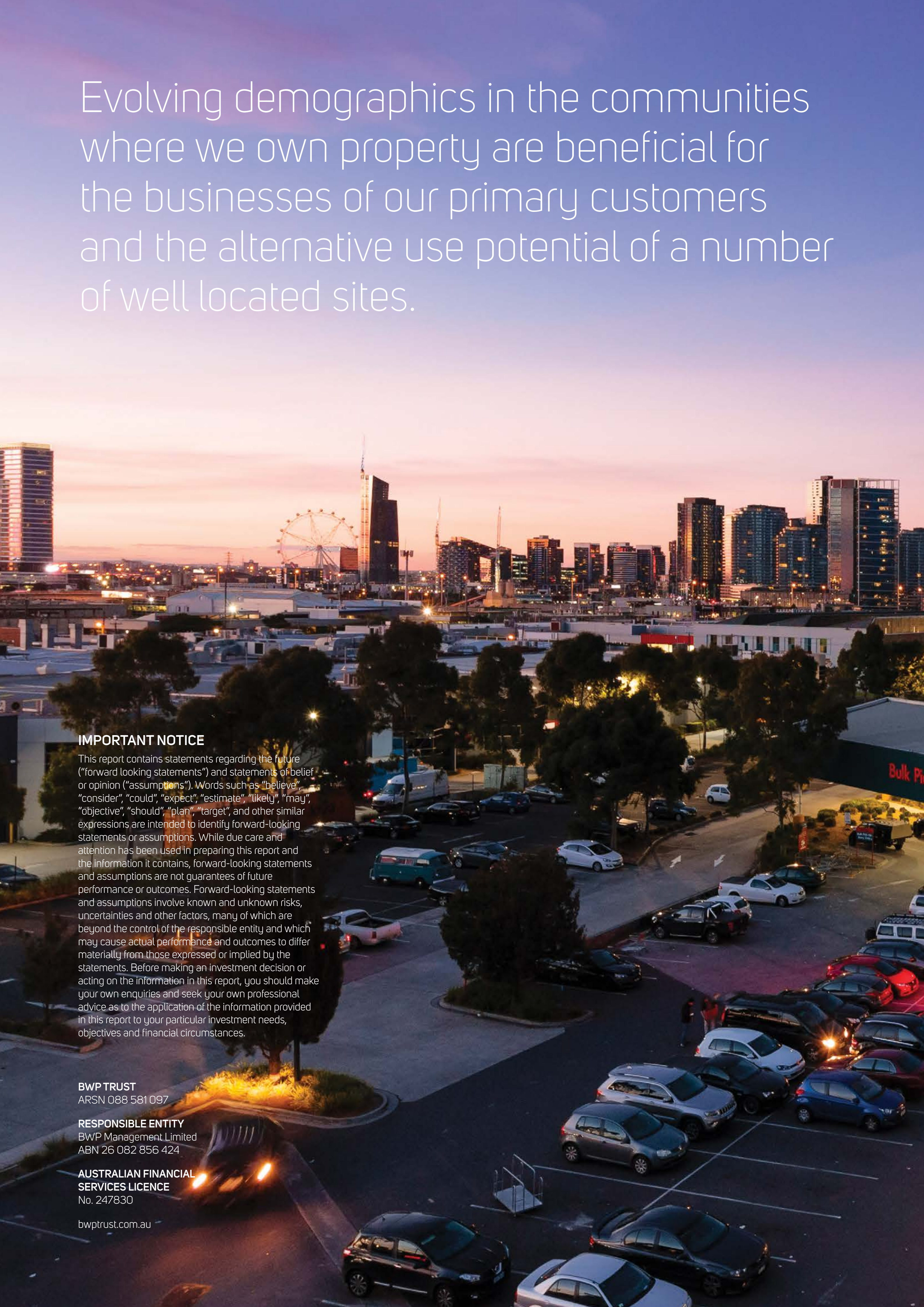
2017

ANNUAL REPORT

bwp TRUST



Evolving demographics in the communities where we own property are beneficial for the businesses of our primary customers and the alternative use potential of a number of well located sites.

IMPORTANT NOTICE

This report contains statements regarding the future ("forward looking statements") and statements of belief or opinion ("assumptions"). Words such as "believe", "consider", "could", "expect", "estimate", "likely", "may", "objective", "should", "plan", "target", and other similar expressions are intended to identify forward-looking statements or assumptions. While due care and attention has been used in preparing this report and the information it contains, forward-looking statements and assumptions are not guarantees of future performance or outcomes. Forward-looking statements and assumptions involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the responsible entity and which may cause actual performance and outcomes to differ materially from those expressed or implied by the statements. Before making an investment decision or acting on the information in this report, you should make your own enquiries and seek your own professional advice as to the application of the information provided in this report to your particular investment needs, objectives and financial circumstances.

BWP TRUST
ARSN 088 581 097

RESPONSIBLE ENTITY
BWP Management Limited
ABN 26 082 856 424

AUSTRALIAN FINANCIAL SERVICES LICENCE
No. 247830

bwptrust.com.au

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BUNNINGS PORT MELBOURNE, VICTORIA

ABOUT US

Established and listed on the Australian Securities Exchange ("ASX") in 1998, BWP Trust ("BWP" or "the Trust") is a real estate investment trust investing in and managing commercial properties throughout Australia.

The majority of the Trust's properties are well located large format retailing properties, in particular, Bunnings Warehouses, leased to Bunnings Group Limited ("Bunnings"). Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand, and a major supplier to project builders, commercial trades people, and the housing industry.

The Trust is managed by an external responsible entity, BWP Management Limited ("the responsible entity") which is appointed under the Trust's constitution and operates under an Australian Financial Services Licence. The responsible entity is solely committed to managing the Trust and is paid a quarterly fee based on the gross assets of the Trust.

Both Bunnings and the responsible entity are wholly-owned subsidiaries of Wesfarmers Limited ("Wesfarmers"), one of Australia's largest listed companies. Wesfarmers, through one of its subsidiaries, also owns approximately 24.75 per cent of the issued units in the Trust.

ABOUT THIS REPORT

This annual report is a summary of the Trust's operations, activities, and financial position as at 30 June 2017. Readers should refer to the details provided throughout this Annual Report and on the Trust's website for additional information.

"A number of properties in the portfolio have higher and better use potential and will be increasingly attractive for mixed uses including retail, residential, aged care and healthcare"

CHAIRMAN'S MESSAGE

On behalf of the Board of directors of BWP Management Limited, the responsible entity for BWP Trust, it is my pleasure to present the Trust's annual report for the financial year ended 30 June 2017.

The Trust performed in line with its business objectives during the year, delivering a solid financial result, providing for a 4.3 per cent increase in full year distributions to 17.51 cents per unit and a $111.3 million or 5.1 per cent net increase in the assessed valuation of the Trust's property investment portfolio.

The Trust is well positioned at year end with a core portfolio of well located Bunnings Warehouse properties, balance sheet flexibility, and good future prospects for Trust-owned properties that Bunnings has, or is considering vacating.

The Trust successfully issued $110 million of five year medium term notes at a coupon rate of 3.5 per cent in May this year, further diversifying funding sources and spreading debt maturities over four years commencing in the 2019 financial year.

During the year, Bunnings advised its intention to vacate up to seven Trust-owned properties, and to re-locate its operations in those locations to nearby ex-Masters Home Improvement properties. Although there is still no clarity as to the timing of the proposed vacancies we are well progressed in finding alternative uses for the properties as and when required. At year end all the likely impacted properties remained leased to Bunnings, with lease expiries between November 2017 and October 2020.

An important feature of the Trust portfolio are properties (with an average land area of 3.2 hectares) that are well located in suburban communities with good access to road and public transport, adjacency to other retail and community facilities, and in strong catchment areas. We expect vacancies in the portfolio to be filled by other home improvement style retailers, supermarket/ convenience retailers, and/ or providers of activities/ experiences. We may also consider divesting some properties. In the medium term, a number of properties in the portfolio have higher and better use potential and will be increasingly attractive for mixed uses including retail, residential, aged care and healthcare uses as demographics in suburban communities continue to evolve.

A number of acquisition opportunities to grow the portfolio were reviewed during the year, however none met the Trust's short or longer term return requirements, or were considered to be uniquely valuable from a location perspective.

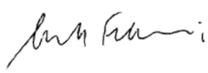
In the absence of a significant change in the macro-economic environment resulting in capital flows being re-directed away from the Australian property sector, we expect there will be ongoing strong demand for quality property assets, including Bunnings Warehouse stores, which should continue to support the valuation of the Trust's property portfolio. The Trust remains financially disciplined in terms of growing the portfolio and is focused on acquiring properties with good potential for rental growth, valuation upside over the medium term, and longer term alternative use should Bunnings vacate the property.

For the 2018 financial year, the Trust expects further rental growth from its core Bunnings Warehouse property portfolio, but at the same time may be transitioning up to four Bunnings Warehouse stores to alternative uses, which may require different lease terms, rent free periods and capital expenditure to re-position the properties. While there could be a reduction in rental income for some of the impacted properties, we expect to at least maintain distributions during this period. Capital profits could be utilised to support distributions if required.

Over the last 10 years the Trust has generated average total unitholder returns of 9.8 per cent per annum, well ahead of the ASX All Ordinaries Accumulation Index of 3.5 per cent per annum, and the S&P/ ASX 200 Property Accumulation Index of 3.6 per cent per annum.

We have and will continue to focus on long-term value creation, by re-investing in and growing the core portfolio of Bunnings Warehouse properties, and from maximising the alternative use potential of some of the properties in the portfolio.

In closing, I would like to express my appreciation to my fellow directors and management for their excellent efforts during the year and thank our unitholders for their continued support of the Trust.



Erich Fraunschiel
Chairman
BWP Management Limited

2016/17 RESULTS HIGHLIGHTS

FULL YEAR DISTRIBUTION

17.51 CENTS PER UNITS

PORTFOLIO NET REVALUATION GAIN

$111.3 MILLION

NET TANGIBLE ASSETS

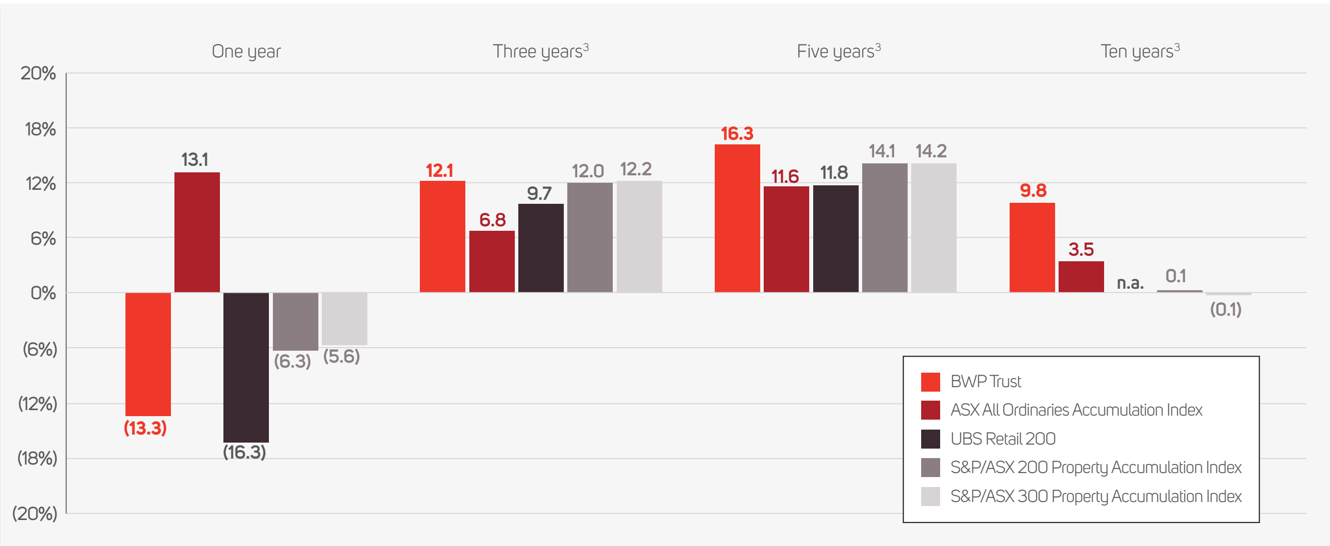
$2.74 PER UNIT

- Final distribution of 8.88 cents per unit, bringing the full year distribution to 17.51 cents per unit, up 4.3 per cent on the previous year
- Six market rent reviews were finalised during the year – weighted average 4.1 per cent increase in annual rent; including five Bunnings Warehouses – weighted average 4.5 per cent increase in annual rent
- Like-for-like rental growth of 2.1[1] per cent for the 12 months to 30 June 2017
- Weighted average cost of debt of 4.6 per cent for the year, 4.7 per cent at year end
- Weighted average lease expiry ("WALE") of 5.0 years at 30 June 2017, portfolio 99.9 per cent leased
- Net revaluation gain on the property investment portfolio of $111.3 million for the year
- Net tangible assets of $2.74 per unit at 30 June 2017 (2016: $2.56 per unit), up 7.0 per cent on the previous year
- Gearing (debt/total assets) 20.4 per cent at 30 June 2017

[1] Like-for-like rental growth compares the passing rent at the end of the period to the passing rent at the end of the previous corresponding period, but excludes properties acquired, divested, developed or upgraded during or since the previous corresponding period

BWP TRUST TOTAL RETURNS COMPARED TO MARKET

period ended 30 June 2017[2]



[2] Total returns include distributions and movement in price (assumed distributions are reinvested). Source: UBS Australia
[3] Annual compound returns

