



BLACKWALL
PROPERTY TRUST

Interim Financial Report

Half Year Ended December 2018



CONTENTS

03	. Directors' Report
06	. Consolidated Balance Sheet and Consolidated Statement of Profit or Loss
08	. Consolidated Statement of Cash Flows
09	. Consolidated Statement of Changes in Equity
10	. Financial Statements - Notes
14	. Auditors Independence Declaration and Audit Report
16	. Directors' Report - Continued
17	. Directors' Declaration



Directors' Report

BWR – Total Return

We refer to BWR as a total return REIT, that is, we focus on a combination of the distributions we pay plus the NTA growth we generate. Although this is not a unique concept to the LPT market, we think the means by which we achieve it differentiates the Trust from its larger peers.

In managing the Trust, BlackWall looks for active opportunistic development, adaptive reuse and distressed situations. Put another way we want assets that have a problem we understand and can fix. These “problems” are usually driven by unsustainable debt or vacancy. We aim to purchase at a price that mitigates, at least in part, risk and the time it takes to fix problems.

The Bakehouse Quarter and 55 Pyrmont Bridge Road are good examples. Indeed, BWR itself came into our control because of financial distress, having been almost wiped out in the GFC while under previous management.

Following the GFC the Australian property market has had almost a decade of sustained and exceptional growth. This, in the main, is driven by low interest rates pushing yields down to, what we feel, are unsustainable levels. These factors have not been conducive to transactions that fit our property investment model.

We do not see property and debt markets continuing as they have, and expect to see more opportunities in the next five years than we have in the past five.

Our plan is to use the impending sale of BlackWall's largest project, the Bakehouse Quarter, to give BWR the capital to move quickly. This is explained later in this report and will be a transformational outcome for the Trust.

Interim Distribution

The Trust has declared an **interim distribution of 5 cents per unit** to be **paid on 9th April 2019**. The units to be issued under the BWR Restructure will not participate in this distribution.

The Trust has approximately \$19.5 million in carried forward revenue losses and \$16.1 million in carried forward capital losses. Because of this, distributions in the past have been by way of 100% tax deferred returns of capital. The completion of the sale of the Bakehouse Quarter and the resulting BWR Restructure will have an effect on the Trust's tax position, which may affect the nature of distributions paid during the year ending 30 June 2019. Tax statements will be issued as early as possible for the 2019 tax year setting out the nature of all distributions.



Bakehouse Quarter Sale Update & BWR Restructure

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

Under the original transaction (structured as a call option exercisable between 1 July 2018 and 31 August 2018) the purchaser paid a substantial non-refundable call option fee with completion no later than the end of October 2018.

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

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

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

On the back of the Bakehouse Quarter sale, BlackWall is structuring a proposal (BWR Restructure), subject to BWR unitholder approval, for the Trust to make a takeover bid for the Kirela Development Unit Trust (Kirela) - the owner of the Bakehouse Quarter. The offer will be by way of cash or BWR units as consideration for all of Kirela unitholders' position in Kirela. This offer has been made to Kirela unitholders and they have committed (subject to the sale proceeding and unitholder approval) to roll a certain number of Kirela units into BWR. The most significant effect of this will be to add around \$120 million of net assets to BWR's balance sheet of which around \$100 million will be cash.

As part of this transaction, BlackWall will also seek approval for BWR to make the following investments:

1. The acquisition of BlackWall's position in the Pyrmont Bridge Trust;
2. The acquisition of the property housing WOTSO Fortitude Valley.
3. Make a scrip for scrip takeover bid for all of the issued units in an unlisted trust know as BQT (BQT's only investment is a holding of around 9% in Kirela).

A number of the proposed transactions will require BWR unitholder approval which will be sought at an Extraordinary General Meeting (EGM). A notice of meeting (Notice of Meeting) for the EGM is being released shortly after these financial statements.

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

BWR Restructure

The transactions contemplated will have a significant effect on the capital base of the Trust, its scale and the number of unitholders. Accordingly in time the liquidity of trading in the Trust's units should increase.

