

## ASX Release

26 August 2014

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# BlackWall Property Trust - BWR

## 30 June 2014 – Full Year Results

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### Results

- **A distribution of 0.35 cents per unit declared**, to be paid on 31 October 2014.
- Distribution 100% tax deferred.
- Statutory net profit of \$6.2 million (normalised net profit of \$5.5 million).
- NTA of 13.5 cents per unit (\$62 million).
- Gearing of 45%.
- Over \$20 million of carried forward revenue tax losses and approximately \$16 million in capital losses.

In 2014 the Trust resolved the last of the legacy issues inherited by BlackWall's funds management business when it assumed control in 2009. The Trust is now well placed for distribution and NTA growth through:

- value-add opportunities in its property portfolio;
- asset value improvement; and
- mergers or acquisitions.

In May 2014, litigation relating to a 2007 capital raising was decided with judgment, costs and interest awarded against the Trust by the High Court. In June, the Trust successfully completed a rights issue, asset redemption and debt raising to discharge the judgment liability in full.

As the judgment debt was paid prior to 30 June 2014, the balance sheet and NTA per unit included in the financial statements now gives a clear picture of its assets and liabilities without the distortion of litigation provisions carried since June 2012.

The Trust's profit and loss, however, includes the following abnormal effects of the litigation:

1. at June 2013, the Trust expensed \$19.7 million for the potential judgment and costs whereas the actual expense incurred in 2014 was \$16.9 million. This gives rise to a \$2.8 million revenue item; and
2. the asset sale and redemption process generated a \$2 million loss.

The net effect of these one-off adjustments is a normalised net profit of \$5.5 million or 1.2 cents per unit.



## **Register**

Two investment trusts managed by BlackWall, Tankstream Property Investments Fund and the Kirela Development Unit Trust, distributed their holding in BWR (9% and 21% respectively) to their members. As a result, 142 million BWR units (30%) were spread amongst 380 unitholders, the majority of which are new to the BWR register. We expect this to improve the liquidity of BWR units. In addition, as part of these transactions, the Trust received just over 7.1 million of its own units. Subject to regulatory requirements the intention is to cancel these units in due course.

The financial statements for the full year to 30 June 2014 together with the Appendix 4E are attached to this release. For more information contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on +612 9033 8611.

# BLACKWALL PROPERTY TRUST

Managed By



BLACKWALL  
PROPERTY FUNDS



## Consolidated Annual Financial Report

Year Ended 30 June 2014

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## Directors' Report

The BlackWall Property Trust is an ASX-listed real estate investment trust (ASX code: BWR) with commercial, retail and industrial property interests on the east coast of Australia. BWR has gross assets of \$116 million with \$52 million in bank debt giving rise to net tangible assets of \$62 million (13.3cpu, excluding outside equity interests). The Trust has 467 million units on issue. The Trust acquired 7 million (1%) of its own units under the recent restructure of TPIF, a property securities fund in which BWR holds an investment. This transaction resolved the anomaly of BWR and TPIF's cross holding. Subject to regulatory requirements the intention is to cancel these units in due course.

TFML Limited is BWR's responsible entity. TFML is a wholly-owned subsidiary of BlackWall Property Funds Limited and the Trust's assets are managed by BlackWall's property and asset management businesses. BlackWall's directors also comprise the TFML board. BlackWall is a vertically integrated property funds management and investment business. BlackWall is listed on the ASX under the stock code BWF. BlackWall holds 73 million (16%) units in the Trust.

The Directors present the Trust's financial statements for the year ended 30 June 2014.

### Distributions

An interim distribution of \$1.6 million (0.75 cents on the units then outstanding) was paid on 7 April 2014 (2013: \$nil). The Trust has carried forward revenue losses of over \$20 million and capital losses of approximately \$16 million. As a consequence for a significant period all distributions will be 100% tax deferred. The Board has also declared a final distribution of 0.35 cents per unit to be paid on 31 October 2014.

### Significant Changes in Affairs

During the year, the High Court of Australia handed down a judgment against the Trust. The court proceedings related to a capital raising undertaken in 2007 before BlackWall's funds management business took control of the Trust. The total liability under the judgment was \$16.9 million, comprising:

1. damages of \$10.8 million (paid on 30 June 2014);
2. plaintiff's costs of \$1.1 million (paid on 30 June 2014);
3. pre-judgment interest of \$4.9 million (paid on 30 June 2014); and
4. post-judgment interest of \$150,000 (paid on 9 July 2014).

To meet the judgment debt the Trust undertook the following transactions:

1. redemption of 10 million Bakehouse Bonds to raise \$8 million;
2. a 1.25 for 1 renounceable rights issue to raise \$7.8 million through the issue of just over 259 million new ordinary units. This issue was fully underwritten by the Responsible Entity and closed on 20 June 2014; and
3. draw down of \$1.5 million under the Trust's banking facility.

The court proceedings were the last of the legacy issues facing the Trust since BlackWall assumed control of the Trust in 2009. In recognition of this on 7 July 2014 the Trust changed its name from P-REIT (ASX code: PXT) to BlackWall Property Trust (ASX Code: BWR).

With the judgment debt satisfied the Trust is well placed for distribution and NTA growth through:

- value-add opportunities in its property portfolio;
- asset value improvement; and
- mergers or acquisitions.

## Review of Operations

With the transactions described above complete and the judgment debt discharged in full, the Trust's balance sheet now gives a clear picture of its assets and liabilities without the distortion of litigation provisions carried since June 2012. The Trust's 30 June 2014 balance sheet is summarised below:

Net Current Assets	\$1.2 million
Real Estate	\$84.0 million
Property Securities	\$29.4 million
Borrowings	(\$51.7) million
Net Assets (excluding outside equity interests)	\$62.0 million
Net Assets per Unit	13.5cpu

The Trust's profit and loss at 30 June 2014, however, includes the following abnormal effects of the litigation:

1. at June 2013 the Trust provided \$19.7 million for the potential judgment and costs whereas the actual judgment debt (including the Trust's cost) was \$17.1 million. As a consequence, under accounting standards, at June 2014 the Trust booked a non-cash profit of \$2.6 million; and
2. the redemption of 10 million Bakehouse Bonds generated a \$2 million loss.

Disregarding these effects, the normalised profit and loss is as follows:

Property Net Income	\$8.2 million
Investment Income	\$2.1 million
Fund Expenses	(\$1.3) million
Interest	(\$3.2) million
Loss on Sale of Assets	(\$0.2) million
<b>Normalised Operating Profit (excluding outside equity interests)</b>	<b>\$5.5 million</b>

## Real Estate

The Trust holds \$84 million of direct real estate assets.