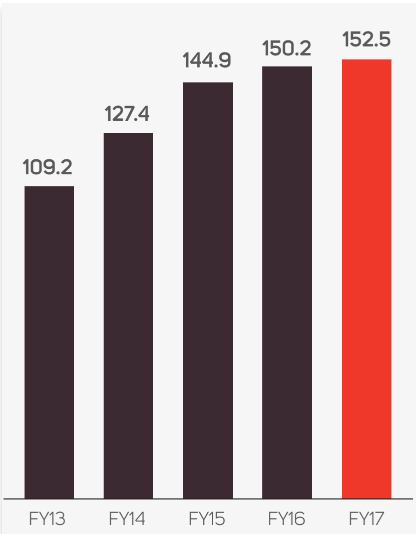
FINANCIAL SUMMARY

FINANCIAL PERFORMANCE

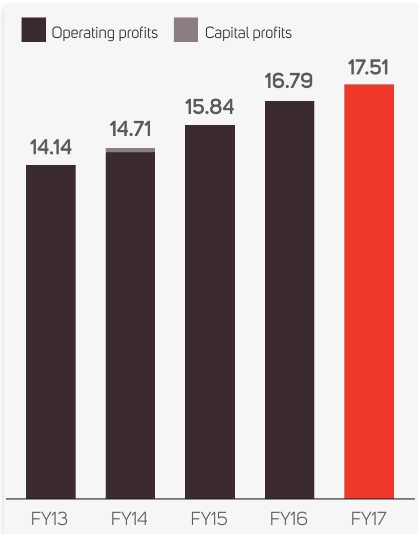
Year ended 30 June		2017	2016	2015	2014	2013
Total revenue	$m	**152.5**	150.2	144.9	127.4	109.2
Total expenses	$m	**(40.0)**	(42.3)	(43.3)	(35.4)	(33.4)
Profit before gains in fair value of investment properties	$m	**112.5**	107.9	101.6	92.0	75.8
Gains in fair value of investment properties	$m	**111.3**	202.6	108.5	57.1	34.8
Net profit after gains in the fair value of investment properties	$m	**223.8**	310.5	210.1	149.1	110.6
Profit before gains in fair value of investment properties	$m	**112.5**	107.9	101.6	92.0	75.8
Capital profits released from undistributed income reserve	$m	**-**	-	-	0.8	-
Distributable profit	$m	**112.5**	107.9	101.6	92.8	75.8
Distribution per ordinary unit	interim cents	**8.63**	8.29	7.67	6.83	7.00
	final cents	**8.88**	8.50	8.17	7.88	7.14
	total cents	**17.51**	16.79	15.84	14.71	14.14
Tax advantaged component	%	**22.29**	25.44	18.27	14.69	24.26
Total assets	$m	**2,312.8**	2,200.5	2,018.0	1,837.4	1,398.7
Borrowings	$m	**471.1**	472.3	485.4	448.3	296.5
Unitholders' equity	$m	**1,762.1**	1,645.4	1,441.8	1,311.4	1,037.2
Gearing (debt to total assets)	%	**20.4**	21.5	24.1	24.4	21.2
Number of units on issue	m	**642**	642	642	634	538
Number of unitholders		**23,158**	24,021	24,374	23,668	18,063
Net tangible asset backing per unit	$	**2.74**	2.56	2.24	2.07	1.93
Unit price at 30 June	$	**2.98**	3.64	3.06	2.48	2.25
Management expense ratio[1] (annualised)	%	**0.60**	0.64	0.65	0.64	0.62

[1] Expenses other than property outgoings and borrowing costs as a percentage of average total assets

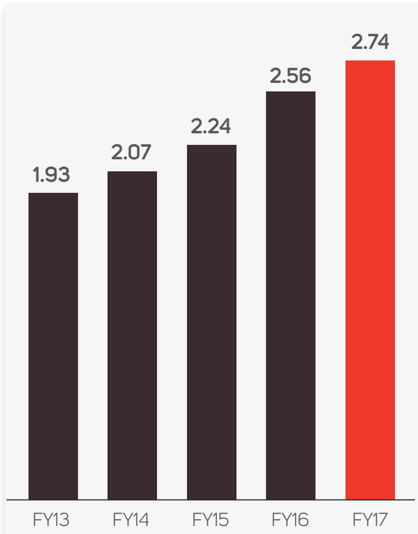
TOTAL REVENUE
($ millions)



DISTRIBUTION PER UNIT
(cents per unit)



NET TANGIBLE ASSET BACKING
($ per unit)



BUSINESS APPROACH

BWP Trust aims to provide unitholders a secure and growing income stream and long-term capital growth, through strong alignment with, and by supporting the ongoing property needs, of its customers.

The Trust's main source of income is the rent paid by Bunnings and other customers for leasing their respective premises from the Trust. Rent is generally based on the area of the property leased by the customer, and typically does not have reference to the customer's turnover at the premises. Growth in rental income typically comes from acquiring additional leased properties and from increases in rent from existing properties. Rents from existing properties grow as a result of annual rent increases and periodic market reviews in accordance with the lease. Rental growth may also occur with upgrades to existing properties, which increase the lettable area.

The main items of expense for the Trust are borrowing costs and the fee paid to the responsible entity for managing the Trust. The amount of borrowing costs relate to the level of borrowings the Trust has from time to time, and the interest rates and funding costs associated with those borrowings. The level of management fee paid by the Trust depends on the value of the gross assets of the Trust over the period.

The Trust's assets are predominantly comprised of its investment properties. Investment properties are revalued every six months to assess their fair value based on market conditions and the circumstances of each particular property. Changes in the fair value of properties as a result of revaluations are recorded as unrealised revaluation gains or losses for the period and do not affect distributable profit. Borrowings to fund investment in properties are the Trust's largest liability and typically represent 20 to 30 per cent of the value of the Trust's total assets.

As required by the Trust's constitution, the Trust distributes all its "profit attributable to unitholders of BWP Trust" as per the statutory accounts every six months, excluding unrealised movements in the fair value of investment properties, as well as other items as determined by the directors. In addition, at the directors' discretion, capital profits arising from the sale of investment properties can be distributed in the year they are generated, or retained to be distributed in future years. In each year, the Trust distributes more than its taxable income.

INVESTMENT CRITERIA

PREFERRED PROPERTY ATTRIBUTES

- ☑ Significant catchment area
- ☑ Visible and accessible from a major road, highway or freeway
- ☑ Ready vehicle access and ample on-site parking
- ☑ Long-term occupancy potential and/ or higher and better use potential
- ☑ Leases to businesses with strong financial and value creation attributes
- ☑ Geographic diversity
- ☑ Yield commensurate with risk

INVESTMENT THEMES

LARGE FORMAT RETAILING PROPERTY OWNERSHIP – HOME IMPROVEMENT / BUNNINGS FOCUS

Progress as at 30 June 2017

> 258 hectares of land
> 80 properties
> 92 per cent of income from Bunnings
> 95 per cent of non-Bunnings income from national tenants

Priorities

> Core portfolio of Bunnings Warehouse properties that meet Bunnings' business model requirements, with annual rent increases and long duration of occupancy

SUSTAINABLE PORTFOLIO RETURNS SUPPORTED BY BALANCE SHEET FLEXIBILITY

Progress as at 30 June 2017

> 10.4 per cent annualised portfolio return on capital
> 20.4 per cent gearing

Priorities

> Focus on long-term value creation by re-investing in and growing the core portfolio of Bunnings Warehouse properties, and from maximising the alternative use prospects of a number of properties in the portfolio

PROPERTY LOCATION ATTRIBUTES

Progress as at 30 June 2017

> 81 per cent metropolitan
> 19 per cent located within 15 kms of a central business district ("CBD")
> 47 per cent located within 30 kms of a CBD

Priorities

> Well located properties in local communities, accessible, adjacent to other retail/ community facilities
> Zoning
> Home improvement, supermarkets, activity/ experiences, residential, healthcare

DRIVERS OF RETURNS

ANNUAL RENTAL GROWTH

Progress as at 30 June 2017

> Approximately 62 per cent of the Trust's rental income is subject to Consumer Price Index ('CPI") adjustments, and
> 38 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review

Priorities

> Continued focus on market rent review outcomes, the Trust will benefit in terms of rental growth from higher inflation levels

WELL PRICED ACQUISITIONS AND RE-INVESTMENT

Progress as at 30 June 2017

> No acquisition opportunities met risk adjusted return requirements during the year

Priorities

> Re-investment in existing portfolio, and acquisitions as and when it makes commercial sense to do so

COST OF FUNDING

Progress as at 30 June 2017

> S&P A- rating re-affirmed
> $110 million 5 year fixed rate medium term notes issued in May 2017 at a coupon rate of 3.5 per cent

Priorities

> Continue to diversify funding and extend duration of debt

LONG-TERM VALUE CREATION

PRO-ACTIVE MANAGEMENT OF EXISTING PROPERTIES

Progress as at 30 June 2017

> Portfolio 99.9 per cent leased
> Up to 11 properties being re-positioned for alternative use

Priorities

> Continue to optimise the value of all properties in the portfolio

PORTFOLIO GROWTH

Progress as at 30 June 2017

> Reviewed a number of acquisition opportunities during the year, none met risk adjusted return hurdle requirements

Priorities

> Acquisitions as and when value can be created

EFFECTIVE MANAGEMENT OF THE TRUST AND ITS CAPITAL

Progress as at 30 June 2017

> Ten year average total unitholder return of 9.8 per cent per annum

Priorities

> Secure and growing income stream
> Long-term capital growth

MANAGING DIRECTOR'S REPORT

The Trust achieved like-for-like rental income growth of 2.1 per cent for the year after taking into account the average inflation on CPI linked leases of 1.4 per cent.

FINANCIAL RESULTS

REVENUE AND EXPENSES

Total revenue for the full-year to 30 June 2017 was $152.5 million, up by 1.5 per cent from last year. The increase in revenue was mainly due to rental growth from the existing property portfolio, and from completed property developments during the previous year.

Finance costs of $22.0 million were 9.5 per cent lower than last year, due to a lower weighted average cost of debt and a slightly lower average level of borrowings. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 4.6 per cent, compared to 5.0 per cent for the previous year. The reduced cost of debt was the result of lower interest rates compared to the previous year. The average level of borrowings was 0.9 per cent lower than the previous year ($479.1 million compared to $483.4 million).

Other operating expenses of $5.9 million were slightly lower than the previous year of $6.2 million.

The management expense ratio for the year ended 30 June 2017 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was 0.60 per cent (2016: 0.64 per cent).

PROFIT

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

For the year ended 30 June 2017, net profit was $223.8 million, including $111.3 million in gains in the fair value of investment properties. This compares with net profit last year of $310.5 million which included gains of $202.6 million in the fair value of investment properties.

Distributable profit for the year (excluding unrealised revaluation gains or losses) was $112.5 million, compared to $107.9 million for the previous year.

FINANCIAL POSITION

As at 30 June 2017, the Trust's total assets were $2,312.8 million (2016: $2,200.5 million) with unitholders' equity of $1,762.1 million and total liabilities of $550.7 million. Investment properties and assets held for sale made up the majority of total assets comprising $2,294.6 million (2016: $2,184.2 million). Details of investment properties are contained in the Our property portfolio section at pages 14 to 17.

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2017 was $2.74 per unit, an increase of 5.4 per cent from $2.60 per unit as at 31 December 2016 (30 June 2016: $2.56 per unit). The increase in NTA over the six months to 30 June 2017 was due to the increase in net assets through property revaluations.

DISTRIBUTION TO UNITHOLDERS

The Trust pays out 100 per cent of distributable profit each period, in accordance with the requirements of the Trust's constitution.

A final distribution of 8.88 cents per ordinary unit has been declared and will be made on 25 August 2017 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2017. The final distribution takes the total distribution for the year to 17.51 cents per unit (2016: 16.79 cents per unit). The tax advantaged component of the distribution is 22.29 per cent.

Units allocated under the Trust's Distribution Reinvestment Plan ("DRP") in respect of the final distribution will be issued at $2.91 per unit, representing the average of the daily volume weighted average price of the Trust's units for the 20 trading days from and including 5 July 2017 to 1 August 2017, with no discount applied. Units to be allocated under the DRP were acquired on market during the 20 day trading period mentioned above and will be transferred to participants on 25 August 2017.

CAPITAL MANAGEMENT

The Trust is committed to maintaining a strong investment grade rating (currently A-/Stable by Standard & Poor's) through appropriate capital and balance sheet management.

DEBT FUNDING

The Trust's debt facilities as at 30 June 2017 are summarised in the following table.

DEBT FUNDING

as at 30 June 2017

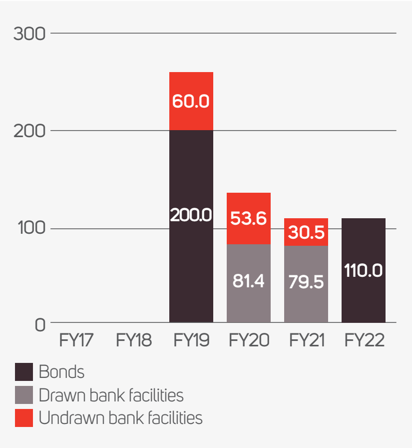
	Limit $m	Amount drawn[1] $m	Expiry date
Bank debt facilities			
Australia and New Zealand Banking Group Limited	60.0	-	1 July 2018
Commonwealth Bank of Australia	110.0	79.5	31 July 2020
Westpac Banking Corporation	135.0	81.4	30 April 2020
Corporate bonds			
Fixed term five-year corporate bond	200.0	200.0	27 May 2019
Fixed term five-year corporate bond	110.0	110.0	11 May 2022
Total	**615.0**	**470.9**	

1 Amount drawn excludes accrued interest and borrowing costs of $0.2 million as at 30 June 2017 on debt facilities

As at 30 June 2017, the weighted average duration of the Trust's debt facilities was 2.8 years to expiry (2016: 3.2 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was 84.8 per cent (2016: 87.1 per cent).

DEBT MATURITY PROFILE

Volume ($m)



INTEREST RATE RISK MANAGEMENT

The Trust takes out interest rate swaps and fixed rate corporate bonds (hedging) to create certainty of the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2017, the Trust's interest rate hedging cover was 95.6 per cent of borrowings, with $140 million of interest rate swaps and the $310 million fixed rate corporate bonds, against interest bearing debt of $470.9 million.

The weighted average term to maturity of hedging was 2.82 years, including delayed start swaps.

The Trust's hedge liabilities decreased to $4.6 million as at 30 June 2017 (2016: $10.0 million) due to the reduction in the average term to maturity of the interest rate swap profile. The hedge liability represents the potential liability if all hedges were to be terminated at 30 June 2017.

