deducted from the $380 million purchase price at settlement in February 2019.

We highly confident that the option will be exercised and have treated this in these financial statements as a confirmed sale.

Of more significance for BlackWall Asset Management, however, is the next step. We are structuring an offer to all investors in the Bakehouse Quarter that will see a significant portion of the sale proceeds rolled into our listed A-REIT BlackWall Property Trust (ASX Code: BWR). More detail on this proposal will be released over the coming weeks however it is expected to add over $100 million of cash to BWR's balance sheet. Our plans for this capital are consistent with the investment philosophy explained above.

$2.5m

Average annual performance and transaction fees since listing in 2012

Investments

Our investments are deep value or opportunistic positions with strategic or operational benefits for WOTSO or BlackWall Asset Management. As at 30 June 2018 we have net asset backing of 49 cents per share. Often these positions are traded to generate cash for new opportunities. Last year WOTSO Adelaide was moved off balance sheet and we expect WOTSO Fortitude Valley to follow within 6 months. In addition, it is proposed, subject to relevant investor approvals, that BlackWall will sell its position in the Pyrmont Bridge Trust to BlackWall Property Trust. If completed, these transactions will generate over $12 million of cash.

31%

NTA growth per annum since listing in 2012

Financial Statements

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
REVENUE			
WOTSO			
Revenue from leased and owned sites		8,074	6,155
Management agreements		375	-
Total WOTSO		**8,449**	**6,155**
BlackWall Asset Management			
Management fees		5,756	5,004
Performance fee – Pyrmont		7,884	2,615
Performance fee - Penrith		-	433
Transaction fees		-	1,497
Total BlackWall Asset Management		**13,640**	**9,549**
Investments			
Unrealised gains	2	3,007	1,723
Realised gain - WOTSO Adelaide	2	572	(117)
Rental income		66	20
Other income		260	94
Total Investments		**3,905**	**1,720**
TOTAL REVENUE		**25,994**	**17,424**
EXPENSES			
WOTSO operating	3	(7,641)	(5,083)
Other operating	3	(5,345)	(5,458)
Property outgoings		(218)	(191)
Depreciation		(853)	(548)
Property finance costs		(131)	(176)
Goodwill impairment	8	(1,042)	(1,044)
TOTAL EXPENSES		**(15,230)**	**(12,500)**
Profit before income tax		**10,764**	**4,924**
Income tax expense	4	(2,841)	(1,355)
Profit for the year		**7,923**	**3,569**
Other comprehensive income		-	-
Profit and other comprehensive income		**7,923**	**3,569**
Profit and other comprehensive income attributable to:			
Owners of the Company		8,062	3,588
Non-controlling interests		(139)	(19)
Earnings Per Share			
Continuing operations:			
Basic earnings per share	14	13.5 cents	6.2 cents
Diluted earnings per share	14	13.4 cents	6.1 cents

Directors' Report Management Commentary

WOTSO

WOTSO, in some respects, is like a hotel. We generate revenue from customers/members in a real estate linked operating business. That said we do not intend WOTSO itself will own the buildings from which it operates, as some hotel chains do. For this reason WOTSO employs a number of structures with property owners including leases, management agreements and joint ventures.

The majority of WOTSOs are housed in property that is controlled or managed by BlackWall Asset Management and these arrangements are on arms length terms. In the case of both WOTSO Adelaide and Fortitude Valley the real estate was bought by BlackWall Limited and held as an investment. Here the aim has been to hold the asset in the BlackWall investment portfolio while the WOTSO operations were established. Once a sustainable occupancy has been achieved WOTSO enters into a lease or management arrangement with the intention that the assets will be syndicated off the balance sheet for cash.

Leased and Owned Sites – WOTSO Turnover at these sites is brought directly onto the P&L. In leased sites the cost of occupancy is shown in the WOTSO Rent line of the P&L. WOTSO Operating expenses include staff, electricity, consumables, marketing and other onsite costs.

Management Agreements – Here we do not enter into a lease but apply WOTSO's branding, systems, marketing and network to generate WOTSO Turnover on behalf of the property owner. In this case WOTSO takes less risk as we do not pay set up costs. However, in some cases the set up costs are funded by WOTSO as a loan secured against the business, fixtures and fitting at that site such as WOTSO Bondi. Under a management agreement we charge fees in the order of 20% of WOTSO Turnover. Accordingly only our fee is brought onto the P&L.

Joint Ventures – In some cases we will establish a separate entity to operate WOTSO at a particular site or jurisdiction. This is the approach we have taken with respect to Malaysia with UEM Sunrise Berhad. UEM is a large-scale developer in Malaysia, Australia and other countries. WOTSO will license its brand, IP and systems to the JV Co. It is expected that such arrangements will be "equity accounted" and as such only licensing fees and WOTSO's share of profits will be brought onto the P&L.

The first Malaysian operation should begin in Kuala Lumpur City Centre in the next four months with the second in planning in Johor Bahru at the tip of the Malaysian peninsula close to Singapore.

Regardless of the type of structure used at a particular site WOTSO's revenue is a function of receipts from its members. We term these receipts WOTSO Turnover and see it as a key element for tracking the business's performance. The table below shows the WOTSO Turnover since 2014.

Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
$9.5 million	$6.2 million	$3.4 million	$1.9 million	$1.2 million

At the date of this report annualised WOTSO Turnover is $13.4 million. The extent of WOTSO Turnover shown in our P&L depends on the type of agreement reached with that property owner.

BlackWall Asset Management

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
Management fees	5,756	5,004	4,081	3,917	3,524
Performance and transaction fees	7,884	4,545	892	250	3,894
Total	**13,640**	**9,549**	**4,973**	**4,167**	**7,418**

Our fee income is earned in a number of ways:

Property Management Fees – Fees calculated by reference to the gross revenue generated by a particular property. Depending on the complexity of the property the fee will be between 1% and 4% per annum. For example our fee for managing the Bakehouse Quarter (a complex and large site) for the full year to June 2018 was $430k (being 3% of gross rental).

Funds Management Fees – Fee for the management of investment structures which own real estate. These fees are calculated by reference to the gross asset value, from time to time, of the relevant entity and range from 0.25% per annum to 0.65% per annum. Our Funds Management fee from the BlackWall Property Trust is 0.65% per annum on gross assets. For the year ended June 2018 we earned $725k in funds management fees at the Bakehouse Quarter being 0.25% of pre-sale value of $270 million.

Leasing and Project Management fees – Event driven leasing opportunities caused by the acquisition of new assets, development or general tenant turnover. Where we find new tenants or manage construction work we earn one off fees. The larger or more dynamic the particular portfolio then generally the larger these fees. By way of example, BlackWall recently finalised negotiations with the US telco Verizon for an extentsion of its lease at 55 Pyrmont Bridge Road. This event occurred subsequent to the balance date so will be brought to account in the 2019 financial year and equates to a fee of just over $300k.

Performance & Transaction Fees – Event driven performance fees where a particular project out performs or for completing one off transactions. These fees are either paid in cash or by way of an interest in the relevant investment structure. In the 2018 financial year BlackWall earned a performance fee of $7.9 million (a total fee of 10.5 million including FY17) in relation to a property known as 55 Pyrmont Bridge Road. The fee was calculated by reference to the IRR earned by the investors in the ownership structure. BlackWall elected to reinvest this fee in units in a trust known as the Pyrmont Bridge Trust.