Property	Carrying Value	Implied Yield	NLA	Renewals*
<b>Industrial:</b>				
APN Yandina	\$24.1 million	9.9%	9,100 sqm	Nil
Toowoomba	\$6.1 million	9.5%	4,100 sqm	Nil
Coolum	\$4.0 million	10.0%	2,900 sqm	Nil
<b>Commercial:</b>				
Silver @ The Exchange	\$18.3 million	9.2%	5,000 sqm	4,300 sqm
Canberra Eye Hospital	\$7.9 million	9.0%	2,600 sqm	750 sqm
<b>Retail:</b>				
Chancellor Homemaker Centre	\$20.5 million	9.2%	9,400 sqm	3,300 sqm
<b>Entertainment:</b>				
Bald Rock Hotel	\$3.1 million	7.6%	370 sqm	Nil
<b>Total</b>	<b>\$84.0 million</b>		<b>33,470 sqm</b>	<b>8,350 sqm</b>

\*Square metres with a lease expiry of 18 months or less

The Trust's Gold Coast commercial property (Silver @ The Exchange) is being marketed for its upcoming lease expiries. Silver is a well-located, high-tech building with large and flexible floor plates. Whilst we are in discussions with whole floor users the building can accommodate smaller users also.

BlackWall's serviced office business WOTSO WorkSpace has established operations in 678 sqm in the premises formerly occupied by IBM. WOTSO offers short-term office accommodation as well as open plan shared workspace ([www.wotsoworkspace.com.au](http://www.wotsoworkspace.com.au) or 1 800 4 WOTSO).

The vacancy at the Chancellor Homemaker Centre is a result of the failure of the Retail Adventures Group (and subsequently DSG Holdings), which operated under the Sam's Warehouse brand. We have secured a replacement discount store to take the premises initially for one year with a view to accommodating this tenant in a smaller format along with compatible usages.

In November 2013 the Trust made an investment in the Bald Rock Fund. This fund holds an interest in a freehold hotel located in Rozelle, Sydney known as the Bald Rock Hotel. The fund was capitalised by the Trust and a small number of wholesale investors (including BlackWall CEO Stuart Brown, Chairman Richard Hill and Non-Executive Director Seph Glew). The Bald Rock Fund is forecast to generate a cash distribution in excess of 9% per annum.

The Trust holds 39% of the Bald Rock Fund's issued equity giving it constructive control. As a consequence, the property has been consolidated onto the Trust's balance sheet. The transaction, although small, is illustrative of BlackWall's intention to grow BWR's asset base through acquisitions and, where appropriate, controlling positions in pooled property investments.

### **Property Securities**

The redemption of \$10 million of the Trust's Bakehouse Bonds has reduced its holding to \$20 million. The Trust has applied to participate in an upcoming redemption offer of 1.7 million units it holds in the PFA Diversified Property Fund. The manager of this fund, Charter Hall, has indicated that our request is likely to be satisfied in full, yielding \$1.15 million in cash.

Of the Trust's remaining \$6.9 million of property securities, the MAB Diversified Property Trust is the only fund not managed by BlackWall. These positions and their carrying values are listed in Financial Assets at FVTPL note to these financial statements.

### **Unit Register**

Subsequent to 30 June 2014, the BlackWall managed TPIF (in which the Trust holds 5.2 million units) distributed in-specie 43 million units it held in BWR to its members. Under this transaction BWR received 7 million units in itself resolving the anomaly of BWR and TPIF's cross holding. Subject to regulatory requirements the intention is to cancel these units in due course.

In addition, the Kirela Development Unit Trust (another investment trust managed by BlackWall) has distributed its holding in BWR to its members. Through the Kirela and TPIF transactions, 142 million BWR (30%) units have been distributed amongst 380 unitholders, the majority of which are new to the BWR register. We expect this to increase the liquidity of BWR units.

### **Events Subsequent to Reporting Date and Likely Developments**

Refer to the description of the TPIF and Kirela in-specie distributions above for subsequent event details.

Aside from the in-specie distributions of BWR units described above, to the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

## Information on Officeholders of the Responsible Entity

The names of the Officeholders of the Responsible Entity in office at any time during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year to the date of these financial statements.

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<b>Name and Position</b>	<b>Special Experience</b>
Richard Hill Non-Executive Director and Chairman	Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited (both listed on the ASX) and a Director of Biota Pharmaceuticals Inc. (listed on NASDAQ). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of the then ASX-listed Pelorus Property Group Limited. He is now the Chairman of the ASX-listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited.
Joseph (Seph) Glew Non-Executive Director	<p>Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia. Seph is Chairman of Pelorus Private Equity Limited (an unlisted public company), a position he held when that entity traded on the ASX under the name Pelorus Property Group Limited. In addition he is a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited.</p>

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Robin Tedder Non-Executive Director	Robin has 38 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Non-Executive Director of Pelorus Private Equity Limited a position he held when it traded on the ASX under the name Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited.
Stuart Brown Executive Director and Chief Executive Officer	Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX-listed Pelorus Property Group Limited and later Managing Director. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a Director of the unlisted public company, Pelorus Private Equity Limited, and the ASX-listed BlackWall Property Funds Limited which is the ultimate holding company of TFML Limited. Stuart is also an independent Director of Coogee Boys' Preparatory School.
Don Bayly Company Secretary	Don has a Bachelor of Commerce and Administration from Victoria University. Don has over 20 years' compliance management experience.

### Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Richard Hill	5	5
Seph Glew	5	5
Robin Tedder	5	5
Stuart Brown	5	5

### Key Management Personnel's Relevant Interests

KMP include all Directors and Chief Financial Officer (Tim Brown). Their relevant interests in the Trust are as follows:

	30 June 2013	Net change	30 June 2014	Reporting date
Richard Hill	-	-	-	3,942,142
Seph Glew	49,245,001	58,385,524	107,630,525	35,954,366
Robin Tedder	14,718,624	19,318,134	34,036,758	50,859,150
Stuart Brown	875,760	1,948,987	2,824,747	4,122,969
Tim Brown	20,000	254,500	274,500	288,440
<b>Total</b>	<b>64,859,385</b>	<b>79,907,145</b>	<b>144,766,530</b>	<b>95,167,067</b>

No salary, cash bonus or monetary benefit was paid out of the Trust's assets to any key management personnel during the year.

## **Options**

There were no options granted during the year ended 30 June 2014. There are no options on issue as at the date of this report.

## **Responsible Entity and Custodian Remuneration**

In accordance with the terms of the Trust Constitution and the Information Memorandum, the Responsible Entity is entitled to receive a management fee based on 0.65% p.a. of the gross asset value of the Trust and the recovery of other administrative costs. Total management fees paid to the Responsible Entity during the year were \$805,000 (2013: \$793,800). Details can be found under the Related Party Transactions note of the financial statements.

The Custodian is The Trust Company Limited. The custody fee is calculated at the greater of \$15,000 p.a. or 0.025% p.a. of the gross asset value of the Trust, plus GST. In addition, the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties.