GEARING

The Trust's gearing ratio (debt to total assets) at 30 June 2017 was 20.4 per cent (2016: 21.5 per cent), which is at the lower end of the Board's preferred range of 20 to 30 per cent. The Trust has the balance sheet flexibilty to take advantage of opportunities to create long-term value when they arise. The interest cover ratio (earnings before interest/interest expense) was 6.3 times (2016: 5.6 times).

DISTRIBUTION REINVESTMENT PLAN

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2017. The Trust has continued to maintain an active DRP as a component of longer-term capital management and to allow unitholders flexibility in receiving their distribution entitlements. The DRP provides a measured and efficient means of accessing additional equity capital from existing eligible unitholders when required.

OPERATING ENVIRONMENT

As at 30 June 2017, approximately 92 per cent of the Trust's annual rental income was from Bunnings and therefore the Trust's earnings are linked to the ongoing success of the Bunnings business and the strength and direction of the underlying home improvement and outdoor living markets.

Bunnings has a network of approximately 248 Bunnings Warehouse stores across Australia and New Zealand, around 73 smaller format stores and 33 trade centres[1].

For the nine month period ended 31 March 2017, Bunnings Australia and New Zealand reported sales of $8.75 billion, up 8.1 per cent on the previous corresponding period[2].

At a recent Wesfarmers Strategy Briefing Day, Bunnings re-confirmed its strong focus on long-term value creation through a winning offer to customers, an engaged, focused and committed team, business behaviour that builds trust, and sustainable returns[3]. Bunnings presented its 2017/18 strategic agenda with a focus on creating better experiences for the Bunnings team, customers and community, strengthening the core of the business by building a stronger team, lifting productivity, and driving stronger growth through greater brand reach, deeper commercial engagement and more merchandise innovation [4].

HOME IMPROVEMENT AND OUTDOOR LIVING MARKET

Bunnings estimates the size of its addressable market in home improvement and outdoor living in Australia to be sales of $50 billion per annum, of which its share is 20 per cent[5].

A number of factors drive the growth of the home improvement and outdoor living market including: household disposable income, renovation activity, housing churn, value and formation, weather, lifestyle and demographic trends, government activity and technology.

1 Source: Wesfarmers third quarter results announcement, 27 April 2017, page 8
2 Source: Wesfarmers third quarter results announcement, 27 April 2017, page 1
3 Source: Wesfarmers Strategy Briefing Day, 7 June 2017, page 47
4 Source: Wesfarmers Strategy Briefing Day, 7 June 2017, page 60
5 Source: Wesfarmers Strategy Briefing Day, 7 June 2017, page 51

MANAGING DIRECTOR'S REPORT (CONTINUED)

TOTAL REVENUE

$152.5 MILLION

ANNUAL INCOME FROM BUNNINGS

92%

FINANCE COSTS

▽9.5%

OPERATING EXPENSES

▽4.3%

The market accounts for both consumer and commercial customer demand and includes: hardware and fixings, tools, plumbing, building materials and supplies, garden and landscaping supplies, lighting, paint, kitchen, laundry and bathroom supplies, gas appliances, floor and window coverings, outdoor furniture, storage and housewares. There is a wide array of competitors operating from a variety of different formats including: category specialists in plumbing, electrical, lighting, timber and garden supplies; hard goods mass merchants, suppliers direct-to-market, home improvement products sold in discount department stores and supermarkets, and other small and large format home improvement retailers.

RETAILING MARKET AND TRENDS

The Trust's customers are predominantly sellers of retail goods or services in the home improvement & outdoor living, office supplies, outdoor leisure, automotive sales, and electrical and small appliances categories. Economic, technological, demographic and other trends that affect retailing generally, or certain aspects of retailing, may impact our customers from time to time. While the Trust's rental income is not directly linked to the sales turnover of the retailers, difficult retailing conditions or structural changes in retailing can impact on the demand for retailing space, affecting market rents, and in some cases may affect the longer term viability of some retailers.

Retailing continues to evolve rapidly, in line with changing customer needs, and also changes in technology, on-line trading, supply chains and sourcing. Bunnings operates in the structurally attractive Australian home improvement market, which is underpinned by high home ownership levels. The Bunnings business model has proven over a sustained period of time its resilience and ability to evolve in the face of changing market conditions.

The quality of the Trust's property investment portfolio, with its large, prominently located sites, with good accessibility and adjacency to other retail and community facilities means that generally these should continue to be preferred locations for retailing or provide potential longer term alternative uses.

RISK CONSIDERATIONS

The Trust has a culture of balancing the commercial imperative of delivering a sustainable return to unitholders, with a strong focus on compliance and risk management, to meet the requirements of all stakeholders. The Trust is subject to high levels of regulatory oversight, in part because of the "related party" characteristics of the ownership structure, and the ASIC AFS licencing aspects of its underlying business/structure.
The processes and systems required to support the compliance regime are an important aspect of the Trust's approach to risk management, providing transparency and oversight at an operational level in the business. These are set out in a Compliance Plan, which is reviewed annually by the Board.

The key risk considerations are summarised below. The Trust does not consider there to be other specific risks to which it is exposed, but remains vigilant in terms of broader retailing trends, and the business direction of its major customers.

FINANCIAL RISKS

The Trust is well positioned from a financial risk perspective with the majority of its counter party exposure to Wesfarmers Limited (A- S&P rating, A3 Moody's rating). The Trust's assets comprise a geographically diverse portfolio of large format retail properties, generally with long-term leases in place, 99.9 per cent leased at 30 June 2017, with a portfolio WALE of 5.0 years.

The Trust's capital structure (preferred gearing range 20 to 30 per cent) takes into account the dynamics of the property investment portfolio, and the lease terms of each asset. The Trust actively seeks to diversify its sources of debt funding, currently through three domestic banks and via the domestic medium term note market.

The Trust has a portfolio of 80 properties, limiting the financial impact of vacancies or decline in rent for any particular property. The key economic risk for the Trust relates to interest rate movements, the impact of this on property capitalisation rates, and the cost of debt funding. All investment proposals are evaluated in relation to longer term return objectives, which take into account interest rate cycles. The interest rate impact on debt funding is managed with Board approved levels of interest rate hedging.

CLIMATE AND ENVIRONMENTAL RISKS

The geographic diversity of the Trust's property portfolio limits its exposure to periodic localised climate related events, such as flood and fire. This risk is assessed annually on a property by property basis.

The Trust undertakes detailed due diligence on property acquisitions to fully understand levels of site contamination prior to committing to purchase.

HEALTH AND SAFETY RISKS

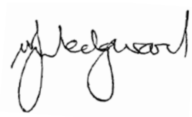
The Trust recognises the significant importance of ensuring that people's health and safety is not put at risk by its activities and operations. It has in place policies and practices to help identify health and safety risks and to manage those risks appropriately.

CYBER RISKS

Cyber security is a rapidly evolving risk consideration, and is assessed by the Trust in terms of awareness of and preparedness for potential security breaches, and capability to respond. The Trust does not have critical information, safety critical automated systems, services vital to the national infrastructure or revenue linked to online transactions, for which a cyber security breach could be detrimental to its ongoing operations. The Trust's primary exposure is limited to potential data breaches at various service providers. In this regard, the Trust engages with key service providers to ensure the risk of a data breach is minimised.

BWP'S OPERATIONS

Further information regarding the operations of the Trust is included in the Outlook, Our property portfolio, and Sustainability sections on pages 13 to 18.



Michael Wedgwood
Managing Director
BWP Management Limited

Economic conditions have favoured property investment in Australia for some time. The ongoing strength of the property market is reflected in the increased value of the Trust's portfolio at 30 June 2017.

OUTLOOK

The level of inflation and impact on rental growth, the cost of debt in terms of interest rates and bank margins, property vacancies and effect on rental income, and investor demand for property, are the variables that will have the most influence on the financial performance of the Trust in the near term.

Global economic conditions, the ongoing stability of the Australian economy, the resilience of the Australian property market, the ongoing evolution and financial performance of the Bunnings business, and the higher and better use potential of properties in the Trust's portfolio, will be more important for the Trust's performance in the longer term.

ECONOMIC AND PROPERTY MARKET CONDITIONS

For the year ended 30 June 2017, there continued to be strong investor demand for Bunnings Warehouse properties.

Economic conditions have favoured property investment in Australia for some time. The ongoing strength of the property market is reflected in the value of the Trust's portfolio at 30 June 2017, and is likely to continue to do so until such time that a risk event occurs that reduces capital flows into the sector. The Trust will remain disciplined in its investment approach to ensure it is best placed to create value from any new property investments over the medium term.

Approximately 62 per cent of the Trust's rental income is subject to CPI annual adjustments and 38 per cent is subject to fixed annual increases, other than in years in which respective properties are subject to a market rent review (typically every five years for a majority of the Trust's existing portfolio). The Trust will have lower incremental rental growth while CPI remains low, compared to historical levels.

For the year ended 30 June 2017, the average CPI increase for leases in the portfolio was 1.4 per cent, which applied to annual escalations for leases comprising 55 per cent of the rental income for properties subject to a review during the year ("base rent"). For the year ending 30 June 2018, CPI reviews will apply to 55 per cent of the base rent, leases subject to a market rent review will apply to seven per cent of the base rent, and fixed increases of three to four per cent will apply to the balance of 38 per cent of the base rent.

The level of income growth the Trust derives from market rent reviews will depend on property specific factors and what relevant evidence is available from time to time for comparable Bunnings Warehouses or other comparable properties. It is therefore difficult to predict the likely growth from market rent reviews, particularly when often the outcome of individual market reviews is the subject of a binding determination by an independent expert.

HOME IMPROVEMENT RETAIL SECTOR PERFORMANCE AND GROWTH

The strength and outlook for the home improvement and outdoor living market in Australia and the ongoing financial success of the Bunnings business is important for the future financial performance of the Trust.

Bunnings is continuing to deliver solid organic growth, with 6.3 per cent like-for-like sales growth for the nine month period ended 31 March 2017[1], reflecting the strength of its business model, and the home improvement and outdoor living market in general. It is also continuing to expand its network in Australia reflecting its ongoing confidence in its business.

[1] Source: Wesfarmers third quarter results announcement, 27 April 2017, page 4

OUR PROPERTY PORTFOLIO

As at 30 June 2017 the Trust owned 80 investment properties, all within Australia, with a total value of $2,294.6 million and a weighted average lease expiry of 5.0 years.

PORTFOLIO AT A GLANCE

	2017	2016	2015	2014	2013
Bunnings Warehouses	71	71	72	70	62
Bunnings Warehouse with other showrooms	8	8	8	8	5
Bunnings Warehouse development sites	-	-	-	4	2
Large format retail showrooms	1	2	1	1	1
Industrial properties	-	-	1	4	4
Total BWP portfolio	80	81	82	87	74
Annual capital expenditure	$2.4m	$13.5m	$118.9m	$383.3m	$37.1m

PROPERTY DIVESTMENTS

GERALDTON SHOWROOMS, WESTERN AUSTRALIA

In August 2016, the Trust completed the sale for net proceeds of $3.3 million of the showroom property at Geraldton, Western Australia.

CAPITAL IMPROVEMENTS

During the year, the Trust incurred a cost of $1.0 million on LED lighting to various properties and the installation of solar panels on the roof at the showrooms in Harrisdale, Western Australia.

Approximately $1.4 million was spent on various other non-income producing improvements to the portfolio during the year.

CAPITAL COMMITMENTS

AGREEMENT TO EXPAND BUNNINGS WAREHOUSE VILLAWOOD, NEW SOUTH WALES

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of $4.0 million.

Bunnings subsequently revised the design and scope of works and recently received planning approval. A revised funding proposal is being considered.

RENT REVIEWS

The rent payable for each leased property is increased annually, either by a fixed percentage or by the CPI, except when a property is due for a market review. Market reviews occur for most of the Trust's Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

ANNUAL ESCALATIONS

During the year, 96 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 2.1 per cent in the annual rent for these properties.

MARKET RENT REVIEWS

During the year, market rent reviews were concluded on five Bunnings Warehouses. The market rent review for three Bunnings Warehouses due during the year are still being negotiated and remain unresolved.

The results of the completed Bunnings Warehouse market rent reviews are shown in the table following.

BUNNINGS MARKET RENT REVIEW RESULTS SUMMARY

Property location	Passing rent ($ pa)	Market review ($ pa)	Uplift (%)	Effective date
Belmont North, NSW[1]	954,629	1,145,000	19.9	5-Mar-16
Midland, WA[2]	1,635,825	1,785,765	9.2	5-Sep-16
Mindarie, WA[2]	1,635,825	1,639,695	0.2	5-Sep-16
Geraldton, WA[3]	1,318,888	1,318,888	-	10-Dec-16
Frankston, VIC[3]	2,043,580	2,043,580	-	20-Dec-16
Weighted Average			4.5	

1 The market rent review was due during the year ended 30 June 2016, but was determined by an independent valuer in the current financial year
2 The market rent review was determined by an independent valuer
3 The market rent review was negotiated between the parties

LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired, disposed or upgraded during or since the previous corresponding period, rental income increased by approximately 2.1 per cent for the 12 months to 30 June 2017 (compared to 2.4 per cent for the 12 months to 30 June 2016). The result for the previous corresponding period was disclosed as a 2.3 per cent increase and this has been updated following the finalisation of the market rent review for the Belmont North Bunnings Warehouse during the 12 month period to 30 June 2016.

The three unresolved market reviews at 30 June 2017 are not included in the calculation of like-for-like rental growth for the year.

OCCUPANCY

As at 30 June 2017, the portfolio was 99.9 per cent leased.

It is the nature of the Bunnings business model that its property requirements for some locations change over time as is the case for 11 properties in the property investment portfolio. These properties are highlighted in the Portfolio rental summary that follows. In all cases, Bunnings has or is in the process of re-locating to a new nearby site in the same demographic area. In all cases, the properties remain leased to Bunnings for periods ranging from November 2017 to September 2021. For any vacated Bunnings Warehouse, the Trust gives full consideration to re-leasing the property, reinvesting in it to enhance rental outcomes, or divesting it, to ensure the best overall outcome for the Trust is achieved. Good progress is being made on finding alternative uses for the majority of the properties.