In the 2017 financial year a pro-rata portion of a performance fee equating to $433,000 was taken up with respect to the BlackWall Penrith Fund No.3. The total fee is expected to be in the order of $2.5 million on termination of the fund in just over two years. Recently a significant tenant at this project went into liquidation. We expect that this event will only have a short term effect on the value of the project (if any), however, we have elected not to take up any pro-rata portion of the fee until the leasing risk is mitigated.

The Bakehouse Quarter Sale – As described earlier the sale of the Bakehouse Quarter is expected to complete in February 2019 and BlackWall is structuring a proposal that, subject to unit holder and regulatory approval, will see up to $100 million of cash added to the BWR balance sheet. With this transaction BWR can expand its opportunistic total return investment strategy and would expect gross assets to grow to over $750 million over the next 5 years.

Financial Statements

Consolidated Balance Sheet at 30 June 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		923	688
Trade and other receivables	5	1,044	529
Loan to WOTSO Bondi		545	-
Investment - Pyrmont		10,360	-
Investment - Bakehouse Quarter		914	714
Investment - WOTSO Fortitude Valley, Qld	6	4,500	4,520
Investment – WOTSO Adelaide, SA	6	-	3,180
Total current assets		**18,286**	**9,631**
Non-current assets			
Investment - BlackWall Property Trust		15,658	14,039
Financial assets		130	132
Performance fees receivable - Pyrmont		-	2,615
Performance fees receivable - Penrith		433	433
Property, plant and equipment - WOTSO	7	3,860	2,695
Property, plant and equipment - Other	7	250	299
Goodwill	8	-	1,042
Total non-current assets		**20,331**	**21,255**
TOTAL ASSETS		**38,617**	**30,886**
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,644	1,324
Current tax payable		2,813	17
Provision for employee benefits	11	486	574
WOTSO tenant deposits		250	129
Property borrowings	6	2,100	3,500
Total current liabilities		**7,293**	**5,544**
Non-current liabilities			
Deferred tax liabilities	12	1,627	2,086
Provision for employee benefits	11	165	175
Total non-current liabilities		**1,792**	**2,261**
TOTAL LIABILITIES		**9,085**	**7,805**
NET ASSETS		**29,532**	**23,081**
EQUITY			
Share capital		16,318	15,646
Reserves		85	21
Retained earnings		13,277	7,423
Non-controlling interests		(148)	(9)
TOTAL EQUITY		**29,532**	**23,081**

Directors' Report Management Commentary

Our investments are deep value or opportunistic positions with strategic or operational benefits for WOTSO or BlackWall Asset Management. At 30 June 2018 our net asset backing is 49 cents per share. Often these positions are traded to generate cash. Last year WOTSO Adelaide was moved off balance sheet and we expect WOTSO Fortitude Valley to follow within 6 months. It is proposed, subject to relevant investor approvals, BlackWall will sell its position in the Pyrmont Bridge Trust to the BlackWall Property Trust. As explained earlier the sale of the Bakehouse Quarter is scheduled to complete in early 2019. As a consequence each of these assets have been reclassified as current assets.

BlackWall Property Trust (BWR) is an ASX-listed real estate investment trust managed by BlackWall. BlackWall holds 10.8 million BWR units (16% of the trust) which are held at the 30 June 2018 ASX closing price of $1.45 per unit, that is, a carrying value of $15.6 million ($1.30 per unit at June 2017).

BlackWall Property Trust distributions for the current and prior financial year have been received as returns of capital due to significant tax losses in the trust. Such distributions are accounted for by applying them against the carrying value of the investment. The prevailing carrying value is then marked-to-market on the balance date, and any unrealised gains (or losses) are recognised in the Statement of Profit or Loss.

A reconciliation of the movements for BlackWall Property Trust are as follows:

	2018	2017
Investment in BWR at beginning of year	14,039	11,860
Purchase of investments during the year	-	7,373
Sale of investments during the year	-	(5,817)
Return of Capital distributions for the year	(1,243)	(841)
Unrealised gain on BWR due to mark-to-market at year end to $1.45 closing share price	2,862	1,464
Investment in BWR at end of the year	**15,658**	**14,039**

The Net Asset Backing over the last 5 years is:

Jun-18	Jun-17	Jun-16	Jun-15	Jun-14
49 cps	37 cps	33 cps	31 cps	28 cps

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
WOTSO receipts		9,256	6,792
BlackWall Asset Management receipts		7,270	6,940
Investment Income receipts		257	-
Bank interest received		3	10
Distributions from Woods PIPES		-	84
Payments to suppliers and employees		(11,568)	(8,481)
WOTSO rent paid		(3,550)	(2,806)
Income tax paid		(697)	(698)
Brisbane and Adelaide outgoings		(151)	(171)
Interest paid		(131)	(176)
Net Cash Flows From/(Used in) Operating Activities		**689**	**1,494**
Cash flows from investing activities			
Net inflow from disposal of Adelaide		2,786	-
Returns of capital from BWR and other investments		1,261	884
Proceeds from sale of BWR units and other investments		-	1,023
Payments for WOTSO property, plant and equipment	7	(1,972)	(1,628)
Advance to WOTSO Bondi		(545)	-
Payments for Brisbane and Adelaide properties' fitout	6	(399)	(345)
Payments for BlackWall property, plant and equipment	7	(29)	(54)
Loan repayment / (advance)		(20)	26
Purchase of BWR units and other investments		-	(3,185)
Net Cash Flows From/(Used in) Investing Activities		**1,082**	**(3,279)**
Cash flows from financing activities			
Proceeds from issue of shares		-	2,620
Proceeds from exercise of options		672	22
Dividends paid	13	(2,208)	(2,005)
Payment for capital raising costs		-	(129)
Net Cash Flows From/(Used in) Financing Activities		**(1,536)**	**508**
Net Increase / (Decrease) in Cash Held		**235**	**(1,277)**
Cash and cash equivalents at the beginning of the year		688	1,965
Cash and Cash Equivalents at End of the Period		**923**	**688**

Reconciliation of Operating Cash Flows ($'000)

	2018	2017
Profit for the year	8,062	3,588
Non-cash flows in profit:		
Depreciation	853	548
Net gain on investments	(3,416)	(1,606)
Pyrmont performance fee	(7,884)	-
Impairment of goodwill	1,042	1,044
Share options expense	59	16
Outside equity interests	(139)	(9)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	(552)	(3,473)
Increase / (decrease) in deferred tax liabilities	(459)	989
Increase / (decrease) in trade and other payables	425	489
Increase / (decrease) in income taxes payable	2,796	(333)
Increase / (decrease) in provisions	(98)	241
Net cash flows from operating activities	**689**	**1,494**

Changes in liabilities arising from financing activities ($'000)

