Interim Financial Report

Half Year Ended December 2018

BLACKWALL

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The Sum Of The Parts

We feel the value of BlackWall Limited shares is most accurately reflected using a sum of the parts valuation. That is valuing each of WOTSO and BlackWall Asset Management operations and adding to them the value of our Investments.

The Opportunity

Following the GFC the Australian property market has had almost a decade of sustained and exceptional growth. This, in the main, was driven by low interest rates pushing yields down to what we feel are unsustainable levels. We do not see property and credit markets continuing on the path they have for the past 10 years.

Historically our businesses have grown at a much quicker rate when markets are flat or on the decline.

The completion of the sale of the Bakehouse Quarter and the proposed transaction following it will generate over $110 million of investment capital for our group.

WOTSO

By and large conventional commercial office lease arrangements don't suit the needs of sole operators and SME's. Further, although it is possible for these businesses to operate from home, this is generally an impractical solution. WOTSO solves this problem by offering desks and office space month to month, where our members live.

BlackWall Asset Management

We look for assets that have a problem we understand and can fix. These problems are usually driven by unsustainable debt or vacancy. Also, we work with real estate that is suitable for adaptive reuse and urban renewal and gain control of it at a price which mitigates, at least in part, the risks associated with change.

Investments

Net asset backing of 49 cents per share. On completion of the Bakehouse Sale over $10 million will be cash. The cash will be applied to investments or positions that have operational or strategic benefits to WOTSO or BlackWall Asset Management.

Bakehouse Sale – Update

Under the original transaction (structured as a call option exercisable between 1 July 2018 and 31 August 2018) Yuhu Group paid a substantial non-refundable call option fee to the owner of the property (The Kirela Development Unit Trust – Kirela) with completion no later than the end of October 2018.

Since then we have agreed a number of amendments to the arrangement, the purchaser has exercised its option and satisfied conditions relating to the Foreign Investment Review Board.

On 14 February 2019 the purchaser made a purchase price prepayment of $10 million. This brings the total paid in advance to $58 million, which has been released to Kirela, is non-refundable, and will be set off against the ultimate purchase price of $380 million.

Completion is now set down for no later than 18 April 2019. If the purchaser does not settle by this date the contract may be terminated and the purchaser will have forfeited the $58 million paid in advance.

Interim Dividend

An interim **fully franked dividend** *of 2 cents per share has been declared to be* **paid on 10 April 2019**.

Directors' Report

BlackWall Asset Management

This report is our fourth since announcing the proposed sale of the Bakehouse Quarter in June 2017.

The Bakehouse Quarter sale is a great result for the syndicate of high net worth and retail investors that have a direct interest in the project and is an example of our long-term approach. Of more significance, however, will be the future benefits for BlackWall once the sale settles and the proposed restructure (BWR Restructure) following it's completion.

Throughout our 25-year history we have a strong track record of finding and executing turnaround, adaptive reuse and urban renewal projects. The Bakehouse Quarter itself, 55 Pyrmont Bridge Road and the BlackWall Property Trust (BWR) are all examples. Our success is despite the fact that we have not had the luxury of significant cash reserves. As such we have had to create individual investment structures and raise capital on a deal by deal basis. This is generally a slow process, the best deals present when investors are least likely to invest so sometimes opportunities are missed.

Our aim is to use the Bakehouse Quarter Sale to give BWR and BWF a liquid capital base to move quickly at the right time. We expect that increased cash will, over time, significantly grow the fees earned by BlackWall Asset Management, the WOTSO network and in turn the WOTSO Turnover it generates. Specifically:

- The BWR NTA will grow to over $220 million adding around $100 million of cash to its balance sheet.
- BWR will acquire two assets from BWF injecting over $10 million of cash into BWF's balance sheet. The assets to be sold are more suited to the BWR balance sheet and the cash will be used by BWF for the rollout of WOTSO WorkSpace and for opportunities in BlackWall Asset Management.

In the short term the amount of cash on both the BWF and BWR balance sheets may have a negative impact on earnings. We are comfortable with this as history shows us the opportunity cost of not having cash at the right time is far greater than lower returns on cash while you wait.