In relation to the Altona property, the Trust has entered into an option agreement, exercisable by 7 September 2018, with the adjoining owner Folkestone, for Folkestone to acquire the Altona property which was previously occupied by Bunnings. Under the agreement the Trust will also receive reimbursement for the original capital outlay of the adjoining land and a payment equivalent to the value of rent and outgoings foregone in relation to the Bunnings lease expiring on 23 September 2018.

PROPERTY REVALUATIONS

The entire Trust portfolio was revalued at 31 December 2016 and again at 30 June 2017, including 34 property revaluations performed by independent valuers (23 at 31 December 2016 and 11 at 30 June 2017). Properties not independently revalued at each balance date are subject to internal valuations, with an independent valuer reviewing the methodology adopted. Factors that may affect the valuation of properties from time to time include: the supply of and competition for investment properties; leasing market conditions; the quality and condition of the particular property, including the duration of the lease; and the level of rent paid at the property compared with the broader market.

The value of the Trust's portfolio increased by $110.4 million to $2,294.6 million during the year following: capital expenditure of $2.4 million, less net proceeds from divestments of $3.3 million, and a net revaluation gain of $111.3 million during the year.

The net revaluation gain was due to growth in rental income and an average decrease in capitalisation rates across the portfolio during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2017 was 6.59 per cent (December 2016: 6.77 per cent; June 2016: 6.77 per cent).

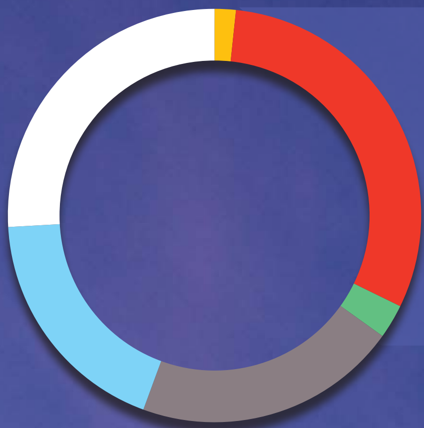
NUMBER OF PROPERTIES

Western Australia	16
Victoria	24
Australian Capital Territory	2
South Australia	2
New South Wales	16
Queensland	20
Total	**80**

OUR PROPERTY PORTFOLIO

GROSS LETTABLE AREA BY STATE

ACT	2%
VIC	30%
SA	3%
WA	21%
NSW	18%
QLD	26%



ASSET VALUE BY STATE

ACT	2%
VIC	33%
SA	3%
WA	17%
NSW	20%
QLD	25%

TOTAL

Total Land Area: 258.2 ha
Locations:
80

QUEENSLAND

Total Land Area: 67.2 ha
Locations:
20

NEW SOUTH WALES & AUSTRALIAN CAPITAL TERRITORY

Total Land Area: 55.6 ha
Locations:
18

WESTERN AUSTRALIA

Total Land Area: 46.9 ha
Locations:
16

SOUTH AUSTRALIA

Total Land Area: 5.9 ha
Locations:
2

VICTORIA

Total Land Area: 82.6 ha
Locations:
24

AUSTRALIAN CAPITAL TERRITORY

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Fyshwick[6]	6,648	1,233	15,500
Tuggeranong	11,857	1,815	30,200
Total	**18,505**	**3,048**	**45,700**

VICTORIA

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Altona[4,7]	9,254	1,185	14,400
Bayswater	17,677	2,421	37,200
Broadmeadows	12,765	1,935	29,800
Caroline Springs	14,319	1,731	27,700
Coburg	24,728	4,582	66,100
Craigieburn	16,764	1,623	26,000
Croydon	13,292	1,869	32,500
Dandenong[7]	12,313	1,612	13,300
Epping[7]	12,027	1,296	13,100
Fountain Gate	12,624	1,697	28,300
Frankston	13,843	2,044	32,700
Hawthorn	7,462	3,184	47,200
Maribyrnong	17,550	2,695	46,900
Mentone[7]	11,814	1,624	20,800
Mornington	13,324	1,697	27,100
Northland	13,006	1,925	32,100
Nunawading[5]	14,766	2,403	45,300
Oakleigh South[7]	16,949	2,061	18,300
Pakenham	14,867	1,936	28,500
Port Melbourne	13,846	2,071	43,800
Scoresby	12,515	1,882	29,800
Springvale	13,458	2,022	35,200
Sunbury	15,270	1,815	31,600
Vermont South	16,634	2,167	33,300
Total	**341,067**	**49,477**	**761,000**

SOUTH AUSTRALIA

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Mile End	15,065	2,415	42,000
Noarlunga	14,784	1,520	20,700
Total	**29,849**	**3,935**	**62,700**

WESTERN AUSTRALIA

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Albany[3]	13,660	870	14,600
Australind	13,700	1,326	22,100
Balcatta	25,439	2,292	39,900
Belmont	10,381	1,493	24,900
Bibra Lake	14,141	1,689	25,000
Cockburn	12,839	1,672	27,900
Ellenbrook	15,337	1,874	31,200
Geraldton	17,874	1,319	18,200
Harrisdale	17,124	2,269	34,900
Joondalup	13,358	1,495	16,400
Mandurah[7]	12,097	1,559	14,900
Midland	13,694	1,786	22,300
Mindarie[7]	14,479	1,640	19,200
Morley[7]	9,852	1,436	17,700
Port Kennedy	11,675	1,570	22,400
Rockingham	15,188	2,045	35,600
Total	**230,838**	**26,335**	**387,200**

NEW SOUTH WALES

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Artarmon	5,746	1,705	28,400
Belmont North	12,640	1,166	9,200
Belrose	8,888	2,112	35,200
Dubbo	16,344	1,537	21,800
Greenacre	14,149	2,626	42,000
Hoxton Park[7]	26,508	3,687	38,300
Lismore	9,892	1,303	21,700
Maitland	12,797	1,392	16,900
Minchinbury	16,557	2,796	50,500
Port Macquarie	8,801	1,014	12,700
Rydalmere	16,645	3,071	55,700
Thornleigh	5,301	1,362	20,200
Villawood	10,886	1,739	25,000
Wagga Wagga	13,774	1,433	20,500
Wallsend	16,863	2,031	33,900
Wollongong	10,811	1,470	19,600
Total	**206,602**	**30,444**	**451,600**

QUEENSLAND

As at 30 June 2017 Suburb	Gross lettable area[1] sq m	Annual rental[2] $000	Value $000
Arundel	15,588	2,317	35,800
Bethania	13,494	1,884	30,000
Brendale	15,035	1,992	34,600
Browns Plains	18,398	3,065	40,600
Burleigh Heads[7]	12,428	1,741	16,600
Cairns[7]	12,917	1,312	9,500
Cannon Hill	16,556	2,501	41,900
Fairfield Waters	13,645	1,660	24,800
Gladstone	21,511	3,208	41,200
Hervey Bay	11,824	1,252	15,000
Manly West	13,021	2,175	36,100
Morayfield	12,507	1,826	28,400
Mount Gravatt	11,824	1,288	17,300
North Lakes	18,861	2,644	43,200
Rocklea	14,403	2,088	33,600
Smithfield	13,094	1,552	23,400
Southport	12,431	1,741	25,600
Townsville North	14,038	1,688	27,200
Underwood	12,245	1,614	20,900
West Ipswich	14,977	2,414	40,700
Total	**288,797**	**39,962**	**586,400**

TOTAL

Grand Total	**1,115,658**	**153,201**	**2,294,600**

Note: Totals and Grand Total adjusted for rounding

1 for Bunnings Warehouses this comprises the total retail area of the Bunnings Warehouse
2 annual rental figures do not include access fees detailed below
3 includes adjoining land (1.2 hectares) for which Bunnings Group Limited pays the Trust an access fee of $211,882 per annum
4 includes additional land (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of $221,636 per annum
5 includes adjoining properties (0.1 hectares) for which Bunnings Group Limited pays the Trust an access fee of $126,935 per annum
6 includes adjoining property (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of $301,020 per annum
7 sites that Bunnings has or is in the process of vacating, that are still leased to Bunnings

SUSTAINABILITY

The Trust is committed to acting responsibly and ethically, and operating its business in a manner that is sustainable.

The Trust's approach takes into account the size and nature of its operations and the relatively modest actual or potential impacts on the environment and society.

Environmentally, the Trust's ownership and management of established commercial property is considered to be low in intensity in terms of emissions, waste, and use of energy and materials, and low impact on biodiversity.

Social and governance impacts are limited due to the passive nature and localised scope of the Trust's operations and the regulated environment in which it operates.

During the year, the Trust focused on the energy efficiency of its properties and the replacement of ozone depleting air conditioning units in some of our older properties.

Further detail on the Trust's approach to sustainability is available in the Sustainability section, under the **About Us** tab, of the Trust's website.

KEY SUSTAINABILITY ACTIONS

PROPERTY IMPROVEMENTS

Progress during the year

> A further 12 air conditioning units were replaced to phase out ozone depleting refrigerant models and initiatives introduced to improve efficiency of air conditioning units.

> New non ozone depleting refrigerants were also retrofitted into larger air conditioning systems in three stores owned by the Trust.

> New energy efficient LED lights were installed internally in five stores and in the car-parks at two additional properties.

> As at 30 June 2017, 68 per cent of the Bunnings owned stores had LED lighting in one or more of the car park, nursery trading area, canopy trading area, or in the main store.

> Solar power generation was installed at six properties, bringing the total installations to nine.

> Ninety three per cent of the Trust-owned stores have in place water tanks for the re-cycling of roof collected rain water.

Priorities

> Continue programme for phasing out ozone depleting air conditioning.

> Continue to work with our major customers to roll back energy efficient LED lighting into existing properties, as and when appropriate, and also to install roof based solar panels on buildings where the energy saving benefits are significant.

CUSTOMER AND SUPPLIER ENGAGEMENT

Progress during the year

> Continued dialogue with Bunnings regarding its sustainability initiatives, particularly in relation to reducing energy consumption through the upgrade of lighting in existing stores to energy efficient LED technology.

Priorities

> Continue to engage with the Trust's customers for a co-operative approach to sustainability initiatives, particularly in relation to LED lighting, and solar energy capture.

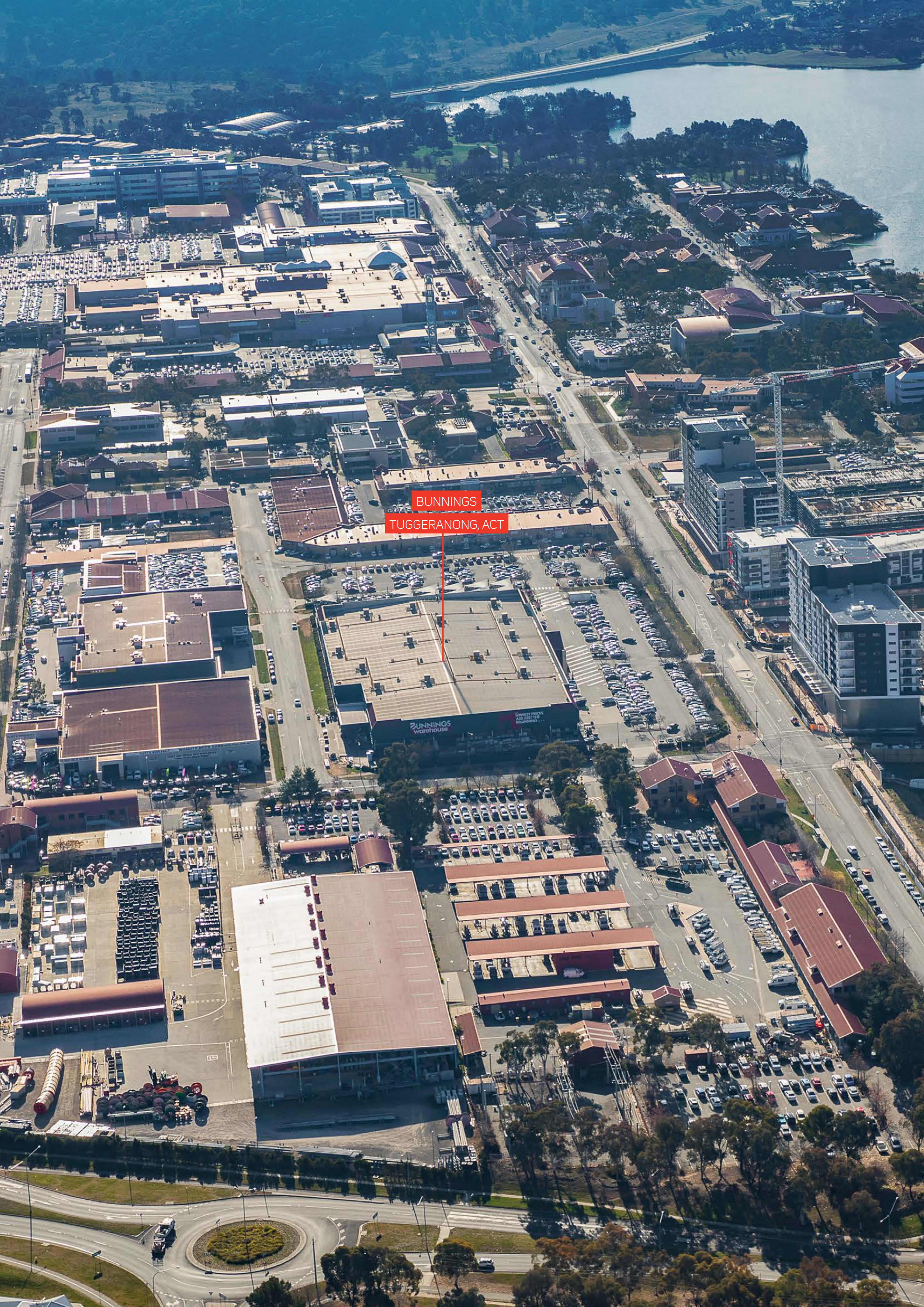
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Progress during the year

> Responded to the 2017 Carbon Disclosure Project survey.