	Borrowings	Total
Total liabilities from financing activities as at 1 July 2016	**(3,500)**	**(3,500)**
Net cash from/(used in) financing activities	-	-
Total liabilities from financing activities as at 30 June 2017	**(3,500)**	**(3,500)**
Net cash from/(used in) financing activities	-	-
Disposal of Adelaide property	1,400	1,400
Total liabilities from financing activities as at 30 June 2018	**(2,100)**	**(2,100)**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Shares On issue No.	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Attributable to Owners of the parent $'000	Outside Equity Interests $'000	Total $'000
Balance at 1 July 2017	**59,102,445**	**15,646**	**7,423**	**21**	**23,090**	**(9)**	**23,081**
Profit for the period	-	-	8,062	-	8,062	(139)	7,923
Dividend paid	-	-	(2,208)	-	(2,208)	-	(2,208)
Foreign currency reserve	-	-	-	6	6	-	6
Issue of shares	1,938,000	672	-	-	672	-	672
Transaction costs on share issue	-	-	-	-	-	-	-
Share options	-	-	-	58	58	-	58
Balance at 30 June 2018	**61,040,445**	**16,318**	**13,277**	**85**	**29,680**	**(148)**	**29,532**
Balance at 1 July 2016	**52,340,445**	**11,733**	**5,840**	**-**	**17,573**	**-**	**17,573**
Profit for the period	-	-	3,588	-	3,588	(19)	3,569
Dividend paid	-	-	(2,005)	-	(2,005)	-	(2,005)
Retained earnings on acquisition	-	-	-	-	-	10	10
Foreign currency reserve	-	-	-	5	5	-	5
Issue of shares	6,762,000	4,042	-	-	4,042	-	4,042
Transaction costs on share issue	-	(129)	-	-	(129)	-	(129)
Share options	-	-	-	16	16	-	16
Balance at 30 June 2017	**59,102,445**	**15,646**	**7,423**	**21**	**23,090**	**(9)**	**23,081**

Share Capital and Reserves ($'000)

(a) Summary table

	2018	2017
61,040,445 ordinary shares (June 2017: 59,102,445)	16,318	15,646
Total	**16,318**	**15,646**

(b) Movement in shares on issue

	No.	No.
At the beginning of reporting period	59,102,445	52,340,445
Issue of shares – new placement at 60 cents per share	-	6,700,000
Issue of shares – employee share options at 35 cents per share	1,938,000	62,000
At reporting date	**61,040,445**	**59,102,445**

No further shares have been issued since 30 June 2018. No amounts are unpaid on any of the shares. Ordinary shares participate in dividends. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All shares are fully paid.

(c) Reserves

	2018	2017
Share options reserve	74	16
Foreign currency translation reserve	11	5
Total	**85**	**21**

The following options are on issue at the date of this report:

Options	Expiry date	Exercise price	Number
Employee and Directors options	14 July 2019	$0.60	2,075,000
Employee and Directors options	28 February 2021	$1.00	4,500,000

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The shareholder information set out below was current as at 8 August 2018.

1. Segment Information ($'000)

The segment information for the Group is as follows. For information on segment reporting, refer to the Statement of Significant Accounting Policies for more details.

Profit & Loss 2018	Income	Gains	Inter-segment	Total Revenue	Expenses	EBITDA
WOTSO	8,449	-	150	8,599	(7,641)	958
BlackWall Asset Mngt	13,640	-	-	13,640	(4,726)	8,914
Investments	326	3,579	-	3,905	(1,293)	2,612
Corporate	-	-	-	-	(737)	(737)
Consolidated	**22,415**	**3,579**	**150**	**26,144**	**(14,397)**	**11,747**

Profit & Loss 2017						
WOTSO	6,175	-	-	6,175	(5,274)	901
BlackWall Asset Mngt	9,549	-	-	9,549	(6,063)	3,486
Investments	94	1,606	-	1,700	(439)	1,261
Consolidated	**15,818**	**1,606**	**-**	**17,424**	**(11,776)**	**5,648**

	2018			2017		
Balance Sheet	**Assets**	**Liabilities**	**Net Assets**	**Assets**	**Liabilities**	**Net Assets**
WOTSO	4,965	(1,264)	3,701	3,262	(597)	2,665
BlackWall Asset Mngt	1,985	(696)	1,289	5,039	(1,621)	3,418
BlackWall Investments	31,667	(4,312)	27,355	22,585	(5,587)	16,998
Corporate	-	(2,813)	(2,813)	-	-	-
Consolidated	**38,617**	**(9,085)**	**29,532**	**30,886**	**(7,805)**	**23,081**

2. Net realised and unrealised gains on investments ($'000)

	2018	2017
Unrealised gain - BlackWall Property Trust	2,862	1,464
Unrealised gain - Bakehouse Quarter	219	228
Unrealised gain - Brisbane investment property	66	31
Other	(140)	-
Unrealised total	**3,007**	**1,723**
Realised gain on disposal of Adelaide investment property	572	-
Realised loss on disposal of stadium investment	-	(30)
Realised loss on disposal of BWR	-	(87)
Realised total	**572**	**(117)**
Total	**3,579**	**1,606**

3. Operating Expenses ($'000)

	2018	2017
WOTSO rent expense	3,550	2,806
WOTSO employee expense	1,458	614
WOTSO operating expenses	2,633	1,663
WOTSO expenses	**7,641**	**5,083**
BlackWall rent expense	146	136
BlackWall employee & consultants expense	4,195	4,155
BlackWall operating expense	1,004	1,167
BlackWall expenses	**5,345**	**5,458**

4. Income Tax Expense ($'000)

	2018	2017
Current tax	3,300	366
Deferred tax	(459)	989
Total	**2,841**	**1,355**

Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 30%)	2,960	1,477
Add / (less) tax effect of:		
Non-deductible items	5	4
Deductible items	(7)	(6)
Financial assets	(117)	(120)
Total	**2,841**	**1,355**

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

	2018	2017
Trade receivables:		
Related parties	641	502
Other parties	147	22
Total trade receivables	**788**	**524**
Other receivables	256	5
Total	**1,044**	**529**

Further information relating to trade and other receivables to related parties is set out in the Related Party Transactions note. None of the receivables were impaired as at 30 June 2018 (2017: $nil).

6. Investment Properties – Assets and Borrowings ($'000)

	WOTSO Brisbane	WOTSO Adelaide	Total
Balance at 1 July 2017	**4,520**	**3,180**	**7,700**
Capital improvements	20	379	399
Disposals	(44)	-	(44)
Revaluations	66	726	792
Depreciation	(62)	(85)	(147)
Disposal of Adelaide subsidiary	-	(4,200)	(4,200)
Balance at 30 June 2018	**4,500**	**-**	**4,500**
Balance at 1 July 2016	**4,500**	**3,000**	**7,500**
Capital improvements	73	272	345
Revaluations	25	6	31
Depreciation	(78)	(98)	(176)
Balance at 30 June 2017	**4,520**	**3,180**	**7,700**

The property is classified as a current asset as BlackWall has resolved to syndicate it off the balance sheet.

Property Borrowings ($'000)	2018	2017
National Australia Bank	2,100	3,500
Total	**2,100**	**3,500**

The facility is secured against the WOTSO Brisbane property. The borrowings will mature in August 2018, and are therefore classified as a current liability. These borrowings are subject to a margin of 2.0% over BBSY. The renewal of the facility is currently under negotiation with the bank.

7. Non-current Assets – Property, Plant and Equipment ($'000)

	2018	2017
WOTSO:		
At cost	5,464	3,651
Less accumulated depreciation	(1,604)	(956)
Written down value	3,860	2,695
BlackWall:		
At cost	775	746
Less accumulated depreciation	(525)	(447)
Written down value	250	299
Total	**4,110**	**2,994**

2018	WOTSO	BlackWall	Total
Carrying amount at the beginning of year	2,695	299	2,994
Additions	1,972	29	2,001
Depreciation expense	(643)	(78)	(721)
Disposals	(164)	-	(164)
Carrying amount at the end of year	**3,860**	**250**	**4,110**

2017			
Carrying amount at the beginning of year	1,395	319	1,714
Additions	1,628	54	1,682
Depreciation expense	(328)	(44)	(372)
Disposals	-	(30)	(30)
Carrying amount at the end of year	**2,695**	**299**	**2,994**

The majority of Property, Plant and Equipment is catorgarised as furniture, fixtures and fittings.