The BWR Restructure will complete in the weeks following settlement of the Bakehouse Quarter sale. The approval of both BWF shareholders and BWR unitholders is required. The extraordinary general meetings will be held in mid April and the notices of meeting for each will be released on or about the date of this report. Detailed discussion of the proposed transactions is included in the notices of meeting.

WOTSO

The public's understanding of WOTSO's business and businesses like it has grown over the past 4 years. We have been the beneficiaries of an advertising and public relations blitz from global co-working businesses making concepts like "collaborative workspace", "flexible office space" and "office as a service" common place.

We feel that WOTSO is differentiated by the fact that our network is not focused on the CBD. Small to medium enterprises employ 60% of the Australian workforce. We aim to house as many of these 7 million workers as possible and as a consequence locate WOTSO where they are, in suburban and regional business precincts. WOTSO can be useful to corporates servicing remote workforces and special project work, however, the mainstay of our business is SMEs.

Lately we are seeing global operators growing significantly by overcommitting to conventional lease arrangements and high end fit out, particularly in the CBD of capital cities. It seems the justification for this is to chase scale/network regardless of profit. Some are going so far as to pitch to large corporates promising to redefine commercial office space forever. We have a feeling that this style of business will prove to be unsustainable when the hype subsides. We would hope to be in a position to take advantage of a correction if it comes. In the meantime we will continue to grow through the organic expansion of our sustainable financial model.

While WOTSO members can hot desk in any of our locations, the reach of the network is not our key driver. Our rollout is more driven by the demography, profile and infrastructure around a particular site. In each case we regard WOTSO as a service provider to the local market. We are acutely aware that no matter how strong our brand, we will not sell a desk in Bondi to someone that lives in Hobart. Each WOTSO is a discrete business servicing its own market with the wider network as an added bonus.

Above all else, our most important consideration for proceeding with a deal is being able to secure the space on terms that ensures long term profitability. This is critical because rent to the owner of the property will account for up to 45% of turnover once a site is mature. We refer to this as the “rent to turnover ratio”. Economic maturity can take up to three years so if we get the rent to turnover ratio wrong we can find we are simply working for our landlord and the site makes no contribution to our consolidated EBITDA. It is for this reason we are structuring our deals as either “profit share management arrangements” or rental deals under which the rent is determined by the turnover at that site.

As with many new enterprises we have had to learn this discipline by getting it wrong. Our Singapore site is such a lesson. Reflecting on this, in Malaysia we are in a joint venture with UEM Sunrise and our first operation has opened on the fringe of KLCC. Our agreement with the owner of that property is a lease based on 50% of market rent or 45% of turnover whichever is the greater. As such, our threshold to break even is far lower.

WOTSO Singapore

In Singapore, we took control of an existing CBD co-working business. At the time we took over the rent to turnover ratio was in the range we would expect, however, our revenue at this site dropped significantly. This is due to an increase in competition which has driven desk rates to half what they were two years ago. Singapore is now one of the most competitive co-working markets in the world and we find it hard to believe that our competitors are profitable, we certainly were not. As our rent to the landlord was not linked to our turnover the arrangement proved unsustainable. In fact despite WOTSO Singapore turning over close to $1 million per annum it had not contributed to our profit in almost 12 months. For this reason we have negotiated a staged withdrawal from the arrangement. We expect our involvement will end over the coming weeks. We have not paid to withdraw however the operation has made a loss for the past 6 months and a working capital loan has been written off. The total effect is around $0.3 million to this year’s P&L.