## **Interests in the Trust**

The number of units on issue at 30 June 2014 was 466,929,155, including the additional 259,405,116 units issued on 27 June 2014 pursuant to a 1.25 for 1 rights issue announced on 22 May 2014 which closed on 20 June 2014. As at 30 June 2014, the Responsible Entity and its associates held 70 million units in the Trust. As at the date of this report the Responsible Entity and its associates held 73 million units in the Trust. As the Trust is listed, there were no withdrawals during the reporting period.

## **Value of the Trust's Assets**

At 30 June 2014, the Trust's assets were valued at \$115,602,000 as set out in Trust's Consolidated Statement of Financial Position. Refer to Financial Assets and Investment Properties notes for valuation details.

## **Environmental Regulation and Performance**

The Trust and its controlled entity's operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation. However, the Responsible Entity believes that the Trust and its controlled entity have adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Trust.

## **Proceedings on Behalf of the Trust**

See commentary earlier in these financial statements and in the Provision note.

## **Indemnities of Officers**

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

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

### **Auditor and Non-audit Services**

\$9,547 was paid to the auditor for non-audit services during the year (2013: \$10,025) as detailed in the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

### **Rounding of Amounts**

The Trust is a group of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

A handwritten signature in black ink, appearing to be 'Stuart Brown', with a long horizontal flourish extending to the right.

**Stuart Brown**  
Director  
Sydney, 26 August 2014



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

As auditor for the audit of Blackwall Property Trust and its Consolidated Entities for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 25<sup>th</sup> day of August 2014.

A handwritten signature in black ink, appearing to be 'S. Kirkwood'.

**ESV Accounting and Business Advisors**

A handwritten signature in black ink, appearing to be 'S. Kirkwood'.

**Chris Kirkwood**  
**Partner**

## ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The unitholder information set out below was current as at 22 August 2014.

### 1. Unitholders

The Trust's top 20 largest unitholdings were:

	<b>Investor</b>	<b>Units (No.)</b>	<b>Units (%)</b>
1	Pelorus Private Equity Limited	70,578,303	15.35
2	Sandhurst Trustees Ltd <AIMS PSF A/C>	58,476,689	12.72
3	BlackWall Property Funds Limited	51,557,650	11.21
4	Vintage Capital Pty Limited	35,575,033	7.74
5	TFML Limited	21,550,477	4.69
6	Koonta Pty Ltd <Koonta Super Fund A/C>	14,969,237	3.26
7	TFML Limited <Bakehouse Quarter Trust>	12,257,757	2.67
8	Hollia Pty Limited	11,659,140	2.54
9	Jagar Holdings Pty Limited	11,659,140	2.54
10	Benyaya Holdings Pty Ltd	9,145,229	1.99
11	Seno Management Pty Ltd <Seno Super Fund A/C>	8,575,000	1.87
12	I P U T Nominees Pty Ltd <I P U T Property A/C>	6,132,991	1.33
13	Bond Street Custodians Ltd <Portfolio Manager A/C>	5,668,770	1.23
14	Pinnatus Pty Ltd	4,765,010	1.04
15	Sao Investments Pty Ltd	4,109,818	0.89
16	Seno Management Pty Ltd	3,990,885	0.87
17	Castlebay Pty Limited	3,700,470	0.80
18	KH & LC Investments Pty Ltd <The K & L Family A/C>	3,670,427	0.80
19	Lymkeesh Pty Ltd	3,571,890	0.78
20	Lymkeesh Pty Ltd <Employees Super Fund A/C>	2,687,170	0.58

## 2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

<b>Category</b>	<b>No. of Holders</b>
1-1,000	4
1,001-5,000	41
5,001-10,000	103
10,001-100,000	669
100,001 and over	241
<b>Total number of unitholders</b>	<b>1,058</b>

The Trust has 56 holders of less than a marketable parcel. The Trust has 466,929,155 units on issue, 7,160,567 of which BWR holds in itself. Therefore 459,768,588 units are held by external parties. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX code: BWR).

## 3. Substantial Unitholders

The Trust's substantial unitholders are set out below:

<b>Investor</b>	<b>Units (No.)</b>	<b>Units (%)</b>
BlackWall Property Funds Ltd	73,108,127	15.90
Pelorus Private Equity Ltd	70,578,303	15.35
Sandhurst Trustees Ltd <AIMS PSF A/C>	58,476,689	12.72
Robin Tedder	50,859,150	11.06
Joseph (Seph) Glew	35,954,366	7.82
Paul Tresidder	28,056,371	6.10

## Trust Details

The Responsible Entity's details are as follows:

Registered office and principal place of business	TFML Limited Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	+612 9033 8611
Fax	+612 9033 8600
Website	<a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a>
Registry	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001 <a href="http://www.computershare.com.au">www.computershare.com.au</a> Telephone: +613 9415 4329

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Revenue</b>			
Rental income		10,604	10,210
Dividends and distributions		2,031	2,023
Interest income		106	19
Net unrealised gain on revaluation	3(b)	2,067	3,611
Reversal of prior years' litigation provision		2,790	-
<b>Total Revenue</b>	3(a)	<b>17,598</b>	<b>15,863</b>
<b>Property outgoings</b>			
Property outgoings		(2,014)	(2,047)
Depreciation expense	4	(2,253)	(2,403)
Administration expenses	4	(1,112)	(1,058)
Finance costs	4	(3,215)	(3,863)
Other operating expenses		(181)	(109)
Loss on sale of investments	4	(2,254)	(103)
Litigation expenses	4, 14	(165)	(1,444)
<b>Profit For the Year</b>		<b>6,404</b>	<b>4,836</b>
<b>Other Comprehensive Loss</b>			
<i>Items that will be reclassified to profit or loss</i>			
Net unrealised loss on financial assets	3(b)	-	(437)
<b>Other Comprehensive Loss For the Year</b>		<b>-</b>	<b>(437)</b>
<b>Total Comprehensive Income For the Year</b>		<b>6,404</b>	<b>4,399</b>
<b>Profit Attributable To:</b>			
Owners of the Trust		6,150	4,836
Non-controlling Interests		254	-
		<b>6,404</b>	<b>4,836</b>
<b>Total Comprehensive Income Attributable To:</b>			
Owners of the Trust		6,150	4,399
Non-controlling Interests		254	-
		<b>6,404</b>	<b>4,399</b>
<b>Earnings Per Unit</b>			
Basic and diluted earnings per unit	16	\$0.03	\$0.02

The accompanying notes form part of these financial statements.