8. Goodwill ($'000)

	2018	2017
Goodwill	-	1,042
Total	**-**	**1,042**

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on a value in use calculation.

In January 2017 BlackWall acquired the issued share capital of Bakehouse Management Pty Limited. This transaction generated just over $2 million of goodwill in the BlackWall balance sheet. In June 2017 BlackWall announced that it had negotiated a call option arrangement for the sale of the Bakehouse Quarter. BHM undertakes the property management for that property. As a consequence of the sale the goodwill generated has been fully impaired (just over $1 million at June 2017 and the balance at 31 December 2017).

9. Investment in Joint Venture ($'000)

The Group has entered into a joint venture with UEM Sunrise WOTSO Malaysia Sdn Bhd. Details are:

			Proportion of ownership interests held by the group	
Name of JV	**Principal place of business**	**Principal activity**	**June 2018**	**June 2017**
UEM Sunrise WOTSO Malaysia Sdn Bhd	Malaysia	Co-workspace operations	50%	n/a

The investment in UEM Sunrise WOTSO Malaysia Sdn Bhd is accounted for using the equity method in accordance with AASB 128.

The business will commence operations in FY2019. At June 2018 some nominal set up costs had been incurred.

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

	2018	2017
Trade payables:		
Related parties	27	4
Other parties	1,231	1,030
	1,258	**1,034**
Sundry payables and accrued expenses	198	179
Income received in advance from WOTSO tenants	188	111
Total	**1,644**	**1,324**

Further information relating to trade payables from related parties is set out in the Related Party Transactions note.

11. Current and Non-current Liabilities - Provisions ($'000)

			Total	
	WOTSO	**Other**	**2018**	**2017**
Current – employee benefits	61	425	486	574
Non-current – employee benefits	-	165	165	175
Total provisions	**61**	**590**	**651**	**749**
Balance at the beginning of year			749	422
Net additional provisions recognised			(98)	327
Balance at the end of year			**651**	**749**

The number of employees for the Group as at 30 June 2018 was 64 (2017: 56).

12. Non-current Liabilities – Deferred Tax Liabilities ($'000)

	2018	2017
Deferred tax liabilities / (assets) balance comprises:		
Financial assets	1,859	2,352
Provision for employee benefits	(179)	(225)
Accrued expenses	(53)	(41)
Total	**1,627**	**2,086**
Movements:		
Balance at the beginning of year	2,086	1,097
Charged to the profit and loss	(459)	989
Balance at the end of year	**1,627**	**2,086**

13. Dividends ($'000)

Fully franked dividends paid to members during the financial year were as follows:

	2018	2017
2017 final dividend of 1.8 cents paid on 20 October 2017 (2016 final: 1.8 cents)	1,074	942
2018 interim dividend of 1.9 cents paid on 07 April 2018 (2017 interim: 1.8 cents)	1,134	1,063
Total	**2,208**	**2,005**

In addition, the Board has declared a final fully franked dividend of 2.1 cents per share to be paid on 19 October 2018.

	2018	2017
Franking credits available for the subsequent periods based on a tax rate of 27.5% (2017: 30%)	542	348

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

14. Earnings Per Share

	2018	2017
Basic EPS	13.5 cents	6.2 cents
Diluted EPS	13.4 cents	6.1 cents
Calculated as follows:		
Profit attributable to the owners of the Group	$8,062,000	$3,588,000
Weighted average number of shares for basic EPS	59,561,806	57,512,116
Weighted average number of shares for diluted EPS	60,283,545	58,968,141

15. Auditor's Remuneration ($'000)

	2018	2017
Remuneration of ESV for:		
Audit and assurance services	60	61
Taxation services	8	8
	68	**69**
Remuneration of non-ESV firm for:		
Other assurance services	-	4
Total	**68**	**73**

16. Commitments ($'000)

(a) Operating lease commitments

Operating leases relate to tenancy leases with lease terms of between 1 and 5 years.

	2018	2017
Lease commitments payable:		
Payable within 1 year	5,739	2,654
Payable within 2-5 years	10,587	6,283
Total	**16,326**	**8,937**

(b) Capital lease commitments

No capital commitments were in existence as at 30 June 2018 (2017: Nil).

17. Contingencies

The Group had no contingent assets or liabilities at 30 June 2018 (2017: $nil).

18. Subsequent Events

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

19. Controlled Entities

		Percentage Owned	
Name	**Country of incorporation**	**2018 %**	**2017 %**
Parent entity:			
BlackWall Limited	Australia	n/a	n/a
Subsidiaries of parent entity:			
BlackWall Management Services Pty Ltd	Australia	100	100
BlackWall Fund Services Limited	Australia	100	100
WOTSO Workspace Pty Ltd	Australia	100	100
WOTSO Chermside Pty Ltd	Australia	100	-
WOTSO S.E.A. Pty Ltd	Australia	100	-
WOTSO Coffee Pty Ltd	Australia	100	100
APG Asset Management Pty Ltd	Australia	100	100
Bakehouse Management Pty Ltd	Australia	99.99	99.99
Flinders Street Unit Trust	Australia	-	99.98
84 Brunswick Street Unit Trust	Australia	99.98	99.98
Springboard Management Services Pte Ltd	Singapore	60	60

20. Related Party Transactions

(a) Related Entities, Associates, Managed Funds

In these financial statements, related parties are parties as defined by AASB 124 Related Party Disclosures rather than the definition of related parties under the Corporations Act 2001 and ASX Listing Rules.

Associates

Interests held in associates by the Group are set out in the Equity Accounted Investment note to the financial statements.

Managed Funds

The Group holds investments in a number of property funds for which it acts as either manager or responsible entity (refer to the Financial Assets note).

Fees and Transactions

Management fees are charged to these entities predominantly for property and fund management services. The management fees are paid under a management agreement and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to:

- funds management: provision of strategic investment advice, asset management and investment portfolio services; and
- property management: property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, leasing, project management, marketing and risk management services.

The Group recharges its related entities, associates and managed funds, for administration services which include accounting and bookkeeping fees, corporate secretarial services and those expenses that are incurred by members of the Group on behalf of the related entities, associates and managed funds. In addition, the Group pays the following fees to related entities:

- rent for WOTSO and Neutral Bay head office. The rent paid is determined with reference to arm's length commercial rates; and
- director fees.

Other transactions and outstanding balances with related entities, associates and managed funds relate to loans payable and receivable and distributions from managed funds. All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable. The following transactions occurred during the financial year and the balances were outstanding at the year end between the Group and its related entities.