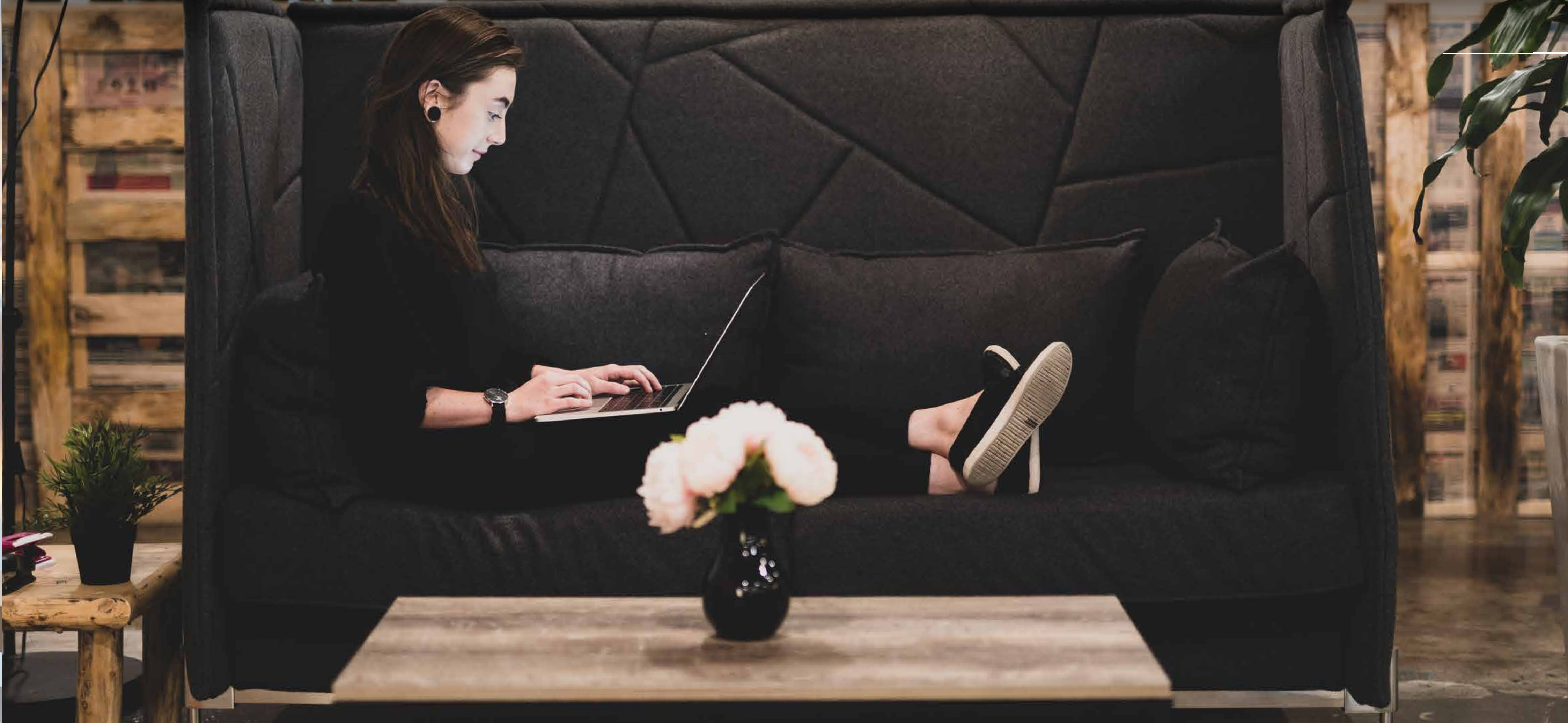
WOTSO Turnover

Regardless of the type of structure used at a particular site WOTSO's revenue is a function of receipts from its members. We call this WOTSO Turnover.

WOTSO Turnover is a key element for tracking the business' performance. The table following shows the WOTSO Turnover generated in the current and previous December half years. The extent of WOTSO Turnover shown in our P&L is dependent on the type of agreement reached with that property owner – this is explained in more detail in the commentary adjacent to the P&L. Once our sites are mature we expect 20-35% of WOTSO Turnover as EBITDA. Of course at the moment, WOTSO is in growth phase with more new than mature sites.

Dec-18	Dec-17	Dec-16	Dec-15	Dec-14
$6.1 million	$4.0 million	$2.7 million	$1.4 million	$0.8 million

The above data has been normalised by removing the effect of WOTSO Singapore and to reflect any material changes in structure. For example, in January 2018 the arrangement at Canberra North changed from a lease to a management arrangement.



Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income ($'000)

for the half year ended 31 December 2018

	Note	December 2018	December 2017
REVENUE			
WOTSO			
Revenue from leased and owned sites		4,450	3,312
Management agreements		378	-
Total WOTSO		**4,828**	**3,312**
BlackWall Asset Management			
Management fees		3,227	2,117
Staff payroll recovery		994	673
Performance fee – Pyrmont		-	7,885
Performance fee - Penrith		-	216
Total BlackWall Asset Management		**4,221**	**10,891**
Investments			
Unrealised gains	1	1,377	1,617
Rental income		23	42
Distributions from Pyrmont Bridge Trust		220	-
Interest income		2	1
Realised gain - WOTSO Adelaide	1	-	726
Total Investments		**1,622**	**2,386**
TOTAL REVENUE		**10,671**	**16,589**
EXPENSES			
WOTSO operating	2	(4,187)	(2,875)
Other operating	2	(3,340)	(2,941)
Property outgoings		(82)	(163)
Depreciation		(379)	(302)
Property finance costs		(51)	(78)
Share of loss from joint ventures		(66)	-
Loss on deconsolidation of subsidiary		(104)	-
Goodwill impairment		-	(1,042)
TOTAL EXPENSES		**(8,209)**	**(7,401)**
Profit before income tax		**2,462**	**9,188**
Income tax expense		(643)	(2,320)
Profit from continuing operations		**1,819**	**6,868**
Loss from discontinued operation	**7**	(164)	(22)
Profit for the period		**1,655**	**6,846**
Other comprehensive income		-	-
Profit and other comprehensive income		**1,655**	**6,846**
Profit and other comprehensive income attributable to:			
Owners of the Company		1,721	6,855
Non-controlling interests		(66)	(9)
		1,655	6,846
Earnings Per Share			
Profit attributable to the ordinary equity holders:			
Basic earnings per share	6	2.8 cents	11.5 cents
Diluted earnings per share	6	2.8 cents	11.1 cents

Segment Report ($'000)

December 2018 **Profit & Loss**	**Income**	**Gains**	**Total Revenue**	**Expenses**	**EBITDA**
WOTSO	4,828	-	4,828	(4,187)	641
BlackWall Asset Management	4,221	-	4,221	(2,449)	1,772
Investments	245	1,377	1,622	(703)	919
Corporate	-	-	-	(440)	(440)
Consolidated	**9,294**	**1,377**	**10,671**	**(7,779)**	**2,892**

The EBITDA of 2.9 million less depreciation of 379k and finance costs of 51k reconciles to profit before income tax of 2.4 million.

December 2017 **Profit & Loss**					
WOTSO	3,312	-	3,312	(2,875)	437
BlackWall Asset Management	10,891	-	10,891	(3,721)	7,170
Investments	43	2,343	2,386	(425)	1,961
Consolidated	**14,246**	**2,343**	**16,589**	**(7,021)**	**9,568**

The EBITDA of 9.5 million less depreciation of 302k and finance costs of 78k reconciles to profit before income tax of 9.2 million.

	December 2018			**June 2018**		
Balance Sheet	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
WOTSO	5,887	(848)	5,039	4,965	(1,264)	3,701
BlackWall Asset Management	1,381	(1,470)	(89)	1,985	(696)	1,289
BlackWall Investments	30,579	(5,092)	25,487	31,667	(4,312)	27,355
Corporate	-	(158)	(158)	-	(2,813)	(2,813)
Consolidated	**37,847**	**(7,568)**	**30,279**	**38,617**	**(9,085)**	**29,532**

Directors' Report

Management Commentary - Segments

For information on segment reporting, refer to the Statement of Significant Accounting Policies in the notes to these Financial Statements.

BlackWall Asset Management segment generates fee income from funds and asset management as well as property services including management, leasing, project management and general property consultancy. Income earned by the segment includes recurring income from fund and asset management mandates and transaction-based income related to existing and new mandates. We treat 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.

WOTSO segment represents the serviced office and co-working space business generating recurring income by providing office accommodation, shared workspace, meeting and event venues. The arrangements under which these services are provided vary and include leases, management agreements and joint ventures.

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 fittings at that site. 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 in Malaysia with UEM Sunrise Berhad. UEM is a large-scale developer in Malaysia, Australia and other countries. WOTSO will licence its brand, IP and systems to the JV Co. It is expected that such arrangements will be "equity accounted" and as such only licencing fees and WOTSO's share of profits will be brought onto the P&L. The first WOTSO in Malaysia commenced operation in early December 2018.