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	230	39
Trade and other receivables	6	1,859	612
Other assets	7	159	405
<b>Total Current Assets</b>		<u>2,248</u>	<u>1,056</u>
<b>Non-current Assets</b>			
Financial assets	8	29,404	38,323
Investment properties	9	83,950	81,350
<b>Total Non-current Assets</b>		<u>113,354</u>	<u>119,673</u>
<b>TOTAL ASSETS</b>		<u><b>115,602</b></u>	<u><b>120,729</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	1,042	801
Other liabilities	11	3	60
Borrowings	12	-	49,500
Derivatives	13	47	693
Provision	14	-	19,700
<b>Total Current Liabilities</b>		<u>1,092</u>	<u>70,754</u>
<b>Non-current Liabilities</b>			
Borrowings	12	51,721	-
<b>Total Non-current Liabilities</b>		<u>51,721</u>	<u>-</u>
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS)</b>		<u><b>52,813</b></u>	<u><b>70,754</b></u>
<b>NET ASSETS</b>			
Attributable to owners of the parent		61,975	49,975
Non-controlling interests		814	-
<b>TOTAL NET ASSETS</b>		<u><b>62,789</b></u>	<u><b>49,975</b></u>
<b>TOTAL LIABILITIES (INCLUDING NET ASSETS)</b>		<u><u>115,602</u></u>	<u><u>120,729</u></u>

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2014

	Units on Issue No.'000	Issued Units \$'000	Retained Earnings / (Accumulated Losses) \$'000	Available-for- sale Reserves (* \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	<b>207,524</b>	<b>105,958</b>	<b>(55,983)</b>	-	<b>49,975</b>	-	<b>49,975</b>
Profit for the year	-	-	6,150	-	6,150	254	6,404
Distributions paid	-	-	(1,556)	-	(1,556)	(36)	(1,592)
Issue of units	259,405	7,782	-	-	7,782	610	8,392
Transaction costs	-	(376)	-	-	(376)	(14)	(390)
<b>Balance at 30 June 2014</b>	<b>466,929</b>	<b>113,364</b>	<b>(51,389)</b>	-	<b>61,975</b>	<b>814</b>	<b>62,789</b>
<b>Balance at 1 July 2012</b>	<b>207,524</b>	<b>105,958</b>	<b>(60,133)</b>	<b>(249)</b>	<b>45,576</b>	-	<b>45,576</b>
Profit for the year	-	-	4,836	-	4,836	-	4,836
Other comprehensive income	-	-	-	(437)	(437)	-	(437)
Change of accounting policies (*)	-	-	(686)	686	-	-	-
<b>Balance at 30 June 2013</b>	<b>207,524</b>	<b>105,958</b>	<b>(55,983)</b>	-	<b>49,975</b>	-	<b>49,975</b>

\* Transfer from available-for-sale assets revaluation reserve to restate accumulated losses as a result of early adoption of AASB 9 effective from 1 January 2013.

# BlackWall Property Trust

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## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		11,439	10,841
Payments to suppliers		(4,410)	(3,887)
Litigation related legal expenses		(165)	(743)
Distributions received		2,182	1,588
Interest received		106	19
Interest paid		(3,174)	(3,845)
<b>Net Cash Flows From Operating Activities</b>	19	<b>5,978</b>	<b>3,973</b>
<b>Cash Flows From Investing Activities</b>			
Payments for purchase of financial assets		(2,377)	-
Proceeds from disposal of financial assets		7,109	866
Payments for purchase of investment properties		(2,977)	(26)
Proceeds from disposal of investment properties		230	-
Payments for Judgment Debt		(16,761)	-
<b>Net Cash Flows From / (Used in) Investing Activities</b>		<b>(14,776)</b>	<b>840</b>
<b>Cash Flows From Financing Activities</b>			
Net proceeds /(repayment) of borrowings		2,221	(6,080)
Distributions paid		(1,585)	-
Proceeds from issue of units		8,392	-
Transaction costs for issue of units		(39)	-
<b>Net Cash Flows From / (Used in) Financing Activities</b>		<b>8,989</b>	<b>(6,080)</b>
<b>Net Increase / (Decrease) in Cash Held</b>			
Cash and cash equivalents at the beginning of the year		39	1,306
<b>Cash and Cash Equivalents at End of the Year</b>	5	<b>230</b>	<b>39</b>

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1. Critical Accounting Estimates and Judgments

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

#### *Key estimates – impairment*

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

#### *Key estimates – financial assets*

All investments have been classified as financial assets at FVTPL with gains and losses recognised in profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The fair value of the Bakehouse Bonds is measured by its face value adjusted for annual CPI movements and is subject to impairment.

#### *Key estimates – fair values of investment properties*

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

### 2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Trust's primary format for segment reporting is based on business segments. The business segments are determined based on the Trust management and internal reporting structure. There is only one geographical segment being Australia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Trust has adopted three reporting segments, Direct Property, Other Investments and Unallocated. The Direct Property segment includes the ownership and leasing out of commercial, industrial and retail properties in Australian Capital Territory, New South Wales and Queensland. Income is derived from rent and property revaluations. The Other Investments segment includes interests in debt instruments and property related securities such as units in unlisted unit trusts. It generates income from dividends, distributions, and interest. The Unallocated segment covers general functions.

The segment information for the year ended 30 June is as follows:

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

	Direct Property \$'000	Other Investments \$'000	Unallocated \$'000	Consolidated Total \$'000
<b>30 June 2014</b>				
Sales to external customers	10,604	2,137	-	12,741
Reversal of prior years' litigation provision	-	-	2,790	2,790
Net unrealised gain on revaluation	2,373	(306)	-	2,067
Total segment revenue	12,977	1,831	2,790	17,598
Segment operating profit	7,636	1,358	790	9,784
Finance costs	(3,215)	-	-	(3,215)
Litigation expenses	-	-	(165)	(165)
<b>Total comprehensive income</b>	<b>4,421</b>	<b>1,358</b>	<b>625</b>	<b>6,404</b>

<b>30 June 2013</b>				
Sales to external customers	10,229	2,023	-	12,252
Net unrealised gain on revaluation	2,249	1,362	-	3,611
Total segment revenue	12,478	3,385	-	15,863
Segment operating profit	7,060	3,083	-	10,143
Finance costs	(3,863)	-	-	(3,863)
Litigation expenses	-	-	(1,444)	(1,444)
Other comprehensive loss	-	(437)	-	(437)
<b>Total comprehensive income/(loss)</b>	<b>3,197</b>	<b>2,646</b>	<b>(1,444)</b>	<b>4,399</b>

<b>30 June 2014</b>				
Segment assets	85,672	29,930	-	115,602
Segment liabilities	(52,663)	-	(150)	(52,813)

<b>30 June 2013</b>				
Segment assets	81,945	38,784	-	120,729
Segment liabilities	(50,946)	(108)	(19,700)	(70,754)

### 3. Revenue

(a) Revenue	Note	2014 \$'000	2013 \$'000
Rent:			
- Rental income		10,226	9,707
- Straight-line rental income		378	503
		10,604	10,210
Investment income:			
- Dividends and distributions		2,031	2,023
- Interest income		106	19
		2,137	2,042
Net unrealised gain on revaluation	3(b)	2,067	3,611
Other income :			
- Reversal of prior years' litigation provision		2,790	-
<b>Total revenue</b>		<b>17,598</b>	<b>15,863</b>