	2018	2017
Revenue:		
BlackWall Asset Management	3,252	3,277
Transaction fees	7,884	4,621
WOTSO income	61	106
Distribution/returns of capital from funds	1,408	968
Expenses:		
Rent and outgoings paid	3,115	2,489
Outstanding balances:		
Trade and other receivables – current	641	502
Trade and other payables - current	27	4

(b) Interests in Related Parties

As at year end the Group owned units in the following related funds:

	Holdings (No.'000)		Distribution/Returns of Capital/Interest ($'000)	
Entity	**2018**	**2017**	**2018**	**2017**
BWR	10,799	10,799	1,242	843
Pyrmont Bridge Trust	6,475	-	147	-
Kirela Unit Trust	2	2	19	6
			1,408	**849**

(c) Key management personnel compensation ($'000)

	2018	2017
Total remuneration paid	**1,075**	**989**

Detailed remuneration disclosures and relevant interests are provided in the Directors' Report.

21. Parent Entity Information ($'000)

	2018	2017
Results:		
Profit (loss) after tax	303	(1,063)
Total comprehensive income after tax	**303**	**(1,063)**
Financial position:		
Current assets	174	68
Non-current assets	14,008	12,954
Total assets	**14,182**	**13,022**
Current liabilities	(2,926)	(256)
Non-current liabilities	-	(336)
Total liabilities	**(2,926)**	**(592)**
Net assets	**11,256**	**12,430**
Share capital	16,318	15,646
Accumulated losses	(5,121)	(3,216)
Reserves	59	-
Total equity	**11,256**	**12,430**

The parent entity had no contingencies or capital commitments at 30 June 2018 (2017: Nil).

22. Financial Risk Management

(a) Financial risk management ($'000)

The main risks the Group is exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are cash, financial assets and borrowings. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and overseeing of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets. The Group holds the following major financial instruments:

	2018	2017
Cash and cash equivalents	923	688
Investment in BWR	15,658	14,039
Investment in Pyrmont Bridge Trust	10,360	-
Borrowings	(2,100)	(3,500)

(b) Sensitivity analysis

The Group is not exposed to any material credit or liquidity risks.

The interest in the WOTSO subsidiary in Singapore is subject to foreign exchange risk. It is not material to the group from a profit perspective, a 10% decrease in the SGD/AUD FX rate would result in a decrease in profit before tax of $4,000.

Investment in BWR units are subject to price risk, a 10% decrease in the ASX trading price (from the price at 30 June 2018, i.e. $1.45 per unit) would result in an unrealised loss after tax of $1,135,000.

In relation to interest rate risk, if interest rates on borrowings were to increase by 1% profit after tax would be reduced by $15,000.

(c) Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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, issue new shares, buy-back shares, purchase or sell assets.

The Group complies with the current loan to value ratio (50%).

(d) Liquidity risk

$'000	Maturing Within 1 year	Maturing 2 – 5 years	Maturing over 5 years	Total
At 30 June 2018				
Financial liabilities				
Trade and other payables	1,644	-	-	1,644
Borrowings	2,100	-	-	2,100
	3,744	**-**	**-**	**3,744**
At 30 June 2017				
Financial liabilities				
Trade and other payables	1,324	-	-	1,324
Borrowings	3,500	-	-	3,500
	4,824	**-**	**-**	**4,824**

At the end of the reporting period the Group held $34 million in properties and financial assets that are expected to generate cash inflows for managing liquidity risk.

(e) Fair value measurements

(i) Fair value hierarchy

AASB 13 Fair Value Measurement 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 or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price.

The following table presents the Group's financial assets measured at fair value as at 30 June. 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 30 June 2018 ($'000)				
Financial assets	15,658	-	11,949	27,607
At 30 June 2017 ($'000)				
Financial assets	14,039	-	846	14,885

(ii) 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.

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

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

	$'000
At 30 June 2018	
Balance at the beginning of the year	846
Purchase of Pyrmont units	10,500
Return of capital	(19)
Advance to WOTSO Bondi	545
Fair value movement through the profit and loss	79
Other	(2)
Balance at the end of the year	**11,949**
At 30 June 2017	
Balance at the beginning of the year	151
Purchase of Kirela units	526
Return of capital	(40)
Fair value movement through the profit and loss	228
Other	(19)
Balance at the end of the year	**846**

There were no transfers between Level 1, 2 and 3 financial instruments during the period.

23. Critical Accounting Estimates and Judgments

The Directors 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 Group.

Key estimates - impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors believed it appropriate to impair goodwill for the year ended 30 June 2018.

Key estimates – financial assets

All financial assets at FVTPL have been classified as financial assets, with gains and losses recognised as profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date.

24. Statement of Significant Accounting Policies

BlackWall Limited is a publicly listed company, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with a resolution of the Directors on the date they were issued.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Company also comply with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Group 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 following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group management and internal reporting structure. There is only one geographical segment being Australasia. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets

The Group has adopted four reporting segments: WOTSO, BlackWall Asset Management, BlackWall Investments and Corporate.

The BlackWall Asset Management segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Income earned by the segment includes recurring income from fund and asset management mandates and transaction-based income typically related to those mandates. Management treats these operations as one "fee earning" operating segment. The assets assigned to the segment are those it is required to hold to comply with its AFSL capital adequacy requirements.

The WOTSO segment represents the serviced office and co-working space business and generates recurring licence and services fees by providing office accommodation, shared workspace and meeting and event venues.

The BlackWall Investments segment includes interests in property related investments such as units in related party listed and unlisted unit trusts, loans and cash. It generates income from dividends, distributions and interest.

Presentation of Financial Statements

Both the functional and presentation currency of BlackWall Limited and its Australian subsidiaries is Australian dollars. Various functional currencies including Singapore Dollars and Malaysian Ringgit results are translated to presentation currency.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of BlackWall Limited and its subsidiaries. A list of controlled entities is contained in the Controlled Entities note to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group are accounted for at cost, less any impairment charges (refer to Parent Entity Information note).

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Joint Ventures

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity accounted investments is tested for impairment in accordance with these policies.

Non-controlling interests

Non-controlling interests (not held by the Group) are allocated their share of net profit and comprehensive income after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity. Comprehensive income after tax in the statement of profit or loss and other comprehensive income are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	over 2 to 40 years
Office Equipment	over 4 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non- derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets

All financial assets at FVTPL have been classified as financial assets, with gains and losses recognised in profit or loss. The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. 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 each of the investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

Other long term employee benefits

The Group's net obligation in respect of long term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Revenue

BlackWall Property Fees include Management fees and transaction fees. They are recognised when it becomes legally due and payable to the Group.

WOTSO WorkSpace income comprises rental and recovery of outgoings from property tenants. Rental income is accounted for on a straight-line basis over the lease term, if applicable.

Investment income

Finance income comprises interest on funds invested, gains on the disposal of financial assets. Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established.

In-specie distributions and returns of capital are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the profit and loss as an unrealised gain.

All revenue is stated net of the amount of GST.

Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss.

Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

BlackWall Limited has elected to form a tax consolidated group with its wholly-owned entities for income tax purposes under the tax consolidation regime with effect from 1 January 2011. As a consequence, all members of the tax consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is BlackWall Limited.

In addition to its own current and deferred tax amounts, BlackWall Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

The final dividend for June period is declared and authorised after the end of the reporting period, therefore provision for dividend is not booked in the current year accounts.

EPS

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group'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 Group has early adopted the AASB 9 on 1 January 2013 except for the new hedging rules which will not have any material effects to the Group'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 Group is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

IFRS 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019)

The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard also requires enhanced disclosure to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual risk.