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. The assets held in this segment are not required of the business operations of BlackWall Asset Management or WOTSO.

Financial Statements

Consolidated Balance Sheet ($'000)

at 31 December 2018

	Note	December 2018	June 2018
ASSETS			
Current assets			
Cash and cash equivalents		558	923
Trade and other receivables		323	1,044
Loan to Malaysia Joint Venture		270	30
Investment - Pyrmont		8,888	10,360
Investment - Bakehouse Quarter		845	914
Investment - WOTSO Fortitude Valley, Qld	3	4,780	4,500
Total current assets		**15,664**	**17,771**
Non-current assets			
Investment - BlackWall Property Trust		16,198	15,658
Loan to WOTSO Bondi		545	545
Performance fees receivable - Penrith		433	433
Property, plant and equipment - WOTSO		4,657	3,860
Property, plant and equipment - Other		250	250
Investment – Pelathon Management		100	100
Total non-current assets		**22,183**	**20,846**
TOTAL ASSETS		**37,847**	**38,617**
LIABILITIES			
Current liabilities			
Trade and other payables	4	2,603	1,644
Provision for tax payable		158	2,813
Provision for employee benefits		502	486
WOTSO tenant deposits		150	250
Property borrowings	3	2,100	2,100
Total current liabilities		**5,513**	**7,293**
Non-current liabilities			
Deferred tax liabilities		1,945	1,627
Provision for employee benefits		110	165
Total non-current liabilities		**2,055**	**1,792**
TOTAL LIABILITIES		**7,568**	**9,085**
NET ASSETS		**30,279**	**29,532**
EQUITY			
Share capital		16,565	16,318
Reserves		73	85
Retained earnings		13,641	13,277
Non-controlling interests		-	(148)
TOTAL EQUITY		**30,279**	**29,532**

Directors' Report

Management Commentary – Investments

Our Investment in Pyrmont, the Bakehouse Quarter and the property housing WOTSO Fortitude Valley are all held as current assets as they will be sold for cash to BWR on completion of the BWR Restructure.

BlackWall Property Trust distributions for the current and prior financial year have been received as returns of capital due to significant tax losses available in that trust. Such returns of capital are accounted for by applying the distribution 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:

	December 2018
Investment in BWR - opening	15,658
Return of Capital distributions for the year	(540)
Unrealised gain (loss) on BWR due to mark-to-market	1,080
Investment in BWR - closing	**16,198**

Financial Statements

Consolidated Statement of Cash Flows ($'000)

for the half year ended 31 December 2018

	Note	December 2018	December 2017
Cash flows from operating activities			
WOTSO receipts		5,650	4,162
BlackWall Asset Management receipts		4,095	2,990
Bakehouse Payroll cost recovery receipts		994	673
Investment Income receipts		220	-
Bank interest received		1	-
Payments to suppliers and employees		(5,828)	(5,269)
WOTSO rent paid		(2,446)	(1,726)
Income tax paid		(2,980)	(855)
Brisbane and Adelaide outgoings		(59)	(121)
Interest paid		(51)	(78)
Net Cash Flows From/(Used in) Operating Activities		**(404)**	**(224)**
Cash flows from investing activities			
Net inflow from disposal of Adelaide		-	2,786
Returns of capital from BWR and other investments		600	708
Proceeds from sale of Pyrmont Bridge Trust units		1,472	-
Payments for WOTSO property, plant and equipment		(1,121)	(484)
Advance to UEM Sunrise Joint Venture		(239)	-
Payments for BlackWall property, plant and equipment		(34)	(389)
Loan advance / (repayment)		488	25
Cash outflow on deconsolidation of subsidiary		(16)	-
Purchase of investment in UEM Joint Venture		(66)	-
Net Cash Flows From/(Used in) Investing Activities		**1,084**	**2,646**
Cash flows from financing activities			
Proceeds from exercise of options		246	200
Dividend paid		(1,291)	(1,074)
Net Cash Flows From/(Used in) Financing Activities		**(1,045)**	**(874)**
Net Increase / (Decrease) in Cash Held		**(365)**	**1,548**
Cash and cash equivalents at the beginning of the year		923	688
Cash and Cash Equivalents at End of the Period		**558**	**2,236**