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### (b) Net unrealised gain on revaluation

In 2013 the Trust changed the classification of its financial assets resulting in two lines of gains/(losses) being disclosed as below. In 2014 the assets were classified as financial assets at FVTPL for the full year. Total net unrealised gain on financial assets during the year is as follows:

	2014 \$'000	2013 \$'000
Unrealised gain/(loss) recognised in profit and loss	(306)	1,362
Unrealised loss recognised in other comprehensive loss	-	(437)
Total unrealised gain/(loss) on financial assets	(306)	925
Unrealised gain on investment properties	1,727	1,873
Unrealised gain on interest rate swaps	646	376
<b>Net unrealised gain</b>	<b>2,067</b>	<b>3,174</b>
<i>Reconciled to profit and loss as follows:</i>		
Net unrealised gain in profit and loss	2,067	3,611
Net unrealised loss in other comprehensive loss	-	(437)
	<b>2,067</b>	<b>3,174</b>

### 4. Expenses

	Note	2014 \$'000	2013 \$'000
Depreciation expenses		2,253	2,403
Administration expenses:			
- Responsible entity fees		805	794
- Fund management expenses		307	264
		1,112	1,058
Finance costs		3,215	3,863
Loss on sale of investments:			
- Bakehouse Bonds		2,000	-
- Other financial assets		254	103
		2,254	103
Litigation expenses	14	165	1,444

### 5. Current Assets - Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
Cash at bank	230	39
<b>Total</b>	<b>230</b>	<b>39</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 6. Current Assets - Trade and Other Receivables

	2014 \$'000	2013 \$'000
Trade and other receivables		
- Related parties	1,625	409
- Other parties	234	203
<b>Total</b>	<b>1,859</b>	<b>612</b>

# BlackWall Property Trust

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## Notes to the Financial Statements

### For the Year Ended 30 June 2014

Of the \$1.63 million receivables from related parties, \$1.35 million relates to the remaining proceeds receivable for the redemption of the Bakehouse Bonds. Further information relating to receivables from related parties is set out in the Related Party Transactions note.

#### 7. Current Assets - Other Assets

	2014 \$'000	2013 \$'000
Prepayments	159	405
<b>Total</b>	<b>159</b>	<b>405</b>

#### 8. Non-current Assets - Financial Assets

	2014 \$'000	2013 \$'000
Financial assets at FVTPL	29,404	38,323
<b>Total</b>	<b>29,404</b>	<b>38,323</b>

##### (a) Financial assets at FVTPL

Investment in unlisted related entities:

- Pelathon Pub Group (Ordinary)	1,758	1,865
- Pelathon Pub Group (Preferred)	400	-
- Bakehouse Bond Trust	21,350	31,089
- BlackWall Penrith Fund No. 2	-	1,050
- BlackWall Telstra House Trust	3	-
- BQF	-	1,020
- Pelorus Private Equity	-	314
- Planloc – Preference Shares	1,985	-
- TPIF	1,185	-
- WRV	900	175
	<u>27,581</u>	<u>35,513</u>
Investment in unlisted other entities	1,823	2,810
<b>Total</b>	<b>29,404</b>	<b>38,323</b>

The Bakehouse Bonds are CPI linked debt instruments secured against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. During the year 10 million Bonds were redeemed for \$8 million to fund part of the judgment debt (refer to Provision note for details). The Bonds' face value of \$20 million is indexed to CPI annually (subject to impairment assessment) and the current value is \$21.35 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears. Investment in unlisted other entities represents investments in various managed investment schemes.

The Trust acquired 13,333,333 Pelathon Pub Group Preferred units during the period under the terms of a 1 for 1.5 pro rata offer. Units issued under this offer are partly paid to 2.4 cents per unit. The second instalment of 3.6 cents per unit may be called by the issuer by October 2015. The carrying value is the issue price less the second instalment.

The Planloc Preference Shares are preferred equity securities issued by an unlisted company known as Planloc Pty Ltd. Planloc's sole asset is a big box retail complex located in Penrith, Sydney. The Planloc Preference Shares rank in priority to ordinary shares but are subordinated to secured debt. These securities earn a coupon of 10% per annum and share in any value increase in the real estate held by the issuer.

# BlackWall Property Trust

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## Notes to the Financial Statements

### For the Year Ended 30 June 2014

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

#### 9. Non-current Assets - Investment Properties

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Chancellor Homemaker Centre	20,500	20,400
Silver @ The Exchange	18,250	18,250
APN Yandina	24,100	24,100
Coolum	4,000	4,700
Canberra Eye Hospital	7,900	7,900
Toowoomba	6,100	6,000
Bald Rock Hotel	3,100	-
<b>Total</b>	<b>83,950</b>	<b>81,350</b>
Movements in investment properties:		
Balance at the beginning of the financial year	81,350	81,350
Purchase of Bald Rock Hotel	2,965	-
Sale of Bald Rock Hotel poker machine entitlements	(230)	-
Additions (subsequent expenditures)	13	27
Straight-line rental income	378	503
Depreciation	(2,253)	(2,403)
Revaluation	1,727	1,873
<b>Balance at the end of the financial year</b>	<b>83,950</b>	<b>81,350</b>

The Trust obtained new independent valuations for Chancellor Homemaker Centre, Coolum and Toowoomba in June 2014. The valuations were performed by registered independent valuers by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections and discounted cash flow projections. These values have been adopted by the Directors at June 2014.

Silver @ The Exchange, APN Yandina and Canberra Eye Hospital were independently valued in February 2012. For the year ended 30 June 2014, the Directors have updated their assessment of the fair value of these properties. The key assumptions of the Directors' valuations have been taken from the last independent valuation reports with adjustments for changes in net income. The current holding values generate the following initial capitalisation rates:

Chancellor Homemaker Centre	9.25%
Silver @ The Exchange	9.20%
APN Yandina	9.90%
Coolum	9.75%
Canberra Eye Hospital	9.00%
Toowoomba	9.25%
Bald Rock Hotel	7.60%

In November 2013, the Trust acquired a controlling interest in the Bald Rock Fund which owns the Bald Rock Hotel in Rozelle, Sydney. BlackWall Property Trust's equity in the trust gives it constructive control and, as a consequence, the property has been consolidated onto the Trust's balance sheet.