Details of the proposed transactions are set out in the Notice of Meeting. In particular the pricing of the scrip for scrip acquisitions is explained. BWR's post completion position is set out below (based on the numbers set out in the Notice of Meeting).

	December 2018	BWR Restructure
Units on issue	66.6 million	145.1 million
Gross assets	\$277 million	\$378 million
Gearing	43%	34%
NTA per unit	\$1.53	\$1.53
Cash & Receivables	\$1 million	\$100 million

Following is the pro forma BWR balance sheet which updates these Financial Statements for the effect of the completion of the BWR Restructure. The pro forma balance sheet is included to give investors a like for like comparison showing the effect of the proposed transactions on the Trust. The pro forma does not project the position of the Trust at the assumed completion date rather, it takes the balance sheet as at 31 December and shows the effect as if the BWR Restructure was completed on that date. As BWR and each of the targets are operating entities their cash position will vary depending on the actual completion date.

In November 2018 BWR made an announcement with respect to the estimated pricing of the BWR Restructure being \$1.55 per BWR unit. This estimate was made on the following basis:

1. completion of the Bakehouse Quarter sale was to occur on 20 February 2019;
2. the payment of a distribution by BWR would be made after completion of the BWR Restructure, and
3. estimated cash held by all entities involved in the transaction at completion of the BWR Restructure.

As disclosed earlier in this report, the completion of the Bakehouse Quarter sale is scheduled for the 18 April 2019 and as such the NTA estimate for the purposes of the BWR Restructure has been revised to \$1.53 cents per unit. As set out in the Notice of Meeting the actual NTA of all entities involved in the transaction will be determined on completion and the acquisition priced on that basis. As the majority of the value in all elements of the transactions is in real estate assets that have been independently valued, the actual NTA at completion is not expected to be materially different from the estimates set out in the Notice of Meeting.

Pro Forma Balance Sheet (\$'000) at Completion of BWR Restructure

December 2018

Assets	
Current Assets	
Cash and cash equivalents	99,534
Trade and other receivables	391
Bakehouse Quarter investment	-
Other assets	2,017
Total Current Assets	101,942
Non-current Assets	
Property investment portfolio	270,230
Other assets	6,000
Total Non-current Assets	276,230
TOTAL ASSETS	378,172
Liabilities	
Current Liabilities	
Trade and other payables	2,097
Other liabilities	788
Borrowings	127,282
Interest rate hedges	189
Total Current Liabilities	130,356
Non-current Liabilities	
Interest rate hedges	6
Total Non-current Liabilities	6
TOTAL LIABILITIES	130,362
NET ASSETS	247,810
Non-controlling interests	(26,164)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE TRUST	221,646

Financial Statements

Consolidated Balance Sheet (\$'000)

at 31 December 2018

	Note	December 2018	June 2018
Assets			
Current Assets			
Cash and cash equivalents		247	1,083
Trade and other receivables	1	391	115
Bakehouse Quarter investment		33,411	36,133
Other assets		17	131
Total Current Assets		34,066	37,462
Non-current Assets			
Property investment portfolio		242,850	235,350
Total Non-current Assets		242,850	235,350
TOTAL ASSETS		276,916	272,812
Liabilities			
Current Liabilities			
Trade and other payables	2	2,097	1,471
Other liabilities	3	788	713
Borrowings	4	118,882	53,882
Interest rate hedges	4	189	255
Total Current Liabilities		121,956	56,321
Non-current Liabilities			
Borrowings	4	-	65,000
Interest rate hedges	4	6	57
Total Non-current Liabilities		6	65,057
TOTAL LIABILITIES		121,962	121,378
NET ASSETS		154,954	151,434
Equity			
Issued capital		136,036	136,036
Retained earnings / (accumulated losses)		(34,313)	(33,040)
Attributable to owners of the Trust		101,723	102,996
Non-controlling interests		53,231	48,438
TOTAL EQUITY		154,954	151,434
Net tangible assets		101,723	102,996
Number of units on issue		66,635,378	66,635,378
NTA per unit		\$1.53	\$1.55