Financial Statements

Consolidated Statement of Changes in Equity ($'000)

for the half year ended 31 December 2018

	No. of Shares On Issue	Issued Capital	Retained Earnings	Reserves	Attributable to Owners of the Parent	Non-controlling Interests	Total
Balance at 1 July 2018	**61,040,445**	**16,318**	**13,277**	**85**	**29,680**	**(148)**	**29,532**
Profit for the period	-	-	1,721	-	1,721	(66)	1,655
Dividend paid	-	-	(1,291)	-	(1,291)	-	(1,291)
Foreign currency reserve	-	-	-	(1)	(1)	-	(1)
Issue of shares - exercise of employee share options at 60 cents per share	415,000	247	-	-	247	-	247
Deconsolidation of subsidiary	-	-	(66)	(11)	(77)	214	137
Balance at 31 December 2018 and reporting date	**61,455,445**	**16,565**	**13,641**	**73**	**30,279**	**-**	**30,279**
Balance at 1 July 2017	**59,102,445**	**15,646**	**7,423**	**21**	**23,090**	**(9)**	**23,081**
Profit for the period	-	-	6,855	-	6,855	(9)	6,846
Dividend paid	-	-	(1,074)	-	(1,074)	-	(1,074)
Foreign currency reserve	-	-	-	6	6	-	6
Issue of shares	578,669	200	-	-	200	-	200
Balance at 31 December 2017	**59,681,114**	**15,846**	**13,204**	**27**	**29,077**	**(18)**	**29,059**

Financial Statements

Notes

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

	December 2018	December 2017
Unrealised gain - BlackWall Property Trust	1,080	1,459
Unrealised (loss) gain - Bakehouse Quarter	(8)	103
Unrealised gain - Brisbane investment property	305	55
Unrealised total	**1,377**	**1,617**
Realised gain on disposal of Adelaide investment property	-	726
Realised total	**-**	**726**
Total	**1,377**	**2,343**

2. Operating Expenses ($'000)

	December 2018	December 2017
WOTSO rent expense	2,086	1,391
WOTSO employee expense	743	422
WOTSO operating expenses	1,358	1,062
WOTSO expenses	**4,187**	**2,875**
BlackWall rent expense	73	39
BlackWall employee & consultants expenses	2,073	2,287
Bakehouse staff termination expense	500	-
BlackWall operating expense	694	615
BlackWall expenses	**3,340**	**2,941**

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

	WOTSO Brisbane	WOTSO Adelaide	Total
Balance at 1 July 2018	**4,500**	**-**	**4,500**
Capital improvements	1	-	1
Disposals	-	-	-
Revaluations	306	-	306
Depreciation	(27)	-	(27)
Balance at 31 December 2018	**4,780**	**-**	**4,780**
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**

Property Borrowings ($'000)	December 2018	June 2018
National Australia Bank	2,100	2,100
Total	**2,100**	**2,100**

The facility is secured against the WOTSO Brisbane property. The borrowings will mature in October 2019, and are therefore classified as a current liability. These borrowings are subject to a margin of 2.0% over BBSY. On completion of the BWR Restructure the WOTSO Brisbane property will be sold and the corresponding debt repaid.

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

	December 2018	June 2018
Trade payables:		
Related parties	108	27
Other parties	1,199	1,231
	1,307	**1,258**
Provision for Bakehouse redundancy costs*	500	-
Short term fit-out payable	488	-
Sundry payables and accrued expenses	253	198
Income received in advance from WOTSO tenants	55	188
Total	**2,603**	**1,644**

*This is fully recovered from the Bakehouse and included in the Profit and Loss item "Staff payroll recovery".

5. Dividends ($'000)

Fully franked dividends paid to members during the period ended 31 December were as follows:

	December 2018	December 2017
2018 final dividend of 2.1 cents paid on 19 October 2018 (2017: 1.8 cents)	1,291	1,074
Total	**1,291**	**1,074**

In addition, the Board has declared an interim fully franked dividend of 2 cents per share to be paid on 10 April 2019.