Priorities

> Continue reporting on our progress in improving the energy efficiency of our properties.


BUNNINGS
TUGGERANONG, ACT

CORPORATE GOVERNANCE

The responsible entity is committed to fostering a strong governance culture using a framework based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles").

COMMITMENT TO CORPORATE GOVERNANCE

The Board of the responsible entity is responsible for ensuring a high standard of corporate governance and a culture of compliance in relation to the Trust. The governance framework is embedded in the Trust's Compliance Plan and supported by detailed charters, policies and procedures that ensure the responsible entity fulfils its corporate governance obligations and responsibilities in the best interests of the Trust and its stakeholders.

The responsible entity's corporate governance model is illustrated below.

ASX PRINCIPLES AND EXTERNALLY MANAGED ENTITIES

The application of the ASX Principles is modified for externally managed listed entities such as the Trust. Some corporate governance disclosures apply to the responsible entity, which is not listed; some disclosures relate to the listed entity, BWP Trust; and some are not applicable. Wherever it is possible to provide additional disclosures that demonstrate the responsible entity's commitment to a strong governance culture, these have been included in the Corporate Governance Statement.

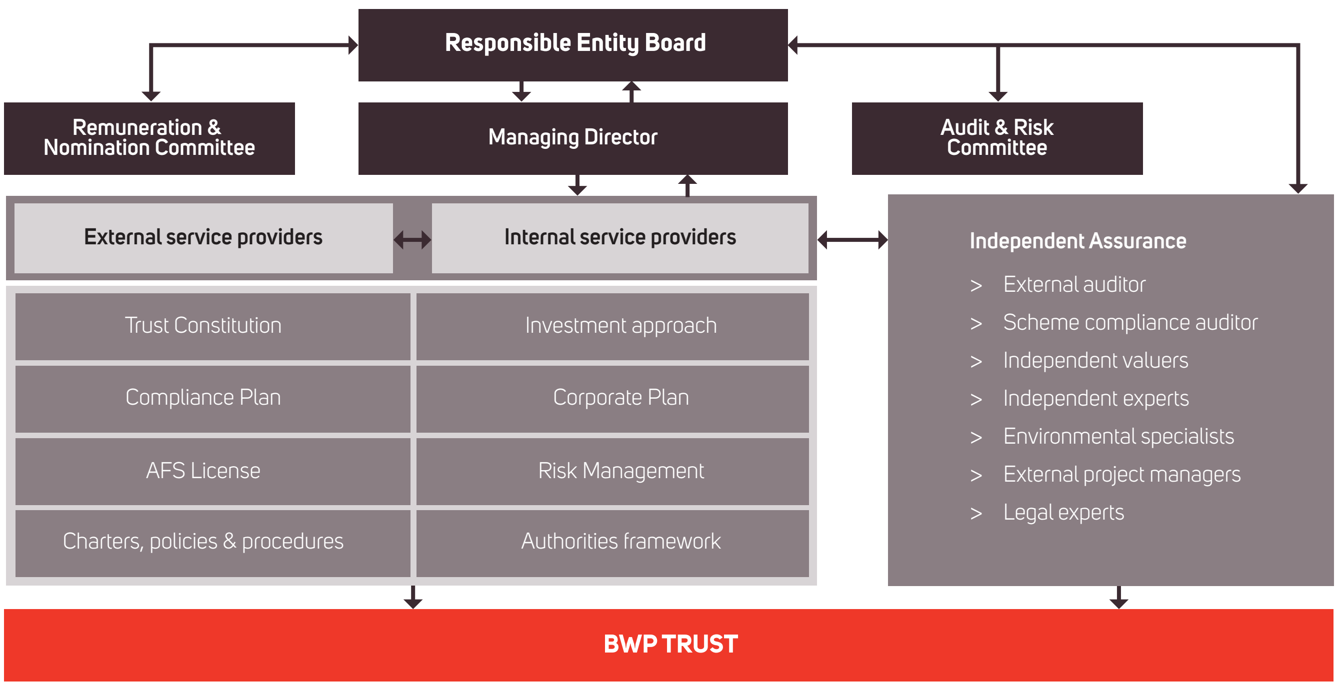
OUR COMPLIANCE IN 2017

Throughout the reporting year to 30 June 2017, the Trust's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ASX Principles (3rd edition) as they apply to externally managed listed entities.

The 2017 Corporate Governance Statement reports on these arrangements as they relate to the responsible entity Board, its committees, related party relationships, unitholders, risk management, internal controls, compliance and external auditor relationships. In some instances, the Corporate Governance Statement cross references to disclosures on the website or in the 2017 Annual Report where it is appropriate that the information is considered within the broader context provided by the Annual Report.

The Trust website also contains copies of the Board and committee charters, and key policies referred to in the Corporate Governance Statement.

The Trust's 2017 Corporate Governance Statement can be viewed in the Corporate Governance section under the **About Us** tab of the Trust's website.



BOARD OF DIRECTORS

ERICH FRAUNSCHIEL AGE: 71

BCom (Hons), FCPA, FAICD
Chairman, Non-executive external director
Member of the Audit and Risk Committee
Chairman of the Remuneration and Nomination Committee

Joined the Board in February 2015 and was appointed Chairman in December 2015. A professional non-executive director since 2002, Erich has held board positions with a number of listed and unlisted companies. He is currently a director of WorleyParsons Limited, a global engineering, project management and advisory company.

Past directorships include Woodside Petroleum Limited, Wesfarmers General Insurance Limited, Rabobank Australia Limited, Rabobank New Zealand Limited, West Australian Newspapers Holdings Limited and Foodland Associated Limited.

Until his retirement in 2002, Erich was a senior executive of Wesfarmers Limited, including Executive Director and Chief Financial Officer. Prior to this he was involved in investment banking, project lending and venture capital investment.

FIONA HARRIS AGE: 56

BCom, FCA, FAICD
Non-executive external director
Chairman of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the Board in October 2012. A professional non-executive director for more than 20 years, Fiona has held board positions for over 25 companies, is a former member of the national board and a former WA State President of the Australian Institute of Company Directors. Fiona is currently director of ASX listed companies Oil Search Limited and Infigen Energy Limited Group and private company Perron Group Limited. She is a member of Chief Executive Women.

Past listed company directorships held in the last three years include Toro Energy Limited, Sundance Resources Limited and Aurora Oil & Gas Limited.

Fiona was previously a Sydney-based partner of chartered accountants, KPMG, retiring in December 1994.

RICK HIGGINS AGE: 71

FAPI
Non-executive external director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the board in December 2007. Rick is a property professional with over 46 years' experience, having provided valuations and consultancy advice to a range of large institutional clients relating to a broad range of properties, including homemaker and bulky goods centres.

Before joining the board, Rick was the National Director, Business Development for Colliers International Consultancy & Valuation and, prior to this, he was employed by Jones Lang Wootton for 30 years as a National Director (formerly proprietor) responsible for the national valuation and consultancy division.

He is also a non-executive director of Charter Hall Direct Property Management Limited, a subsidiary of Charter Hall Group and the responsible entity for a number of unlisted retail funds that invest in office, industrial and retail properties.

TONY HOWARTH AO AGE: 65

CITWA, Hon.LLD (UWA), SF Fin, FAICD
Non-executive director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the board in October 2012. Tony is a life Fellow of the Financial Services Institution of Australia and has over 30 years' experience in the banking and finance industry. He has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited. He is a director of Wesfarmers Limited, having been appointed to that board in July 2007. He is also Chairman of ASX listed MMA Offshore Limited.

Tony is Chairman of St John of God Healthcare Inc, a Director of Alinta Holdings Pty Ltd and Alinta Energy Limited, and a Fellow of AICD. He is Adjunct Professor (Financial Management) at the University of Western Australia Business School. Tony is also involved in a number of community and business organisations including membership of the Rio Tinto WA Future Fund and The University of Western Australia Business School Advisory Board and Chairman of the West Australian Rugby Union Inc.

MIKE STEUR AGE : 58

FAPI, FRICS, FPINZ, MAICD
Non-executive external director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the Board in February, 2015. Mike, an experienced valuer by background, has over 30 years general property services experience covering all property types (including hotels, shopping centres and large format retail valuation and advisory), primarily in New Zealand and Australia, and more recently in Asia, including Hong Kong, China, Japan, Malaysia and Singapore. Between 1988 and 2009, he was a director of Richard Ellis Ltd New Zealand (now CBRE). He moved to Sydney in 2001 to take control of CBRE's Australian and New Zealand valuation and advisory business. As well as property advisory, his experience at CBRE included strategic planning, business acquisitions, financial management, risk and compliance management and technology development. In 2009, he was appointed Executive Managing Director to head CBRE's Asia Pacific Valuation and Advisory services business. He retired from this role in June 2014 to pursue non-executive Board opportunities.

Mike has been a non-executive director of the New Zealand listed Kiwi Property Group Limited since 2010 and was appointed a director of the Dexus Wholesale Property Fund in 2015.

MICHAEL WEDGWOOD AGE: 54

B.Com, MSc (Finance), GAICD
Managing Director
Appointed to the Board as Managing Director in February 2014. Since joining Wesfarmers Limited in 1995 Michael has held a number of senior executive roles across the Wesfarmers Group including appointments as General Manager Finance and also as the Chief Financial Officer of Bunnings Group Limited for a period of nine years. Immediately prior to joining BWP, he held the role of Executive General Manager, Business Improvement for the Wesfarmers Group. Before joining Wesfarmers, he held finance roles with the HSBC Group, and prior to that with Arthur Andersen.


BUNNINGS
HAWTHORN, VIC

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	June 2017 $000	June 2016 $000
Revenue	1	152,451	150,196
Expenses			
Finance costs	2	(22,008)	(24,315)
Responsible entity's fees	2	(12,042)	(11,793)
Other operating expenses	2	(5,947)	(6,217)
Total expenses		(39,997)	(42,325)
Profit before gains on investment properties		112,454	107,871
Unrealised gains in fair value of investment properties	6	111,341	202,633
Profit attributable to the unitholders of BWP Trust		223,795	310,504
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
- Realised losses transferred to profit or loss		3,933	4,981
- Unrealised gains/(losses) on cash flow hedges		1,488	(4,016)
Total comprehensive income for the year attributable to the unitholders of BWP Trust		229,216	311,469
Basic and diluted earnings (cents per unit) resulting from profit	12	34.84	48.34

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	June 2017 $000	June 2016 $000
ASSETS			
Current assets			
Cash	3	15,611	14,029
Receivables and prepayments	4	2,559	2,313
Assets held for sale	5	35,300	19,450
Total current assets		53,470	35,792
Non-current assets			
Investment properties	6	2,259,300	2,164,700
Total non-current assets		2,259,300	2,164,700
Total assets		2,312,770	2,200,492
LIABILITIES			
Current liabilities			
Payables and deferred income	7	17,923	18,206
Derivative financial instruments		756	759
Distribution payable	8	57,044	54,603
Total current liabilities		75,723	73,568
Non-current liabilities			
Interest-bearing loans and borrowings	9	471,140	472,333
Derivative financial instruments		3,801	9,219
Total non-current liabilities		474,941	481,552
Total liabilities		550,664	555,120
Net assets		1,762,106	1,645,372
EQUITY			
Equity attributable to unitholders of BWP Trust			
Issued capital	10	945,558	945,558
Hedge reserve	11	(4,557)	(9,978)
Undistributed income		821,105	709,792
Total equity		1,762,106	1,645,372

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	June 2017 $000	June 2016 $000
Cash flows from operating activities			
Rent received		170,483	167,674
Payments to suppliers		(24,686)	(25,325)
Payments to the responsible entity		(11,956)	(11,686)
Finance income		135	116
Finance costs		(22,133)	(24,403)
Net cash flows from operating activities	3	111,843	106,376
Cash flows from investing activities			
Receipts from the sale of investment properties		3,252	7,519
Payments for purchase of, and additions to, investment properties		(2,279)	(13,507)
Net cash flows from/(used in) investing activities		973	(5,988)
Cash flows from financing activities			
Repayments of borrowings		(1,193)	(13,068)
Distributions paid		(110,041)	(105,736)
Net cash flows used in financing activities		(111,234)	(118,804)
Net increase/ (decrease) in cash		1,582	(18,416)
Cash at the beginning of the financial year		14,029	32,445
Cash at the end of the financial year	3	15,611	14,029

The statement of cash flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued capital $000	Hedge reserve $000	Undistributed income $000	Total $000
Balance at 1 July 2015	945,558	(10,943)	507,145	1,441,760
Profit attributable to unitholders of BWP Trust	-	-	310,504	310,504
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	965	-	965
Total comprehensive income for the year	-	965	310,504	311,469
Distributions to unitholders	-	-	(107,857)	(107,857)
Total transactions with unitholders of BWP Trust	-	-	(107,857)	(107,857)
Balance at 30 June 2016 and 1 July 2016	**945,558**	**(9,978)**	**709,792**	**1,645,372**
Profit attributable to unitholders of BWP Trust	**-**	**-**	**223,795**	**223,795**
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	**-**	**5,421**	**-**	**5,421**
Total comprehensive income for the year	**-**	**5,421**	**223,795**	**229,216**
Distributions to unitholders	**-**	**-**	**(112,482)**	**(112,482)**
Total transactions with unitholders of BWP Trust	**-**	**-**	**(112,482)**	**(112,482)**
Balance at 30 June 2017	**945,558**	**(4,557)**	**821,105**	**1,762,106**

The statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

BWP Trust ("the Trust") is a for profit unit trust of no fixed duration, constituted under a Trust Deed dated 18 June 1998 as amended, and the Trust's units are publicly traded on the Australian Securities Exchange. The Trust is managed by BWP Management Limited ("the responsible entity"). Both the Trust and the responsible entity are domiciled in Australia.

The Trust has a policy to invest in well located, geographically diversified properties with long-term leases to substantial tenants, predominantly in the large format retail sector, with the purpose of providing unitholders with a secure, growing income stream and capital growth.

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that its taxable income (including any realised capital gains) is fully distributed to unitholders each year.