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 10. Current Liabilities - Trade and Other Payables

	2014 \$'000	2013 \$'000
Trade payables:		
- Related parties	311	48
- Other parties	524	543
	<hr/> 835	<hr/> 591
Sundry payables and accrued expenses	207	210
<b>Total</b>	<hr/> <b>1,042</b> <hr/>	<hr/> <b>801</b> <hr/>

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

### 11. Current Liabilities - Other liabilities

	2014 \$'000	2013 \$'000
Rental income received in advance	3	60
<b>Total</b>	<hr/> <b>3</b> <hr/>	<hr/> <b>60</b> <hr/>

### 12. Current and Non-current Liabilities - Borrowings

	Note	2014 \$'000	2013 \$'000
<b>Current</b>			
NAB bill facility	12(a)	-	49,500
		<hr/> -	<hr/> <b>49,500</b>
<b>Non-current</b>			
NAB bill facility	12(a)	50,000	-
Bald Rock facility	12(b)	1,256	-
Loan from Blackwall Property Funds to Bald Rock Fund		465	-
		<hr/> <b>51,721</b> <hr/>	<hr/> - <hr/>
<b>Total</b>		<hr/> <b>51,721</b> <hr/>	<hr/> <b>49,500</b> <hr/>

#### (a) NAB bill facility

The facility is secured by registered first mortgages over the freehold land and buildings (refer to the Investment Properties note excluding the Bald Rock Hotel). Total facility limit is \$52.1 million and was drawn to \$50 million as at 30 June 2014.

The borrowings will mature in May 2016 and therefore are classified as a non-current liability. They are subject to a margin of 1.95% p.a. (June 2013: 2.35% p.a.) over BBSY. \$29 million of borrowings are hedged. Refer to the Derivatives and Financial Risk Management notes below for further details.

#### (b) Bald Rock facility

The CBA facility of \$1,256,000 is secured over the Bald Rock Hotel. It will mature in November 2015 and is subject to a margin of 2.67% p.a. over BBSY. The loan from Blackwall Property Funds is also in relation to the Bald Rock Hotel and interest is payable on the same terms as the CBA facility.

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 13. Current Liabilities - Derivatives

	2014 \$'000	2013 \$'000
Interest rate swaps	47	693
<b>Total</b>	<b>47</b>	<b>693</b>

The Trust is party to interest rate swaps in the normal course of business in order to hedge exposure to fluctuations in interest rates. At 30 June 2014 it held one swap for \$9 million at 4.22% p.a. which will expire on 10 November 2014. The gain or loss from remeasuring the interest rate swaps at fair value is recognised in profit or loss. On 10 July 2014, the Trust also entered into a \$20 million collar. Refer to the Financial Risk Management note for details.

### 14. Current Liabilities - Provision

	2014 \$'000	2013 \$'000
Provision for litigation claim	-	19,700
<b>Total</b>	<b>-</b>	<b>19,700</b>

Refer to the Directors' Report for judgment settlement details.

### 15. Distributions

An interim distribution of \$1.56 million (0.75 cents per unit – based on the units on issue at that time) was paid on 7 April 2014 (2013: \$nil).

In addition, the Board has declared a final distribution of 0.35 cents per unit to be paid on 31 October 2014.

### 16. Earnings Per Unit

	2014	2013
Basic and diluted earnings per unit	\$0.03	\$0.02
Calculated as follows:		
Profit for the year	\$6,150,000	\$4,836,000
Weighted average number of units for earnings per unit	210,366,835	207,524,039

### 17. Auditor's Remuneration

	2014 \$'000	2013 \$'000
Remuneration of ESV for:		
- Audit or assurance services	45	43
- Taxation and compliance services	10	10
<b>Total</b>	<b>55</b>	<b>53</b>

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 18. Commitments

Future minimum rental receivable under non-cancellable operating leases as at 30 June are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease commitments receivable:		
- Receivable within 1 year	7,558	7,816
- Receivable within 2 – 5 years	23,905	21,847
- Receivable more than 5 years	22,182	24,776
<b>Total</b>	<b>53,645</b>	<b>54,439</b>

There are no operating lease commitments payable or any other capital commitments as at 30 June 2014 (2013: Nil).

### 19. Reconciliation of Operating Cash Flows

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	6,404	4,836
Non-cash flows in profit:		
- Unrealised gain on revaluation	(2,067)	(3,611)
- Depreciation	2,253	2,403
- Straight-line rental income	(378)	(503)
- Loss on sale of financial assets	2,254	103
- Litigation provisions	(2,790)	700
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	624	(188)
Increase / (decrease) in trade and other payables	(266)	246
Decrease in other liabilities	(56)	(13)
<b>Net cash flows from operating activities</b>	<b>5,978</b>	<b>3,973</b>

### 20. Contingencies

Apart from the Provision note above in relation to contingent assets and contingent liabilities, there are no other contingencies as at 30 June 2014.

### 21. Subsequent Events

Aside from the in-specie distributions of BWR units described in the Directors' Report, to the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 22. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2014	2013
<b>Parent entity:</b>			
BlackWall Property Trust	Australia	100%	100%
<b>Controlled entity of parent entity:</b>			
Yandina Sub-trust	Australia	100%	100%
Bald Rock Fund *	Australia	39%	-

\*In November 2013, the Trust acquired a controlling interest in the Bald Rock Fund and, as a consequence, the property has been consolidated onto the Trust's balance sheet.

### 23. Related Party Transactions

#### (a) Related Entities

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

From time to time, related parties may buy or sell units in the Trust. These transactions are conducted on normal commercial terms and conditions.

#### (b) Interests in Related Parties

As at year end the Trust owned units in the following funds. The funds and the Trust have a common Responsible Entity or are related entities of TFML.

Entity	Holdings (No.'000)		Distribution / Interest Received (\$'000)	
	2014	2013	2014	2013
Pelathon Pub Group (Ordinary)	26,641	26,641	-	-
Pelathon Pub Group (Preferred)	13,333	-	-	-
Bakehouse Bond Trust	20,000	30,000	2	2
BlackWall Penrith Fund No. 2	-	1,050	56	92
BlackWall Telstra House Trust	3	-	-	-
BQF	-	331	-	-
Pelorus Private Equity	-	6,290	-	-
Planloc - Preference Shares	1,985	-	88	-
TPIF	5,154	-	-	-
WRV Unit Trust	900	175	-	1
	<b>68,016</b>	<b>64,487</b>	<b>146</b>	<b>95</b>

Further details refer to Financial Assets note.

#### (c) Related Entity Transactions

In accordance with the terms of the Trust Constitution and the Information Memorandum, the Responsible Entity and Investment Manager is entitled to receive a management fee based on 0.65% p.a. of the value of the Trust's assets and the recovery of other administrative costs.

# BlackWall Property Trust

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## Notes to the Financial Statements

### For the Year Ended 30 June 2014

All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable. Related party transactions that occurred during the year are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses</b>		
Remuneration paid to Responsible Entity	805	794
Property management, leasing fees and accounting fees	394	320
Underwriting fees	156	-
Interest paid	14	-
	<b>1,369</b>	<b>1,114</b>
<b>Outstanding Balances with Related Parties</b>		
Receivables from related parties - current	1,625	409
Payables to related parties - current	311	48
Loan from related parties – non-current	465	-

#### 24. Parent Entity Disclosures

The following summarises the financial information of the Trust's parent entity, BlackWall Property Trust, as at and for the year ended 30 June.