Whilst the Groups analysis is still ongoing, based on our estimates, if the standard was to be adopted on 01 July 2018 it would result in a right to use asset and corresponding lease liability being recorded in the Balance Sheet of $14.6 million. For the first year of adoption the Profit and Loss would see lease expenses of $6.0 million replaced with depreciation of $5.2 million and interest expense of $1.2 million. The net estimated impact of the new standard would be to reduce profits by 400k.

With the continued expansion of the WOTSO business it is likely that additional leases would be capitalised, resulting in increases to the respective right to use asset and lease liability.

Directors' Report
Continued

ASX Additional Information

1. Shareholders

The Company's top 20 largest shareholdings was as follows as at 24 August 2018:

	Investor	Ordinary Shares (No.)	Shares (%)
1	Vintage Capital Pty Ltd	5,635,922	9.23
2	Seno Management Pty Ltd	5,362,230	8.78
3	Lymkeesh Pty Ltd	4,351,488	7.13
4	Frogstorm Pty Ltd	4,108,338	6.73
5	Sandhurst Trustees Ltd	2,762,000	4.52
6	Glenahilty Ltd	2,724,515	4.46
7	Koonta Pty Ltd	2,320,674	3.80
8	Sao Investments Pty Ltd	2,204,701	3.61
9	National Nominees Ltd	2,100,000	3.44
10	KIUT Investments Pty Ltd	1,771,175	2.90
11	Truebell Capital Pty Ltd	1,762,950	2.89
12	Mr Richard Hill + Mrs Evelyn Hill	1,183,295	1.94
13	Pinnatus Pty Ltd	1,178,434	1.93
14	Bin24 Business Advisors Pty Ltd	1,067,420	1.75
15	Mr Archibald Geoffrey Loudon	986,973	1.62
16	URB Investments Ltd	913,723	1.50
17	Frolic Events Pty Ltd	869,141	1.42
18	Methuselah Capital Management Pty Ltd	830,941	1.36
19	Tampopo Pty Ltd	777,983	1.27
20	Balpina Pty Ltd	600,000	0.98

2. Distribution of Shareholders

The distribution of shareholders by size of holding was as follows as at 24 August 2018:

Category	No. of Shareholders
1 – 1,000	242
1,001 – 5,000	492
5,001 – 10,000	216
10,001 – 100,000	225
100,001 and over	57
Total number of shareholders	**1,232**

The Company has 61,040,445 ordinary shares on issue. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Securities Exchange (ASX: BWF).

3. Substantial Shareholders

The Company's substantial shareholders are set out below:

Investor	Ordinary Shares (No.)	Shares (%)
Robin Tedder	9,038,137	14.81
Joseph (Seph) Glew	8,895,638	14.57
Paul Tresidder	7,878,896	12.91
Stuart Brown	5,181,458	8.49
Mr Archibald Geoffrey Loudon	3,711,488	6.08

4. Directors and KMPs' Relevant Interests

Details of each KMP's relevant interests in the Company are shown below:

	14 August 2017	Net change	24 August 2018
Richard Hill (non-executive director)	1,969,278	-	1,969,278
Seph Glew (executive director)	8,895,638	-	8,895,638
Robin Tedder (non-executive director)	8,959,339	78,798	9,038,137
Stuart Brown (executive director and CEO)	3,241,458	1,940,000	5,181,458
Timothy Brown (executive director and CFO)	1,003,141	-	1,003,141
Jessica Glew (COO)	75,000	-	75,000
Total	**24,143,854**	**2,018,798**	**26,162,652**

Information on Officeholders

The names of the Officeholders during or since the end of the year are set out below.

Richard Hill

Non-Executive Director and Independent Chairman

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. Richard is Chairman of the Westmead Institute for Medical Research. In the last three years, Richard has served as a director (Chairman) of Sirtex Medical Limited (Sirtex), listed on ASX. Richard retired as director of Sirtex on 28 October 2017.

Joseph (Seph) Glew

Non-Executive Director

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Robin Tedder

Non-Executive Director

Robin has worked in finance and investment since 1976 during which time he has served as the CEO of an investment bank and as non executive director on the boards of public and private companies in banking, insurance, funds management, property, healthcare, retail and wine. He was a member of ASX for many years. He is the Chairman of investment company Vintage Capital and has been an investor in BlackWall Group projects since 1997. Robin is also the Chairman of the BlackWall Board Audit Committee.

Stuart Brown

Executive Director and Chief Executive Officer

Stuart has been involved in property investment for over 18 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value.

In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also an independent Director of Coogee Boys' Preparatory School and Randwick District Rugby Union Football Club.

Timothy Brown

Executive Director and Chief Financial Officer - Appointed as Director on 29 January 2018

Timothy Brown is the Chief Financial Officer for the BlackWall Group and its funds, and is responsible for all aspects of the group's financial reporting, debt management and accounting operations. Timothy joined the formerly listed Pelorus Property Group Limited in 2008 as Group Financial Controller and became Chief Financial Officer in 2009, continuing with BlackWall when it listed in 2011 . He has a Bachelor of Commerce from the University of New South Wales, is a member of the Institute of Chartered Accountants of Australia and has a Graduate Diploma from the Financial Services Institute of Australasia. With over 20 years experience in the financial services and property industries, he started his career with Deloitte in their middle market audit division working on a wide variety of SMEs. In 2002 he joined Lend Lease Corporation and held a number of finance roles across the Lend Lease portfolio from development and retail financial management to corporate treasury, including Treasury Manager for Lend Lease's European operations based in London.

Sophie Gowland

Company Secretary

Sophie is a lawyer with 10 years of experience in legal practice and financial services. Prior to joining BlackWall, Sophie practiced in the areas of corporate advisory, equity capital markets and mergers and acquisitions with firms including Gilbert + Tobin. Sophie was previously an investment banker with Credit Suisse, specialising in equity capital markets. Sophie holds a Bachelor of Commerce and Bachelor of Laws (First Class Honours) from the University of Queensland.

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Richard Hill	10	10
Seph Glew	10	10
Robin Tedder	10	10
Stuart Brown	10	10
Timothy Brown (appointed 29 January 2018)	5	5

The Audit Committee, comprised of Seph Glew and Robin Tedder, met twice during the reporting period. Both committee members attended each meeting.

Environmental Regulation

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

Indemnities of Officers

During the financial year the Group has paid premiums to insure each of the Directors named in this report along with Officers of the Group against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Group, other than conduct involving a wilful breach of duty.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Group.

Corporate Governance Statement

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at http://www.blackwall.com.au/about-us.html.

Auditor and Non-audit Services

$8,250 was paid to the auditor for non-audit services during the year (2017: $8,250) as detailed in the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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.

Remuneration Report (Audited)

The Board is responsible for determining the remuneration of KMP. For the reporting period the Board has determined that KMP included the Chief Executive Officer and the Chief Financial Officer. KMP determine the senior executive and employees' remuneration.

When determining the remuneration of KMP, senior executives or employees, the following is taken into consideration:

- remuneration is aligned with the delivery of returns to shareholders;
- responsibilities, results, innovation and entrepreneurial behaviour are recognised and rewarded; and
- the Group's financial position and market conditions.