ABOUT THIS REPORT

The financial report of the Trust for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors of the responsible entity on 2 August 2017. The directors have the power to amend and reissue the financial report.

The financial statements are a general purpose financial report which:

> has been prepared in accordance with the requirements of the Trust's constitution, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB);

> has been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;

> is presented in Australian dollars, which is the Trust's functional currency, and all values are rounded to the nearest thousand dollars ($000) under the option available to the Trust under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, unless otherwise stated;

> adopts all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for financial reporting periods beginning on or before 1 July 2016. The adoption of these standards did not have a material effect on the financial statements of the Trust; and

> does not early adopt a number of new standards, amendments to standards and interpretations that have been issued or amended but are not yet effective. These include AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The potential impact of the new standards, amendments to standards and interpretations has been considered and they are not expected to have a significant effect on the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In applying the Trust's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations about future events that may have an impact on the Trust. Judgements and estimates which are material to the financial report are found in the following notes:

Note 6: Investment properties	Page 31 and 32
Note 13: Financial risk management	Page 38

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

SEGMENT INFORMATION

The Trust determines and presents its operating segment based on the internal information that is provided to the Managing Director, who is the Trust's chief operating decision maker.

The Trust operates wholly within Australia and derives rental income from investments in commercial warehouse properties and as such this is considered to be the only segment in which the Trust is engaged.

The operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated and to assess performance. There are no reconciling items that exist between the discrete financial information reviewed by the Managing Director and the financial statements relating to revenue, profit or loss, assets and liabilities or other material items.

1. REVENUE

	June 2017 $000	June 2016 $000
Rental income	151,455	149,219
Other property income	861	861
Finance income	135	116
Revenue	**152,451**	150,196

Recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured using the following criteria:

Rental and other property income

Rental and other property income is recognised at the amount due under the terms of the lease. All fixed, Consumer Price Indices-linked and market rent review increases are recognised in income from the date that these are due in accordance with the respective lease terms. This is done to ensure that rental income is matched with the associated cash flows over the term of the lease.

Finance income

Finance income is interest income on bank deposits and is recognised as the interest accrues, using the effective interest method.

2. EXPENSES

	June 2017 $000	June 2016 $000
Interest expense on debt facilities	18,075	19,334
Interest expense on interest rate swaps	3,933	4,981
Finance costs	**22,008**	24,315
Responsible entity's fees	**12,042**	11,793
Non-recoverable property costs[1]	5,156	5,477
Listing and registry expenses	513	442
Other	278	298
Other operating expenses	**5,947**	6,217

1 Included in non-recoverable property costs are amounts paid or payable of $2,268,909 (2016: $2,177,969) for Queensland Land Tax which under the relevant state legislation when the lease was entered into cannot be on-charged to tenants

Recognition and measurement

Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges on funds invested in properties with substantial development and construction phases, which are capitalised to the property until such times as the construction work is complete.

The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Trust's outstanding borrowings during the year.

Responsible entity's fees

The responsible entity, BWP Management Limited, is entitled to a management fee payable quarterly in arrears of 0.55 per cent per annum of the gross asset value of the Trust.

The responsible entity is also entitled to a fee calculated at the rate of 0.05 per cent per annum of the gross asset value of the Trust up to $200 million and 0.035 per cent per annum of the amount by which the gross asset value of the Trust exceeds $200 million.

The responsible entity may waive the whole or any part of the remuneration to which it would otherwise be entitled (see Note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. CASH

	June 2017 $000	June 2016 $000
Cash at bank	**15,611**	14,029
Weighted average effective interest rates	**1.53%**	1.93%

Reconciliation of operating profit to the net cash flows from operating activities:

	June 2017 $000	June 2016 $000
Profit for the year attributable to unitholders of BWP Trust	**223,795**	310,504
Net fair value change on investment properties	**(111,341)**	(202,633)
(Increase)/decrease in receivables and prepayments	**(163)**	1,824
Decrease in payables and deferred income	**(448)**	(3,319)
Net cash flows from operating activities	**111,843**	106,376

Recognition and measurement

Cash at bank

Cash in the statement of financial position, and for the purposes of the statement of cash flows, comprises cash at bank and short-term deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates.

4. RECEIVABLES AND PREPAYMENTS

	June 2017 $000	June 2016 $000
Receivables from Wesfarmers Limited[1] subsidiaries	**17**	227
Other receivables	**359**	409
Prepayments	**2,183**	1,677
	2,559	2,313

[1] Wesfarmers Limited is a related party (see Note 16)

Recognition and measurement

Impairment

Receivables of $3,352 were overdue at 30 June 2017 (2016: $8,410).

There were no allowances for impairment in respect of receivables during the current year. Based on historic default rates, the Trust believes that no impairment allowance is necessary.

5. ASSETS HELD FOR SALE

	June 2017 $000	June 2016 $000
Current	**35,300**	19,450

Altona

The Trust has entered into an option agreement with a third party for the third party to acquire the Trust's Altona property.

Underwood

The Trust has entered into an option agreement with a third party for the third party to acquire the Trust's Underwood property.

Recognition and measurement

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale the assets are remeasured in accordance with the Trust's other accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell.

6. INVESTMENT PROPERTIES

Reconciliation of the carrying amount of investment properties:

	June 2017 $000	June 2016 $000
Balance at the beginning of the financial year	2,164,700	1,964,915
Acquisitions during the year	-	211
Divestments during the year	(3,252)	(7,519)
Reclassification to assets held for sale	(15,850)	(3,093)
Capital improvements since acquisition	2,361	7,553
Net unrealised gains from fair value adjustments	111,341	202,633
Balance at the end of the financial year	2,259,300	2,164,700

Recognition and measurement

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit and loss.

Subsequent revaluations to fair value according to the Trust's revaluations policy may result in transaction costs appearing as a negative adjustment (loss) in fair value.

Where assets have been revalued, the potential effect of the capital gains tax ("CGT") on disposal has not been taken into account in the determination of the revalued carrying amount. The Trust does not expect to be ultimately liable for CGT in respect of the sale of assets as all realised capital gains would be distributed to unitholders.

Fair value – Hierarchy

The Trust is required to categorise the fair value measurement of investment properties based on the inputs to the valuations technique used. All investment properties for the Trust have been categorised on a Level 3 fair value basis as some of the inputs required to value the properties are not based on "observable market data".

Fair value – Valuation approach

Key judgement

The Trust has a process for determining the fair value of investment properties at each balance date, applying generally accepted valuation criteria, methodology and assumptions detailed below.

An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis. The independent valuer determines the most appropriate valuation method for each property (refer page 32).

In accordance with the Trust's policy, the following properties were independently valued at 30 June 2017:

Property	Valuation $000
Brendale	34,600
Fountain Gate	28,000
Hervey Bay	15,000
Maribyrnong	47,000
Mile End	42,000
Minchinbury	50,500
Mindarie	19,200
Morayfield	28,400
Noarlunga	20,700
Port Macquarie	12,700
Villawood	25,000

Properties that have not been independently valued as at balance date are carried at fair value by way of directors' valuation.

The directors adopt the following valuation methodologies for all remaining properties, and these methodologies are subject to an independent review process by Jones Lang LaSalle.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6. INVESTMENT PROPERTIES (CONTINUED)

Valuation Methodologies

Discounted cash flow

The discounted cash flow method calculates a property's value by using projections of reliable estimates of future cash flows, derived from the term of any existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the asset.

Capitalisation of income valuation

The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, lease term remaining, the relationship of current rent to the market rent, location, prevailing investment market conditions and for Bunnings Warehouses, distribution of competing hardware stores.

Inputs used to measure Fair value	Range of Individual Property Inputs
Adopted capitalisation rate	4.75% – 13.19%
Gross rent p.a ($000)	870 – 4,336
Occupancy rate	99.9% as at 30 June 2017
Lease term remaining (years)	0.4 – 10.3

Leasing arrangements

The Trust has entered into commercial property leases on its investment portfolio with the majority of its properties being leased to Bunnings Group Limited.

Bunnings Warehouse leases generally commit the tenant to an initial term of 10, 12 or 15 years, followed by a number of optional terms of five or six years each exercisable by the tenant. Leases to non-Bunnings tenants generally commit the tenant to an initial term of between five and 10 years, followed by one or a number of optional terms of five years each exercisable by the tenant.

At 30 June 2017, the minimum lease expiry (being the duration until which the tenants' committed terms expire) for the Trust's investment properties is 0.4 years (2016: 0.7 years) and the maximum lease expiry is 10.3 years (2016: 11.3 years), with a weighted average lease expiry for the portfolio of 5.0 years (2016: 5.9 years).

There are no lease commitments receivable as at the reporting date and there were no contingent rentals recognised as revenues in the financial year.

Future minimum non-cancellable rental revenues are:

	June 2017 $000	June 2016 $000
Not later than one year	**148,600**	148,505
Later than one year not later than five years	**422,248**	475,849
Later than five years	**200,541**	263,442
	771,389	887,796

Recognition and measurement

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Key judgement

The Trust has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

The rental revenues of operating leases are included in the determination of the net profit in accordance with the revenue recognition policy at Note 1.

Leasing fees incurred in relation to the ongoing renewal of major tenancies are deferred and amortised over the lease period to which they relate.

Lease incentives, which may take the form of up-front payments, contributions to certain lessees' costs, relocation costs and fit-outs and improvements, are recognised on a straightline basis over the lease term as a reduction of rental income.

7. PAYABLES AND DEFERRED INCOME

	June 2017 $000	June 2016 $000
Trade creditors and accruals	**3,722**	4,441
Responsible entity's fees payable	**3,332**	3,246
Rent received in advance	**10,869**	10,519
	17,923	18,206

Recognition and measurement

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not these have been billed to the Trust. These liabilities are normally settled on 30 day terms except for the responsible entity's fees payable, which are settled quarterly in arrears, and retention monies withheld on construction projects which are settled according to the terms of the construction contracts.

The Trust's exposure to liquidity risk in respect of payables is disclosed in Note 13.

8. DISTRIBUTIONS PAID OR PAYABLE

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties are not included in the profit available for distribution to unitholders, as well as other items as determined by the directors. A reconciliation is provided below:

	June 2017 $000	June 2016 $000
8.63 cents (2016: 8.29 cents) per unit, interim distribution paid on 24 February 2017	**55,438**	53,254
8.88 cents (2016: 8.50 cents) per unit, final distribution provided	**57,044**	54,603
	112,482	107,857
Profit attributable to unitholders of BWP Trust	**223,795**	310,504
Net unrealised gains in fair value of investment properties	**(111,341)**	(202,633)
Distributable profit for the year	**112,454**	107,871
Opening undistributed profit	**36**	22
Closing undistributed profit	**(8)**	(36)
Distributable amount	**112,482**	107,857
Distribution (cents per unit)	**17.51**	16.79

Recognition and measurement

Each reporting period the directors of the responsible entity are required to determine the distribution entitlement of the unitholders in respect of the period. Any amounts so determined but not paid by the end of the period, are recorded as a liability.

The recording of the distribution payable at each reporting date as a current liability may result in the Trust's current liabilities exceeding its current assets. This is a timing issue, as the Trust repays its interest-bearing loans and borrowings during the period from net profit and draws down its interest-bearing loans and borrowings when the distribution payments are made in August and February of each year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

9. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2017 the Trust had the following borrowings:

		June 2017		June 2016	
	Expiry date	Limit $000	Amount drawn $000	Limit $000	Amount drawn $000
Bank debt facilities					
Australia and New Zealand Banking Group Limited	1 July 2018	60,000	-	110,000	81,400
Commonwealth Bank of Australia	31 July 2020	110,000	79,500	110,000	85,200
Westpac Banking Corporation	30 April 2020	135,000	81,400	135,000	105,700
		305,000	160,900	355,000	272,300
Corporate bonds					
Fixed term five-year corporate bond	27 May 2019	200,000	200,000	200,000	200,000
Fixed term five-year corporate bond	11 May 2022	110,000	110,000	-	-
Accrued interest and borrowing costs			240		33
		310,000	310,240	200,000	200,033
		615,000	471,140	555,000	472,333

Recognition and measurement

The borrowings under the bank debt facilities are not secured by assets of the Trust, but are subject to reporting and financial undertakings by the Trust to the banks under negative pledge agreements with each bank. The Trust's corporate bonds are also not secured by assets of the Trust, but are subject to similar reporting and financial undertakings as the bank debt facilities.

Corporate bonds

On 27 May 2014, the Trust issued $200 million fixed rate domestic bonds maturing on 27 May 2019. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 4.50 per cent per annum.

On 11 May 2017, the Trust issued $110 million fixed rate domestic bonds maturing on 11 May 2022. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 3.50 per cent per annum.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are interest-bearing are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities if the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Refer to Note 13 for information on interest rate and liquidity risk.

At 30 June 2017 the minimum duration of the above debt facilities was 12 months (2016: 24 months) and the maximum was 58 months (2016: 49 months) with a weighted average duration of 33.2 months (2016: 38.6 months).

10. ISSUED CAPITAL

	June 2017 $000	June 2016 $000
Balance at the end of the financial year	**945,558**	945,558

During the period no new units were issued under the Trust's distribution reinvestment plan, therefore the number of ordinary units on issue as at 30 June 2017 remained at 642,383,803 (2016: 642,383,803).

Recognition and measurement

Units on issue

Units on issue are recognised at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of ordinary units are recognised directly in equity as a reduction of the unit proceeds received.

Rights

The Trust is a unit trust of no fixed duration and the units in the Trust have no right of redemption.

Each unit entitles the unitholder to receive distributions as declared and, in the event of winding up the Trust, to participate in all net cash proceeds from the realisation of assets of the Trust in proportion to the number of and amounts paid up on units held.

Distribution Reinvestment Plan

The Trust operates a Distribution Reinvestment Plan ("DRP"). The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2017 and the preceding year. An issue of units under the DRP results in an increase in issued capital unless the units are acquired on-market, which was the case in the past two financial years.