6. Earnings Per Share

	December 2018	December 2017
Basic EPS	2.8 cents	11.5 cents
Diluted EPS	2.8 cents	11.1 cents
Calculated as follows:		
Profit attributable to the owners of the Group	$1,721,000	$6,855,000
Weighted average number of shares for basic EPS	61,258,150	59,406,009
Weighted average number of shares for diluted EPS	61,847,182	61,525,593

7. Disposal of Subsidiary ($'000)

On 31 December 2018, the Group disposed of its entire 60% holding in Springboard Management Services Pte Ltd. Until December Springboard provided shared workspace facilities in Singapore under the WOTSO brand. There were nil proceeds received for the disposal of Springboard.

Assets and liabilities over which control was lost:

	December 2018
Cash and cash equivalents	16
Receivables and other assets	147
Payables and other liabilities	(196)
Loan payables	(536)
Net identifiable liabilities disposed	(569)
Add: Non-controlling interests	228
Net liabilities disposed	(341)

The following were the results of Springboard operations to the date of disposal:

	December 2018	December 2017
Revenue	377	472
Operating expenses	(541)	(494)
Profit (Loss) before tax	(164)	(22)

8. Contingencies and Impairment

The Group had no contingent assets or liabilities at 31 December 2018 (December 2017: $nil).

9. Subsequent Events

Apart from the update on the Bakehouse sale 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.

10. Financial Risk Management

Fair value measurements

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 31 December 2018 ($'000)				
Financial assets	16,198	-	10,648	26,846
At 30 June 2018 ($'000)				
Financial assets	15,658	-	11,949	27,607

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.

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 31 December 2018	
Balance at the beginning of the year	11,949
Purchase	239
Sale	(1,540)
Balance at the end of the period	**10,648**
At 30 June 2018	
Balance at the beginning of the year	846
Purchase	11,154
Sale	(51)
Balance at the end of the year	**11,949**

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

11. 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.

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.

12. 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.

Statement of Compliance

The financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements as issued by the International Accounting Standards Board.

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure obligations of the ASX listing rules.

Basis of Preparation

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

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

The 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 accounting policies adopted are consistent with those of the previous financial year ended 30 June 2018.

The financial statements are presented in Australian dollars.

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 Groups 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 three reporting segments: WOTSO, BlackWall Asset Management, and Investments.

The BlackWall Asset Management segment generates fee income from funds and asset management as well as property services including management, leasing, project management and general property consultancy. Income earned by the segment includes recurring income from fund and asset management mandates and transaction-based income related to existing and new 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 income by providing office accommodation, shared workspace, meeting and event venues. The arrangements under which these services are provided vary and include leases, management agreements and joint ventures.

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 fittings at that site. 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 in Malaysia with UEM Sunrise Berhad. UEM is a large-scale developer in Malaysia, Australia and other countries. WOTSO will licence its brand, IP and systems to the JV Co. It is expected that such arrangements will be "equity accounted" and as such only licencing fees and WOTSO's share of profits will be brought onto the P&L. The first WOTSO in Malaysia commenced operation in early December 2018.

The 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. The assets held in this segment are not required for the business operations of BlackWall Asset Management or WOTSO.

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. Management have determined that the timing of recognition of income is not affected by the new standard.

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.

If the standard was to be adopted on 1 July 2019 it would result in a right to use asset and corresponding lease liability being recorded in the Balance Sheet of $10.8 million. For the first year of adoption the Profit and Loss would see lease expenses of $4.9 million replaced with depreciation of $4.3 million and interest expense of $0.9 million. The net impact of the new standard would be to reduce profits by $0.3 million. However, this will not have a cash affect.

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.