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	6,127	4,836
Other comprehensive loss	-	(437)
<b>Total comprehensive income for the year</b>	<b>6,127</b>	<b>4,399</b>

#### Financial position:

Current assets	2,034	875
Non-current assets	112,198	120,510
<b>Total assets</b>	<b>114,232</b>	<b>121,385</b>
Current liabilities	(951)	(70,090)
Non-current liabilities	(50,000)	-
<b>Total liabilities</b>	<b>(50,951)</b>	<b>(70,090)</b>
<b>Net assets attributable to unitholders</b>	<b>63,281</b>	<b>51,295</b>

Other than as disclosed in Contingencies note, the parent entity had no contingencies at 30 June 2014 (2013: Nil).

The parent entity has not entered into any capital commitments as at 30 June 2014 (2013: Nil).

#### 25. Financial Risk Management

##### (a) Financial risk management

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

# BlackWall Property Trust

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## Notes to the Financial Statements

### For the Year Ended 30 June 2014

This note presents information about the Trust's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors of the Responsible Entity have overall responsibility for the establishment and oversight of the risk management framework. They monitor the Trust's risk exposure by regularly reviewing finance and property markets.

Major financial instruments held by Trust which are subject to financial risk analysis are as follows:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Financial assets at FVTPL	29,404	38,323
<b>Financial liabilities</b>		
Borrowings	51,721	49,500

#### (b) Market risk

##### (i) Interest rate risk

The Trust has exposure to market risk for changes in variable interest rates on borrowings. This risk is managed by the Trust by entering into interest rate swap contracts with financial institutions to protect part of the borrowings (\$9 million) as detailed in Borrowings note. The major financial asset - the Trust's interest in Bakehouse Bonds is subject to a fixed coupon rate of 5.5% p.a. and as a result is not directly exposed to the interest rate risk. However, the Bonds' value is linked to inflation and therefore affected by the inflation rate.

The Trust's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the current interest rates on borrowings are as follows:

	June 2014		June 2013	
	Interest rate % p.a.	Balance \$'000	Interest rate % p.a.	Balance \$'000
Borrowings – unhedged portion	4.49	(42,721)	6.56	(20,500)

The interest rate swap of \$9 million was hedged at a rate of 4.22% p.a. (2013: 4.92% p.a. for three hedges) and the expiry date is 10 November 2014. On 10 July 2014 the Trust entered into a 5 year collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a.

##### Sensitivity analysis

At 30 June, if interest rates on borrowings had moved (after hedging effects), as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

	Net profit Higher / (Lower)	
	2014 \$'000	2013 \$'000
<b>Movement in interest rates</b>		
+ 1.0% p.a.	(427)	(205)
- 0.5% p.a.	214	103

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### (ii) Price risk

The Trust is not exposed to any major price risk except for a material change in the property valuation of the Bakehouse Quarter, which could potentially lead to a decrease in the Bakehouse Bonds' value on their maturity.

### (c) Credit risk

The Trust is not exposed to any major credit risk except for the Bakehouse Bonds. The credit risk for the Bakehouse Bonds is of the same nature as the price risk described above.

### (d) Liquidity risk

The major liquidity risks faced by the Trust is its ability to realise assets. The Trust has borrowings of \$52 million and total gross assets of \$116 million, of which \$84 million are income producing real estate for which there is a deep and active market.

At the end of the reporting period, the Trust held the following financial arrangements:

	Maturing within 1 year \$'000	Maturing 1 - 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
<b>At 30 June 2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	230	-	-	230
Trade and other receivables	1,859	-	-	1,859
Financial assets at FVTPL	-	8,054	21,350	29,404
	<b>2,089</b>	<b>8,054</b>	<b>21,350</b>	<b>31,493</b>
<b>Financial liabilities</b>				
Trade and other payables	1,042	-	-	1,042
Interest rate swaps	47	-	-	47
Borrowings	-	51,721	-	51,721
	<b>1,089</b>	<b>51,721</b>	-	<b>52,810</b>
<b>At 30 June 2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	39	-	-	39
Trade and other receivables	612	-	-	612
Financial assets at FVTPL	-	7,234	31,089	38,323
	<b>651</b>	<b>7,234</b>	<b>31,089</b>	<b>38,974</b>
<b>Financial liabilities</b>				
Trade and other payables	801	-	-	801
Interest rate swaps	693	-	-	693
Borrowings	49,500	-	-	49,500
Provision for litigation costs	19,700	-	-	19,700
	<b>70,694</b>	-	-	<b>70,694</b>

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### (e) Fair value measurements

#### (i) Fair value hierarchy

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

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

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

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

The following table presents the Trust's financial assets and liabilities measured at fair value as at 30 June. Refer to Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>At 30 June 2014</b>				
Financial assets at FVTPL				
- Unquoted equities	-	-	8,054	8,054
- Debt instruments	-	-	21,350	21,350
	-	-	29,404	29,404
Interest rate swaps	-	(47)	-	(47)
<b>At 30 June 2013</b>				
Financial assets at FVTPL				
- Unquoted equities	-	-	7,234	7,234
- Debt instruments	-	-	31,089	31,089
	-	-	38,323	38,323
Interest rate swaps	-	(693)	-	(693)

#### (ii) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the Bakehouse Bonds is measured by its face value adjusted for annual CPI movements, subject to recoverability assessment. All these instruments are included in Level 3.

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

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

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

<b>At 30 June 2014</b>	<b>\$'000</b>
Balance at the beginning of the year	38,323
Purchases	4,367
Disposals/redemptions	(12,980)
Fair value movement	(306)
Balance at the end of the year	<u>29,404</u>

<b>At 30 June 2013</b>	
Balance at the beginning of the year	917
Purchases	185
Disposals/redemptions	(774)
Fair value movement	1,362
Reclassification (*)	36,633
Balance at the end of the year	<u>38,323</u>

\* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at FVTPL.

The fair value of financial assets at FVTPL is determined by reference to the net assets of the underlying entities. All these instruments are included in Level 3. There were no transfers between Level 1, 2 and 3 financial instruments during the year. For all other financial assets and liabilities carrying value is an approximation of fair value.

#### 26. Statement of Significant Accounting Policies

The financial statements cover BlackWall Property Trust and its controlled entities, the Yandina Sub-trust and Bald Rock Fund. BlackWall Property Trust is a managed investment scheme registered in Australia. The Yandina Sub-trust is a discretionary trust established and domiciled in Australia. Bald Rock Fund was established on 17 September 2013.

The Trust Company Limited is the Custodian of the Trust. The relationship of Responsible Entity and custodian is governed by the terms and conditions specified in the Constitution.

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

#### Basis of Preparation

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

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

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

value basis of accounting has been applied.