11. HEDGE RESERVE

	June 2017 $000	June 2016 $000
Balance at the beginning of the financial year	**(9,978)**	(10,943)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	**3,933**	4,981
- Unrealised gains/ (losses) on cash flow hedges	**1,488**	(4,016)
Balance at the end of the financial year	**(4,557)**	(9,978)

Recognition and measurement

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

12. EARNINGS PER UNIT

	June 2017	June 2016
Net earnings used in calculating basic and diluted earnings per unit ($000)	**223,795**	310,504
Basic and diluted earnings per unit (cents)	**34.84**	48.34
Basic and diluted earnings per unit excluding unrealised gains in fair value of investment properties (cents)	**17.51**	16.79
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	**642,383,803**	642,383,803

Recognition and measurement

Earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders divided by the weighted average number of units.
The diluted earnings per unit is equal to the basic earnings per unit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

13. FINANCIAL RISK MANAGEMENT

The Trust holds financial instruments for the following purposes:

Financing: to raise funds for the Trust's operations. The principal types of instruments are term advances ("bank loans") and corporate bonds.

Operational: the Trust's activities generate financial instruments including cash, trade receivables and trade payables.

Risk management: to reduce risks arising from the financial instruments described above, including interest rate swaps.

The Trust's holding of these instruments exposes it to risk. The Board of directors of the responsible entity has overall responsibility for the establishment and oversight of the Trust's policies for managing these risks, which are outlined below:

> credit risk (note 13(a));

> liquidity risk (note 13(b)); and

> interest rate risk (note 13(c)).

These risks affect the fair value measurement applied by the Trust, which is discussed further in note 13(e).

a) Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers, cash, and payments due to the Trust under interest rate swaps.

Receivables

During the year the credit risk associated with 93.8 per cent (2016: 93.6 per cent) of the rental income was with three tenants:

	June 2017 %	June 2016 %
Bunnings Group Limited[1]	**91.9**	92.2
Easy Auto 123 Pty Ltd	**1.0**	0.5
Officeworks Superstores Pty Ltd[1]	**0.9**	0.9

[1] Wholly owned subsidiaries of Wesfarmers limited

Bunnings Group Limited, Officeworks Superstores Pty Ltd and Wesfarmers Limited are currently subject to a Deed of Cross Guarantee under which they covenant with a trustee for the benefit of each creditor that they guarantee to each creditor payment in full of any debt in the event of any entity that is included in the Deed of Cross Guarantee being wound up. Wesfarmers Limited has been assigned a credit rating of A-(negative watch)/A2 by Standard & Poor's (A3 (Stable)/P2 – Moody's).

Cash

The Trust limits its exposure to credit risk associated with its cash by maintaining limited cash balances and having cash deposited with reputable, major financial institutions subject to regulation in Australia, which are rated A- or higher by Standard and Poor's.

Derivative financial instruments

The Trust limits its exposure to credit risk associated with future payments from its interest rate swaps by contracting with reputable major financial institutions subject to regulation in Australia, which are rated A- or higher by Standard and Poor's.

Exposure to credit risk

The carrying amount of the Trust's financial assets represents the maximum credit exposure. The Trust's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	June 2017 $000	June 2016 $000
Cash and short-term deposits	3	**15,611**	14,029
Receivables			
Wesfarmers Limited subsidiaries	4	**17**	227
Other tenants	4	**359**	409
		376	636
Total exposure		**15,987**	14,665

b) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

To assist in minimising the risk of having inadequate funding for the Trust's operations, the Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and corporate bonds with different tenures, with the Trust aiming to spread maturities to avoid excessive refinancing in any period. In respect to the Trust's bank loans, whilst these have fixed maturity dates, the terms of these facilities allow for the maturity period to be extended by a further year each year subject to the amended terms and conditions being accepted by both parties. The Trust also regularly updates and reviews its cash flow forecasts to assist in managing its liquidity.

Maturity of financial liabilities

The following are the contractual maturities of financial liabilities (including estimated interest payments) and receipts or payments of interest rate swaps. The amounts disclosed in the table below are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amount disclosed in the statement of financial position.

	Carrying amount $000	Contractual cash flows $000	1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
30 June 2017						
Non-derivative financial liabilities						
Bank loans - principal	(160,900)	(160,900)	-	-	(160,900)	-
Bank loans - future interest	-	(14,316)	(4,036)	(4,801)	(5,479)	-
Corporate bonds	(310,240)	(347,250)	(12,850)	(212,850)	(121,550)	-
Payables and deferred income	(17,923)	(17,923)	(17,923)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(4,557)	(4,655)	(2,546)	(1,163)	(946)	-
	(493,620)	(545,044)	(37,355)	(218,814)	(288,875)	-
30 June 2016						
Non-derivative financial liabilities						
Bank loans - principal	(272,300)	(272,300)	-	(81,400)	(190,900)	-
Bank loans - future interest	-	(26,970)	(6,733)	(8,268)	(11,969)	-
Corporate bonds	(200,033)	(227,000)	(9,000)	(9,000)	(209,000)	-
Payables and deferred income	(18,206)	(18,206)	(18,206)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(9,978)	(9,759)	(3,290)	(3,170)	(3,131)	(168)
	(500,517)	(554,235)	(37,229)	(101,838)	(415,000)	(168)

c) Interest rate risk

Interest rate risk is the risk that the Trust's finances will be adversely affected by fluctuations in interest rates. To help reduce this risk in relation to bank loans, the Trust has employed the use of interest rate swaps whereby the Trust agrees with various banks to exchange at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps are recognised as adjustments to interest expense over the life of each contract swap, thereby effectively fixing the interest rate on the underlying obligations.

At 30 June 2017 the fixed rates varied from 2.39 per cent to 5.54 per cent (2016: 2.39 per cent to 5.54 per cent) and the floating rates were at bank bill rates plus a bank margin.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements to ensure stability of distributions. At 30 June 2017, the Trust's hedging cover (interest rate swaps and fixed rate corporate bonds) was 95.6 per cent of borrowings. This level is currently above the Board's preferred 50 per cent to 75 per cent range due to the corporate bond issuance in May 2017. Hedging levels are expected to return within the Board's preferred range as existing interest rate swaps mature.

The Trust's exposure to interest rate risk for classes of financial assets and financial liabilities is set out as follows:

	Carrying amount	
	June 2017 $000	June 2016 $000
Variable rate instruments		
Cash and short-term deposits	15,611	14,029
Bank debt facilities	(160,900)	(272,300)

The Trust's sensitivity to interest rate movements

Fair value sensitivity analysis for fixed rate instruments

The Trust does not account for any fixed-rate financial assets or financial liabilities at fair value through the profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The following analysis considers the impact on equity and net profit or loss due to a reasonably possible increase or decrease in interest rates. This analysis assumes that all other variables remain constant. The same comparative analysis has been applied to the 2016 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Impact on Net profit		Impact on Equity	
	50 basis points increase $000	50 basis points decrease $000	50 basis points increase $000	50 basis points decrease $000
30 June 2017				
Variable rate instruments	**(805)**	**805**	**-**	**-**
Interest rate swaps	**700**	**(700)**	**1,845**	**(1,885)**
Net impact	**(105)**	**105**	**1,845**	**(1,885)**
30 June 2016				
Variable rate instruments	(1,362)	1,362	-	-
Interest rate swaps	875	(875)	2,615	(2,680)
Net impact	(487)	487	2,615	(2,680)

Derivative financial instruments

As detailed on the previous page, the Trust enters into derivative financial instruments in the form of interest rate swap agreements, which are used to convert the variable interest rate of its borrowings to fixed interest rates. For the purpose of hedge accounting, these hedges are classified as cash flow hedges. The swaps are entered into with the objective of reducing the risk associated with interest rate fluctuations.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any ineffective portion is considered a finance cost and is recognised in profit or loss in the statement of profit or loss and other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss, at which point it is transferred to profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

The Trust manages its financial derivatives (interest rate swaps) to ensure they meet the requirements of a cash flow hedge.

d) Capital management

Capital requirements are assessed based on budgeted cash flows, capital expenditure commitments and potential growth opportunities and are monitored on an ongoing basis. Information on capital and equity markets is reviewed on an ongoing basis to ascertain availability and cost of various funding sources.

In order to maintain a manageable level of debt, the responsible entity has established a preferred range of 20 to 30 per cent for the Trust's gearing ratio (debt to total assets), which is monitored on a monthly basis. At 30 June 2017, the gearing level was 20.4 per cent (2016: 21.5 per cent).

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2017 and the preceding year.

e) Fair values

The fair values and carrying amounts of the Trust's financial assets and financial liabilities recorded in the financial statements are materially the same with the exception of the following:

	June 2017 $000	June 2016 $000
Corporate bonds – book value	**(310,240)**	(200,033)
Corporate bonds – fair value	**(313,616)**	(209,087)

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Loans and receivables, and payables and deferred income

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Cash and short-term deposits

The carrying amount is fair value due to the liquid nature of these assets.

Bank loans and corporate bonds

Market values have been used to determine the fair value of corporate bonds using a quoted market price. The fair value of bank loans have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs.

Interest rate swaps

Interest rate swaps are measured at fair value by valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

Key judgement

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on current market rates for similar instruments and were as follows:

	June 2017	June 2016
Interest rate swaps	**1.76% to 2.50%**	1.83% to 2.42%

14. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at balance date, but not provided for in the financial statements, which is payable:

	June 2017 $000	June 2016 $000
Not later than one year:		
Related parties	**4,000**	4,000

Capital Commitments to related parties

Villawood

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of $4.0 million. Bunnings subsequently revised the design and scope of works and recently received planning approval. A revised funding proposal is being considered.

15. AUDITOR'S REMUNERATION

	June 2017 $	June 2016 $
Audit and review of the financial statements		
KPMG Australia	**84,298**	93,840
Other services		
KPMG Australia – taxation services	**28,530**	26,200
KPMG Australia – accounting consultancy services	**-**	3,000
KPMG Australia – property consultancy services	**100,695**	431,183
Total auditor's remuneration	**213,523**	554,223

Further details on the non-audit services can be found in the Directors' report on page 44.

16. RELATED PARTY DISCLOSURES

(a) Relationship with the Wesfarmers Group

As in the prior year, Wesfarmers Investments Pty Limited, a controlled entity of Wesfarmers Limited, holds 159,014,206 units in the Trust, representing 24.75 per cent of the units on issue at 30 June 2017.

(b) Transactions with the Wesfarmers Group

During the year ended 30 June 2017, the Trust had the following transactions with Wesfarmers Group:

	June 2017 $000	June 2016 $000
Bunnings Group Limited[1]		
Rent and other property income	**140,311,129**	138,418,596
Rent and other property income received in advance	**10,939,191**	10,702,873
Amounts receivable	**11,933**	23,228
J Blackwood and Son Pty Limited[1]		
Rent	**-**	634,537
Officeworks Superstores Pty Ltd[1]		
Rent	**1,356,304**	1,325,375
Amounts receivable	**5,498**	-
BWP Management Limited[1]		
Responsible entity fees	**12,041,674**	11,793,442
Fees waived[2]	**877,500**	437,548
Wesfarmers Limited		
Insurance premiums paid/payable	**225,290**	128,616
Insurance proceeds received/receivable	**178,396**	203,784

1 A controlled entity of Wesfarmers Limited
2 The responsible entity waived its entitlement to fees in respect to $150 million of property valuation uplift for the financial year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

16. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Economic dependency

92.8 per cent (2016: 93.1 per cent) of the Trust's rental income received during the year was from Bunnings Group Limited and Officeworks Superstores Pty Ltd, all controlled entities of Wesfarmers Limited.

(d) Other transactions

The Trust reimbursed Bunnings Group Limited for minor capital works and repairs and maintenance incurred to the Trust's properties for which the Trust had a contractual obligation to incur.

17. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

The following persons were key management personnel of the responsible entity, BWP Management Limited, during the financial year:

Chairman – non-executive

Mr Erich Fraunschiel

Managing Director

Mr Michael Wedgwood

Non-executive directors

Ms Fiona Harris
Mr Rick Higgins
Mr Tony Howarth AO
Mr Mike Steur

(b) Remuneration policy

Remuneration expenses of the directors and executives of the responsible entity are not borne by the Trust. Directors are remunerated by the responsible entity and management services are provided to the responsible entity by Wesfarmers Limited.

The right of the responsible entity to be remunerated and indemnified by the Trust is set out in the constitution of the Trust and summarised in Note 2. The constitution is lodged with ASIC and is available to unitholders on request.

For the financial year ended 30 June 2017, each director was entitled to director's fees and/or superannuation for their services and the reimbursement of reasonable expenses.

The fees paid reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to establish that the fees are in line with market standards. Directors do not receive option or bonus payments, nor do they receive retirement benefits in connection with their directorships. There are no equity incentive schemes in relation to the Trust.

Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

(c) Unit holdings

Director	Balance at beginning of the year	Acquired during the year	Sold during the year	Balance at the end of the year
Mr E Fraunschiel	111,766	-	-	111,766
Ms F E Harris	20,000	-	-	20,000
Mr R D Higgins	20,000	-	-	20,000
Mr A J Howarth	20,000	-	-	20,000
Mr M J G Steur	-	-	-	-
Mr M J Wedgwood	-	-	-	-
Total	**171,766**	**-**	**-**	**171,766**

The above holdings represent holdings where the directors have a beneficial interest in the units of the Trust.

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

18. OTHER ACCOUNTING POLICIES

a) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset 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.

An impairment loss in respect of a financial asset 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.