The remuneration payable to KMP is reviewed at times deemed appropriate by the Board. There are no performance conditions for Board members or contracts for KMP. Any performance payments are at the discretion of the Board. The nature and the amount of each element of remuneration paid to the Board members and KMP for the reporting period are listed below:

	Short term				Post-employment superannuation		Value of options	Total	
	Directors' fees		Salary and other						
	2018	2017	2018	2017	2018	2017	2018	2018	2017
	$	$	$	$	$	$	$	$	$
Richard Hill	85,000	85,000	-	-	-	-	3,250	88,250	85,000
Seph Glew	75,000	75,000	-	-	-	-	6,500	81,500	75,000
Robin Tedder	75,000	75,000	-	-	-	-	3,250	78,250	75,000
Stuart Brown*	-	-	321,606	321,606	30,000	30,000	26,000	377,606	351,606
Timothy Brown	-	-	219,612	208,904	20,863	19,846	6,500	246,975	228,750
Jessica Glew	-	-	178,516	158,675	16,959	15,074	6,500	201,975	173,749
Total	**235,000**	**235,000**	**719,734**	**689,185**	**67,822**	**64,920**	**52,000**	**1,074,556**	**989,105**

*An amount of $193,186 was cashed out from leave entitlement balances during the 2018 year.

Share options

(a) Options issued

	Expiry Date	Number of options granted	Value of options granted $
Richard Hill	28 February 2021	250,000	3,250
Seph Glew	28 February 2021	500,000	6,500
Robin Tedder	28 February 2021	250,000	3,250
Stuart Brown	28 February 2021	2,000,000	26,000
Timothy Brown	28 February 2021	500,000	6,500
Other KMP	28 February 2021	1,000,000	13,000
Total		**4,500,000**	**58,500**

(b) Unissued ordinary options

The following options are currently on issue.

	Expiry date	Issue price of shares	Number under option
Employees and Directors	14 July 2019	60 cents	2,075,000
Employees and Directors	28 February 2021	100 cents	4,500,000

(c) Shares issued on the exercise of options

The following ordinary shares were issued during the year in the exercise of B Options. No further shares have been issued since 30 June 2018. No amounts are unpaid on any of the shares on issue.

	Exercise date	Issue price of shares	Number of shares issued
Stuart Brown	26 September 2017	35 cents	578,669
Stuart Brown	26 June 2018	35 cents	1,359,331

Directors and KMPs' Relevant Interests

Details of each KMP's relevant interests in the Company are shown below:

	14 August 2017	Net change	24 August 2018
Richard Hill	1,969,278	-	1,969,278
Seph Glew	8,895,638	-	8,895,638
Robin Tedder	8,959,339	78,798	9,038,137
Stuart Brown	3,241,458	1,940,000	5,181,458
Timothy Brown	1,003,141	-	1,003,141
Jessica Glew	75,000	-	75,000
Total	**24,143,854**	**2,018,798**	**26,162,652**

Share Buy-Back

The share buy-back scheme has been extended until March 2019. No shares have been acquired since 30 June 2017.

Subsequent Events and Significant Changes in Affairs

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

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

Stuart Brown
Director
Sydney, 30 August 2018

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The 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 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.

Stuart Brown
Director
Sydney, 30 August 2018

Auditors Independence Declaration and Audit Report

ACCOUNTING AND
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Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

As auditor for the audit of BlackWall Limited and its Controlled Entities for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 30th day of August 2018

ESV

ESV Accounting and Business Advisors

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Partner

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the year then ended on pages 8, 10, 11 and 12, notes comprising a summary of significant accounting policies and other explanatory information on pages 13 to 24, and the directors' declaration of the Group.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue Recognition Revenue for the Group consists primarily of: - Asset Management Fees - Property Management Fees - WOTSO Workspace Income - Transaction Fees - Investment Income Revenue from Asset Management Fees, Property Management Fees and Transaction Fees are primarily received from Property Funds that, Blackwall Fund Services Limited, a subsidiary of the Group acts as a responsible entity for. These fees are based on a fixed amount or a percentage of the total assets under management or total rental income. Revenue from WOTSO Workspace Income is received from third parties and is considered a key audit risk given the nature of the WOTSO co-sharing leasing operations, which is short-term, high volume, multi-location and with differential pricing. There is a possibility of unrecorded revenue, as well as incorrect recording of revenue earned by WOTSO. The Group also earns revenue in the form of dividends/distributions and interest income. Given the number of different revenue streams that the Group has, there is a risk that revenue is incorrectly recorded.	Our procedures included but were not limited to: For Asset Management Fees and Property Management Fees, we have performed substantive analytical procedures by creating an expectation and comparing with the actual fees recorded and investigating material variances. For Transaction Fees, we have performed test of details by agreeing the recorded revenue with underlying contract detailing the terms and conditions of fees to be charged and if revenue recognition criteria have been met. For WOTSO Workspace Income, we have performed test of controls in order to obtain comfort over the completeness and occurrence of revenue by confirming management oversight of detailed monthly revenue from WOTSO sites. On a sample basis, we have tested the invoicing and collection of rent from tenants and have performed substantive analytical review procedures by for each WOTSO site. For Investment Income, we verified the revenue with supporting dividend/distribution statements. We also considered whether the revenue recognition policies adopted and followed by the Group as disclosed in Note 24 of the consolidated financial report are consistent with the accounting standards.
Accounting for Performance Fees During the year, the Group recognised revenue of $7,884,479 in relation to performance fees receivable by BlackWall Fund Services Limited ('BFSL'), a subsidiary of BlackWall Limited. Pursuant to agreement entered to with Pyrmont Bridge Property Limited (the 'Trust') the Group is entitled to performance fees in the event the Trust's performance is above the pre-determined benchmarks as disclosed in the agreements with the Trust at the maturity date.	Our procedures included but were not limited to: We reviewed the restructure of Pyrmont Bridge Property Pty Ltd ('PBPL') and Pyrmont Bridge Trust ('PBT') advice provided to investors of PBPL and PBT in November 2017 and ensured the performance fees revenue was recognised in accordance with the advice. We reviewed management's assessment of why the performance fees can be recognised as revenue in current period.

ACCOUNTING AND
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Pursuant to restructure of Pyrmont Bridge Property Pty Ltd ('PBPL') and Pyrmont Bridge Trust ('PBT') in November 2017, it was agreed between BFSL and PBT, that BFSL has agreed to relinquish all its rights from future performance fees from the Trust for a present consideration of $10,500,000 to be paid as units in the Trust.	We have examined the Unit register of the Trust and confirmed the number of units issued to the Group. We assessed whether the performance fees revenue meets the recognition criteria under AASB 15 Revenue from Contracts with Customers. Representation from management is being sought that the total performance fees received from the Trust represent the total consideration received for relinquishing rights to any further performance fees in future from the Trust. We have also assessed the appropriateness of the revenue recognition policy in Note 24 to the consolidated financial report.

Other Information

Other Information is financial and non-financial information in the Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2018. The Directors are responsible for the Other Information, namely Directors Report, Management Commentary and ASX Additional Information.