The Trust is a group of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

#### **New and amended standards adopted**

The Trust has applied the following standards and amendments for first time for their annual period commencing 1 July 2013:

*i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

AASB 11 introduces a principles based approach to accounting for joint arrangements. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

*(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

The Trust has adopted these standards and there are no material changes to the Trust's financial statements.

#### **Going concern**

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

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### Comparative figures

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

### Presentation currency

Both the functional and presentation currency of the Trust is Australian dollars.

### Principles of Consolidation

#### Controlled entities

The consolidated financial statements comprise the financial statements of the Trust (refer to Controlled Entities note). The controlled entity has a June financial year end and uses consistent accounting policies. Investments in the controlled entity held by the parent entity are accounted for at cost less any impairment charges (refer to Parent Entity Disclosures note).

Acquisitions of controlled entities are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Trust in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a controlled entity has entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

A controlled entity is an entity BlackWall Property Trust has the power to control the financial and operating policies of so as to obtain benefits from its activities.

#### Inter-entity balances

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

#### Impairment of assets

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

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

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

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

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

depreciation or amortisation, if no impairment loss has been recognised.

#### Financial Instruments

##### Derivative financial instruments and hedging

The Trust uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of interest rate swaps are determined by reference to market values for similar instruments. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

##### Non-derivative financial instruments

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

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

##### Recognition

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

##### Loans and receivables

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

##### Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of each of the investments.

##### Impairment

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

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

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

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

#### Financial liabilities

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

#### Financial assets

The Trust classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows.

#### (i) Debt investments – at fair value through profit or loss

The Bakehouse Bonds are classified as a debt investment at fair value through profit or loss.

#### (ii) Equity investments

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

#### Measurement

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss within other income or other expenses in the period in which it arises.

The Trust subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

#### Early adoption of standards

The Trust has early adopted *AASB 9 Financial Instruments*, with effect 1 January 2013, as the Directors believe the revised accounting policy for fair value adjustments to the Trust's investments more reliably presents the financial information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions in AASB 2012-6, comparative figures have not been

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

restated. See the Net Unrealised Gain / (Loss) note below for further details on the impact of the change in accounting policy.

#### Investment Properties

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

#### Cash and Cash Equivalents

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

#### Trade and Other Receivables

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

#### Trade and Other Payables

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

#### Interest Bearing Borrowings

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

#### Provisions

Provisions are recognised when the Trust has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### Revenue

##### Rent

Rent comprises rental and recovery of outgoings from property tenants. Rental income from investment properties is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of total rental income.

##### Investment income

Interest income is recognised as interest accrues using the effective interest method. Dividend and

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

distribution revenue is recognised when the right to receive income has been established. All revenue is stated net of the amount of goods and services tax (GST).

#### **Income Tax**

Under current income tax legislation the Trust is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Trust. The Trust has over \$20 million of carried forward revenue tax losses and approximately \$16 million in capital losses.

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **EPU**

The Trust presents basic and diluted EPU. Basic EPU is calculated by dividing the profit or loss attributable to ordinary unitholders of the Trust by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to ordinary unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units.

#### **New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

##### *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

This standard will be effective to the Trust on or after 1 July 2014. It amends AASB 136 to require additional disclosure about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. There will be no material changes to the Trust's financial statements however additional disclosures may be required.

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

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

## Directors' Declaration

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

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



**Stuart Brown**  
Director  
Sydney, 26 August 2014



## Independent Audit Report to the Investors of Blackwall Property Trust and Controlled Entities

### *Report on the Financial Report*

We have audited the accompanying financial report of Blackwall Property Trust and Controlled Entities ("the Trust"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity.

### *Directors' Responsibility for the Financial Report*

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

In Note 26, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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



## Independent Audit Report to the Investors of Blackwall Property Trust and Controlled Entities

### Opinion

In our opinion:

- (a) the financial report of Blackwall Property Trust and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Trust for the year ended 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 26.

Dated at Sydney the 26<sup>th</sup> day of August 2014.

**ESV Accounting and Business Advisors**

**Chris Kirkwood**  
Partner

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## GLOSSARY

APW (formerly MPS)	AIMS Property Securities Fund (formerly MacarthurCook Property Securities Fund)
BWR	BlackWall Property Trust
BlackWall	Blackwall Property Funds Limited
Consolidated annual financial report	Financial statements
EPU	Earnings per unit
FVTPL	Fair value through profit and loss
GST	Goods and services tax
HSBC	Hong Kong & Shanghai Banking Corporation
IFRS	International Financial Reporting Standards
Kirela	Kirela Development Unit Trust
KMP	Key management personnel
Responsible Entity	TFML Limited
TFML	TFML Limited
TPIF	Tankstream Property Investments Fund
Trust	BlackWall Property Trust

# BLACKWALL PROPERTY TRUST

ARSN 109 684 773

Consolidated Annual Financial Report  
Year Ended 30 June 2014

Managed By:



**BLACKWALL**  
PROPERTY FUNDS

Level 1, 50 Yeo Street  
Neutral Bay, NSW 2089  
Responsible Entity: TFML Limited  
ABN 39 079 608 825



**APPENDIX 4E**

Financial year ended 30 June 2014  
Previous corresponding period: 30 June 2013

**BlackWall Property Trust (former name: P-REIT)**  
ARSN 109 684 773

The Appendix 4E should be read in conjunction with the consolidated annual financial report of BlackWall Property Trust for the year ended 30 June 2014.

	<b>2014</b>	<b>Movement Up / (Down)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Revenue from ordinary operations	17,598	1,735	10.94
Profit from ordinary operations attributable to unitholders	6,150	1,314	27.17
Net profit for the year attributable to unitholders	6,150	1,314	27.17

*Refer to the attached market release for management commentary of the results.*

	<b>2014</b>	<b>2013</b>
Net tangible asset backing per unit	\$0.13	\$0.24
Basic earnings per unit from continuing operations	\$0.03	\$0.02
Diluted earnings per unit from continuing operations	\$0.03	\$0.02
Weighted average number of units used in calculating basic and diluted earnings per unit	210,366,835	207,524,039

**Distributions:**

An interim distribution of 0.75 cents per unit was paid on 7 April 2014.

In addition, the Board has also declared a final distribution of 0.35 cents per unit as follows:

Record date: 10 October 2014

Payment date: 31 October 2014



**Control gained or lost over entities during the period**

Name of entity (or group of entities) over which control was gained	Bald Rock Fund
Date control was gained	29 November 2013
Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	Profit \$461,000
Name of entity (or group of entities) over which control was lost	None
Date control was lost	Not applicable
Consolidated profit (loss) from continuing activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	Not applicable
Profit (loss) from continuing activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the previous corresponding period	Not applicable

**Audit / review of accounts upon which this report is based**

This report is based on the accounts that have been audited. Refer to the attached financial statements.

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Stuart Brown  
Director of TFML Limited (Responsible Entity of BlackWall Property Trust)

Sydney, 26 August 2014