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

In circumstances where impairment losses are deemed, these are included in the statement of profit or loss and other comprehensive income.

b) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

In accordance with the *Corporations Act 2001*, BWP Management Limited (ABN 26 082 856 424), the responsible entity of BWP Trust, provides this report for the financial year that commenced 1 July 2016 and ended 30 June 2017. The information on pages 1 to 21 forms part of this directors' report and is to be read in conjunction with the following information:

RESULTS AND DISTRIBUTIONS

	June 2017 $000	June 2016 $000
Profit attributable to unitholders of BWP Trust	223,795	310,504
Net unrealised gains in fair value of investment properties	(111,341)	(202,633)
Distributable profit for the year	112,454	107,871
Opening undistributed profit	36	22
Closing undistributed profit	(8)	(36)
Distributable amount	**112,482**	107,857

DISTRIBUTIONS

The following distributions have been paid by the Trust or declared by the directors of the responsible entity since the commencement of the financial year ended 30 June 2017:

	June 2017 $000	June 2016 $000
(a) Out of the profits for the year ended 30 June 2016 on ordinary units as disclosed in last year's directors' report:		
(i) Final distribution of 8.50 cents per ordinary unit declared by the directors for payment on 25 August 2016	54,603	52,483
(b) Out of the profits for the year ended 30 June 2017 (see Note 8 of the notes to the financial statements):		
(i) Interim distribution of 8.63 cents per ordinary unit paid on 24 February 2017	55,438	53,254
(ii) Final distribution of 8.88 cents per ordinary unit declared by the directors for payment on 25 August 2017	57,044	54,603

UNITS ON ISSUE

At 30 June 2017, 642,383,803 units of BWP Trust were on issue (2016: 642,383,803).

PRINCIPAL ACTIVITY

The principal activity is property investment.

There has been no significant change in the nature of this activity during the financial year.

TRUST ASSETS

At 30 June 2017, BWP Trust held assets to a total value of $2,312.8 million (2016: $2,200.5 million). The basis for valuation of investment properties which comprises the majority of the value of the Trust's assets is disclosed in Note 6 of the notes to and forming part of the financial statements.

FEE PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

Management fees totalling $12,041,674 (2016: $11,793,442) were paid or payable to the responsible entity out of Trust property during the financial year.

TRUST INFORMATION

BWP Trust is a Managed Investment Scheme registered in Australia. BWP Management Limited, the responsible entity of the Trust, is incorporated and domiciled in Australia and holds an Australian Financial Services Licence. The responsible entity's parent company and ultimate parent company is Wesfarmers Limited.

The registered office of the responsible entity is Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth,Western Australia, 6000. The principal administrative office of the responsible entity is Level 12, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000.

The Trust had no employees during the financial year (2016: nil). Management services are provided to the responsible entity by Wesfarmers Limited. Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

DIRECTORS

Mr Erich Fraunschiel (Chairman)
Ms Fiona Harris
Mr Rick Higgins
Mr Tony Howarth AO
Mr Mike Steur
Mr Michael Wedgwood (Managing Director)

Details of the current directors appear on page 21.

No director is a former partner or director of the current auditor of the Trust, at a time when the current auditor has undertaken an audit of the Trust.

COMPANY SECRETARY

Ms K A Lange, FGIA, FCIS, MBus

Ms K A Lange has been the company secretary since 9 April 2008. Ms Lange has more than 25 years company secretarial experience including company secretary of Woodside Petroleum Limited and Wesfarmers Limited.

DIRECTORS' UNITHOLDINGS

Units in the Trust in which directors had a relevant interest at the date of this report were:

Director	Units in the Trust
Mr E Fraunschiel	111,766
Ms F E Harris	20,000
Mr R D Higgins	20,000
Mr A J Howarth	20,000
Mr M J G Steur	-
Mr M J Wedgwood	-

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

During or since the end of the financial year insurance has been maintained covering the entity's directors and officers against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

Directors and officers are indemnified by the responsible entity against the costs and expenses of defending civil or criminal proceedings in their capacity as directors and officers in which judgement is given in favour of, or acquittal is granted to, a director or officer, unless the liability arises out of conduct involving a lack of good faith.

No indemnity payment has been made under any of the arrangements referred to above during or since the end of the financial year.

REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the financial year and the results of those operations are reviewed on pages 5 to 13 of this report and in the accompanying financial statements. This includes information on the financial position of the Trust and its business strategies and prospects for future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the value of the Trust's investment properties increased by $110.4 million (2016: $199.8 million increase) to $2.3 billion (2016: $2.2 billion), with the number of investment properties decreasing from 81 properties to 80 properties at the financial year end due to a property sale during the year.

There were no other significant changes in the state of affairs of the Trust during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations, results of operations or state of affairs of the Trust in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in and expected results of the operations of the Trust in subsequent years are referred to elsewhere in this report, particularly on pages 8 to 13. In the opinion of the directors, further information on those matters could prejudice the interests of the Trust and has therefore not been included in this report.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of BWP Management Limited support and comply with the majority of the ASX Corporate Governance Principles and Recommendations as they apply to externally managed listed entities. The Corporate Governance Statement can be viewed in the Corporate Governance section under the "About Us" tab of the BWP Trust's website.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust's operations are not subject to any particular significant environmental regulations under either Commonwealth or State legislation. The Trust is not aware of any breach of environmental regulations.

BOARD COMMITTEES

As at the date of this report, the responsible entity had an Audit and Risk Committee and Remuneration and Nomination Committee. Each committee is comprised of all of the non-executive directors of the responsible entity.

There were three Audit and Risk Committee and two Remuneration and Nomination Committee meetings held during the year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars under the option available to the Trust under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, unless otherwise stated. The Trust is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 46 and forms part of the Directors' report for the year ended 30 June 2017.

NON-AUDIT SERVICES

KPMG provided the following non-audit services to the Trust during the year ended 30 June 2017 and received, or is due to receive, the following amount for the provision of these services:

Taxation services	$28,530
Property consultancy services	$100,695
Total	**$129,225**

During 2014, KPMG acquired the SGA consultancy group, which the Trust has had a long standing working relationship with. Prior and post the acquisition, SGA has provided investigation, project management and advice on property rectification issues.

The Audit and Risk Committee has, following the passing of a resolution, provided the board with written advice in relation to the provision of non-audit services by KPMG.

The Board has considered the Audit and Risk Committee's advice, and the non-audit services provided by KPMG, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001*. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work or acting in a management or decision making capacity for the Trust

Signed in accordance with a resolution of the directors of BWP Management Limited.

E Fraunschiel
Chairman
BWP Management Limited
Perth, 2 August 2017

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

In accordance with a resolution of the directors of BWP Management Limited, responsible entity for the BWP Trust (the Trust), I state that:

1. In the opinion of the directors:

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

      (i) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and *Corporations Regulations 2001*.

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

   c) the financial statements also comply with International Financial Reporting Standards as disclosed on page 28.

2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2017.

For and on behalf of the board of BWP Management Limited.

E Fraunschiel
Chairman
BWP Management Limited
Perth, 2 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

KPMG

AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of BWP Management Limited, the responsible entity of BWP Trust,

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

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

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

KPMG

KPMG
Perth, 2 August 2017

Grant Robinson

Grant Robinson
Partner

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BWP TRUST

FOR THE YEAR ENDED 30 JUNE 2017

KPMG

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the Financial Report of BWP Trust (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the Corporations Act 2001, including:

> giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

> complying with Australian Accounting Standards and the Corporations Regulations 2001.

The Financial Report comprises:

> Statement of financial position as at 30 June 2017

> Statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended

> Notes including a summary of significant accounting policies

> Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Trust in accordance with 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 fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

This matter was 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.

Valuation of Investment Property $2,259 million

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Valuation of investment properties is a key audit matter due to the: > Significance of the balance to the financial statements (98% of total assets); > Judgement required in assessing the selection of the capitalisation of income valuation method as the primary valuation methodology for the Trust's investment properties from the three available methodologies under the accounting standards. This decision determines the inputs required for the valuation and is critical to the valuation adopted for each property. > Sensitivity of the capitalisation rates to the projected income of individual properties in the valuation methodology. A small percentage movement in the capitalisation rate across the portfolio would result in a significant financial impact to the investment property balance and the income statement. The investment property valuations were performed either internally by the directors or by the Trust's external valuer.	Our audit procedures included: > We assessed the competency of both the Trust's external valuers and the directors involved in undertaking the directors' (ie internal) valuation by gaining an understanding of their experience and qualifications. > We assessed the appropriateness of the valuation methodology utilised, being the capitalisation of income method, based on the accepted industry practices and nature of the properties. We compared the valuations to the alternate discounted cashflow method valuation prepared by the external valuers and the directors' valuation. > We involved KPMG Real Estate Specialists to evaluate a sample of external valuations and the directors' internal valuation using their valuation skills and market knowledge, to compare recent sales evidence and other published reports of industry commentators. > We, in conjunction with our KPMG Real Estate Specialists, questioned the capitalisation rates applied to specific properties based on our knowledge of the property portfolio and published reports of industry commentators. We also tested, on a sample basis, other key inputs to the valuations such as gross rent, occupancy rate, lease term remaining and CPI, for consistency to existing lease contracts or published statistics.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BWP TRUST

KPMG

FOR THE YEAR ENDED 30 JUNE 2017

Other Information

Other Information is financial and non-financial information in BWP Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

> preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001

> implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

> assessing the Trust's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

> 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 Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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: auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Grant Robinson

KPMG
Perth, 2 August 2017

Grant Robinson
Partner

UNITHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

SUBSTANTIAL UNITHOLDERS

The number of units held by the Trust's substantial unitholders and the date on which the last notice was lodged with the Trust, were as follows:

	Date of notice	Units
Wesfarmers Limited, its subsidiaries and their associates	9 September 2013	151,863,632
The Vanguard Group Inc, and their associates	8 March 2016	39,129,814

DISTRIBUTION OF UNITHOLDERS

As at 4 July 2017:

Range of holding	Holders	Units	%
1 – 1,000	4,267	2,003,377	0.31
1,001 – 5,000	8,133	22,936,062	3.57
5,001 – 10,000	4,476	33,390,651	5.20
10,001 – 100,000	6,090	149,614,277	23.29
100,001 – over	192	434,439,436	67.63
Total	**23,158**	**642,383,803**	**100.00**
Unitholders holding less than a marketable parcel (167 units)	943	39,143	

VOTING RIGHTS

Each fully paid ordinary unit carries voting rights at one vote per unit.

TWENTY LARGEST UNITHOLDERS

The twenty largest holders of ordinary units in the Trust as at 4 July 2017 were:

	Number of Units	Percentage of capital held
Wesfarmers Investments Pty Ltd	159,014,206	24.75
HSBC Custody Nominees (Australia) Limited	88,408,783	13.76
JP Morgan Nominees Australia Limited	58,748,408	9.15
Citicorp Nominees Pty Limited	50,310,134	7.83
National Nominees Limited	12,019,088	1.87
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	8,069,242	1.26
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,139,182	0.80
BNP Paribas Noms Pty Ltd <DRP>	3,068,690	0.48
Milton Corporation Limited	1,584,008	0.25
Netwealth Investments Limited <WRAP Services A/C>	1,482,921	0.23
Craigieburn Property Holdings Pty Ltd <Craigieburn (Vic) U/T A/C>	1,104,500	0.17
RE GL CM & JE Adshead Pty Ltd <Adshead Bus Hire S/F A/C>	1,062,664	0.17
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,013,685	0.16
Bond Street Custodians Limited <ENH Property Securities A/C>	1,004,595	0.16
Ecapital Nominees Pty Limited <Accumulation A/C>	1,000,894	0.16
CBH Superannuation Holdings Pty Ltd	989,619	0.15
BNP Paribas Noms (NZ) Ltd <DRP>	931,346	0.14
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	917,432	0.14
Sonice Pty Limited <The Springfield A/C>	883,737	0.14
Netwealth Investments Limited <Super Services A/C>	870,848	0.14
Total top 20 holders	**397,623,982**	**61.90**
Total remaining holders balance	**244,759,821**	**38.10**

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

STOCK EXCHANGE LISTING

The BWP Trust is listed on the Australian Securities Exchange ("ASX') and reported in the "Industrial" section in daily newspapers – code BWP.

DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan was in place for both the interim distribution and final distribution for the year ended 30 June 2017.

ELECTRONIC PAYMENT OF DISTRIBUTIONS

Unitholders may nominate a bank, building society or credit union account for the payment of distributions by direct credit. Payments are electronically credited on the distribution date and confirmed either by an electronic or mailed payment advice.

Unitholders wishing to take advantage of payment by direct credit can provide their banking instructions online by logging onto www.investorcentre.com/au. Alternatively, unitholders can request the relevant forms by contacting the registry.

PUBLICATIONS

The annual report is the main source of information for unitholders. In addition, unitholders are sent a half-year report in February each year providing a review, in summary, of the six months to December.

Periodically, the Trust may also send releases to the ASX covering matters of relevance to investors.

WEBSITE

The Trust's website, bwptrust.com.au provides information on each property in the portfolio, and an overview of the Trust's approach to investment, corporate governance and sustainability. The site also provides unit price information and access to annual and half-year reports and releases made to the ASX.

ANNUAL TAX STATEMENTS

Accompanying the final distribution payment in August or September each year will be an annual tax statement which details tax advantaged components of the year's distribution.

PROFIT DISTRIBUTIONS

Profit distributions are paid twice yearly, normally in February and August.

UNITHOLDER ENQUIRIES

Please contact the Registry Manager if you have any questions about your unitholding or distributions.

COMPLAINTS HANDLING

Complaints made in regard to BWP Trust should be directed to the Managing Director – BWP Management Limited, Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000. The procedure for lodgement of complaints and complaints handling is set out under the Contact Us tab of the BWP Trust website at bwptrust.com.au.

Should a complainant be dissatisfied with the decision made by the responsible entity in relation to a complaint, the complainant is entitled to take the matter up with the Financial Ombudsman Service ("FOS"), an external and independent industry complaint handling scheme. FOS is located at Level 12, 717 Bourke Street, Docklands, Victoria, 3008. FOS can be contacted by telephone on 1800 367 287 or by facsimile on +61 3 9613 6399, by mail at GPO Box 3, Melbourne, Victoria, 3001, by email at info@fos.org.au, or by visiting their website at fos.org.au.

DIRECTORY

RESPONSIBLE ENTITY

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ABN 26 082 856 424

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Directors and senior management

Mr Erich Fraunschiel (Chairman)
Mr Michael Wedgwood (Managing Director)
Ms Fiona Harris (Director)
Mr Rick Higgins (Director)
Mr Tony Howarth (Director)
Mr Mike Steur (Director)
Ms Karen Lange (Secretary)

REGISTRY MANAGER

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PERTH, WA, 6000

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KPMG

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BUNNINGS ARTARMON, NSW

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bwptrust.com.au

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