Our opinion on the Financial Report does not cover the Other Information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group'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 to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Blackwall Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

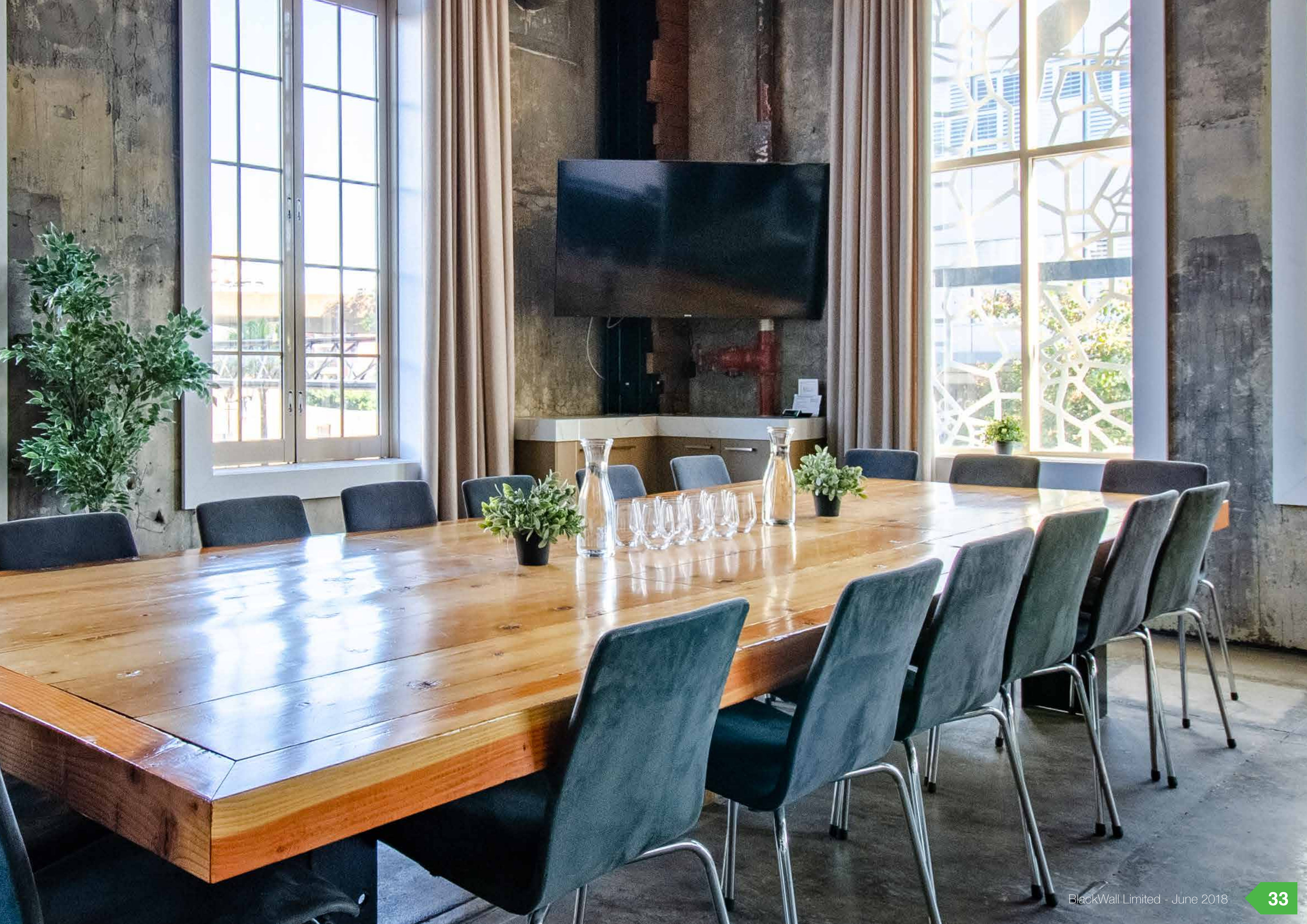
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

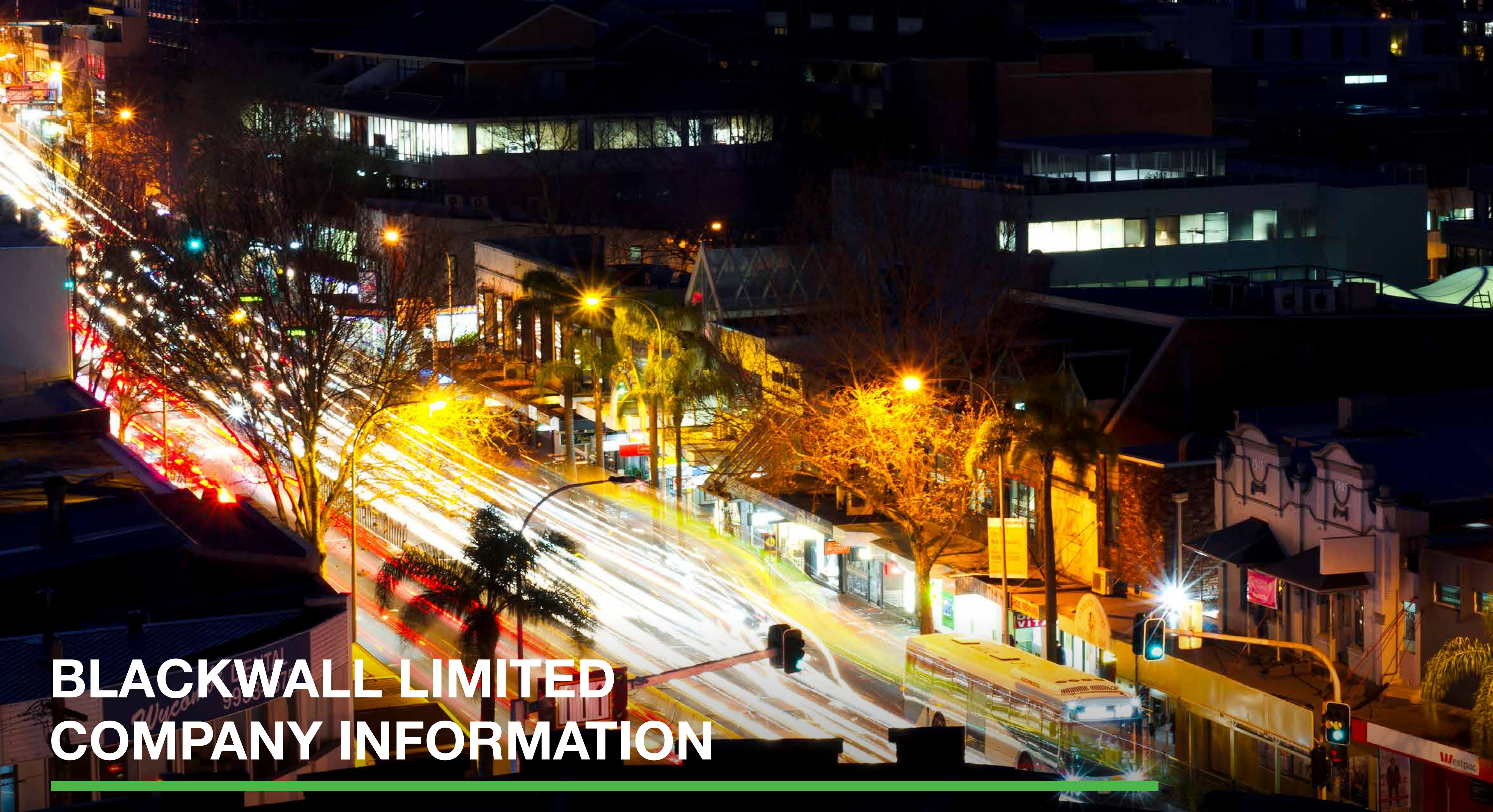
Dated at Sydney the 30th day of August 2018

ESV

ESV Accounting and Business Advisors

David Robinson
Partner





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