Auditors Independence Declaration and Audit Report

ACCOUNTING AND
BUSINESS ADVISORS

ESV

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of BlackWall Limited and its Controlled Entities as at 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 25th day of February 2019

ESV

ESV Accounting and Business Advisors

David Robinson
Partner

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ACCOUNTING AND
BUSINESS ADVISORS

ESV

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Limited and Controlled Entities ("the Group"), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on pages 8 to 15, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackwall Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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ACCOUNTING AND
BUSINESS ADVISORS

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney the 26th day of February 2019

ESV

ESV Accounting and Business Advisors

David Robinson
Partner

Directors' Report
Continued

Information on Officeholders

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

Auditor

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements. ESV continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

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

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

Stuart Brown
Director
Sydney, 26 February 2019

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 AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

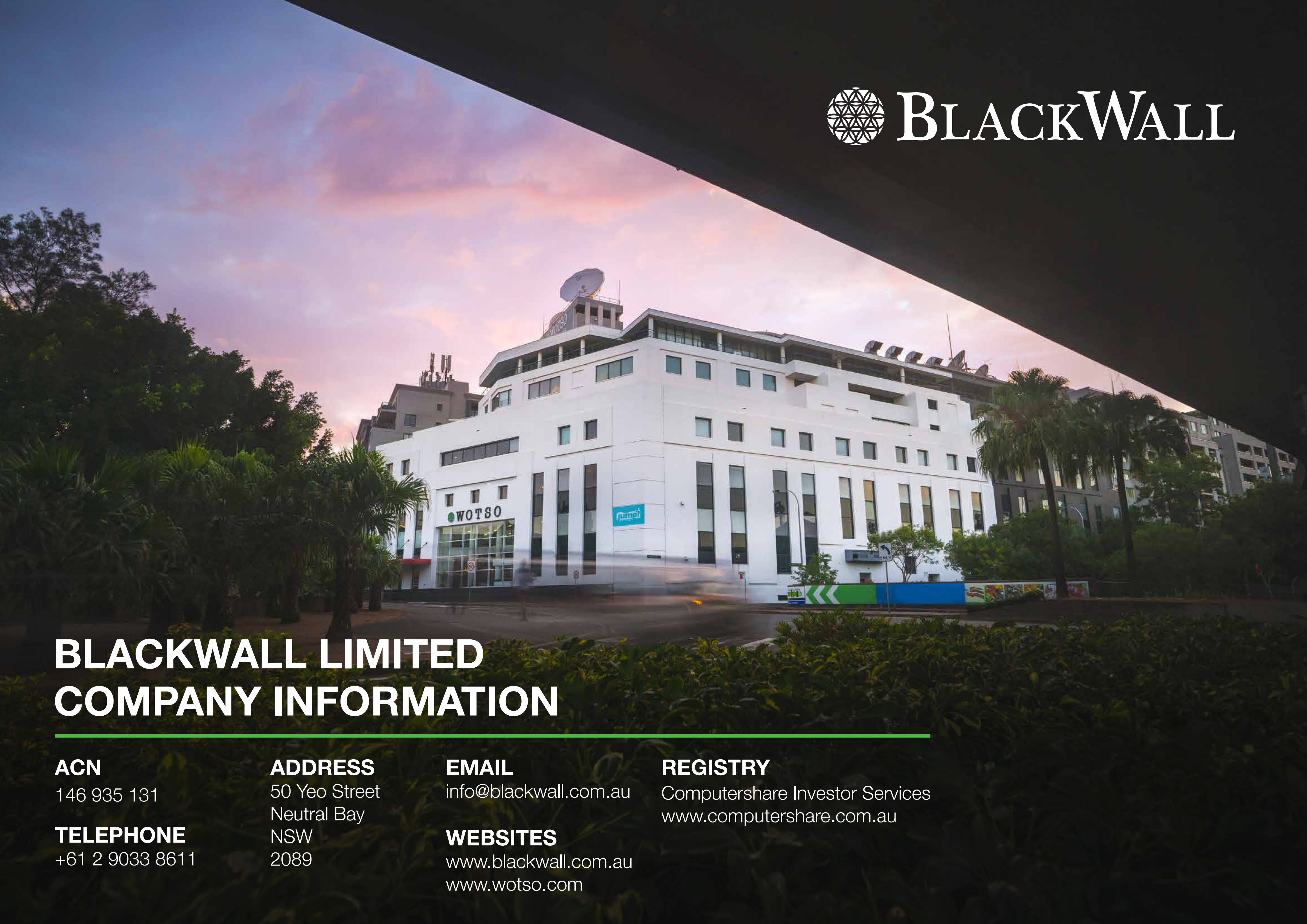
(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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, 26 February 2019



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