Consolidated Statement of Profit or Loss (\$'000)

for the half year ended 31 December 2018

	Note	December 2018	December 2017
Revenue			
Property income		12,422	6,416
Net gain / (loss) on assets	6	7,779	3,935
Interest income		2	14
Other income		-	205
Total Revenue		20,203	10,570
Expenses			
Property outgoings		(4,543)	(1,591)
Depreciation expense		(2,355)	(1,506)
Finance costs		(2,689)	(1,503)
Administration expenses	7	(1,251)	(808)
Amortisation of lease incentive		(58)	-
Loss on sale of assets		-	(8)
Total Expenses		(10,896)	(5,416)
Profit for the period		9,307	5,154
Other comprehensive income		-	-
Profit and other comprehensive income		9,307	5,154
Profit and other comprehensive income attributable to:			
Owners of the Trust		2,059	5,154
Non-controlling interests		7,248	-
		9,307	5,154
Earnings Per Unit			
Basic earnings per unit		3.1 cents	7.7 cents
Calculated as follows:			
Profit for the year		2,059	5,154
Weighted average number of units for EPU		66,635,378	66,635,378

Directors' Report

Management Commentary

Property Investment Portfolio Valuation

At 30 June 2018 the assets in the portfolio were held at director's valuations (those values are shown in the table opposite). In anticipation of the BWR Restructure, BlackWall instructed independent valuations of all assets for the purposes of the Notice of Meeting and those independent valuations have been adopted for the purposes of these Financial Statements.

55 Pyrmont Bridge Road, Pyrmont

This asset is owned by an SPV company known as Pyrmont Bridge Property Pty Limited (PBP) and BWR owns 32% of that entity's issued capital. In addition, a subordinated debt structure is secured against the property and held by an investment trust known as the Pyrmont Bridge Trust (PBT). BWR holds 28% of the Pyrmont Bridge Trust. Both PBP and PBT are managed by BlackWall. As a consequence of BWR's control of both entities 55 Pyrmont Bridge Road is consolidated onto the BWR balance sheet. BWR's diluted investment in the asset is valued at \$21.6 million (being \$6.4 million in PBP and \$15.2 million in PBT). The Non-controlling interests of \$53 million represent the interests in both PBP and PBT held by third parties.

As part of the BWR Restructure BWR will acquire BlackWall's \$8.9 million investment in PBT and intends to acquire further interests in PBP and PBT from time to time.

The Bakehouse Quarter

BWR's interest in the Bakehouse Quarter is held by way of 82,496 ordinary units in Kirela. This investment is held at the net asset value anticipated on completion of the BWR Restructure being \$405 per unit equating to a total holding value of \$33.4 million. At June 2018 the holding value was \$36.1 million (\$438 per unit). The carrying value in these Financial Statements based on estimated cash at completion, the net proceeds of the contracted sale price of the Bakehouse Quarter and independent valuations of all other assets on the Kirela balance sheet (totaling approximately \$25 million). The variance between June and December 2018 is due to distributions paid by Kirela from 1 July to 31 December and variances in the value of the other assets held on the Kirela balance sheet.

Property Investment Portfolio (\$'000)

	Ownership	Cap Rate*	Passing Yield**	December 2018	June 2018
Commercial					
Canberra North, ACT	100%	7.75%	5.70%	30,500	30,000
Varsity Lakes, QLD	100%	8.00%	6.10%	18,200	18,200
Pyrmont Bridge Road, NSW	32%	5.50%	6.50%	126,000	117,000
Hobart, TAS	100%	7.50%	7.70%	8,600	8,800
Canberra South, ACT	100%	7.50%	2.60%	8,100	8,250
Mixed Use					
Sippy Downs, QLD	100%	7.25%	6.10%	26,000	26,400
Industrial					
Yandina, QLD	100%	9.25%	13.60%	20,450	20,100
Toowoomba, QLD	100%	8.25%	2.20%	5,000	6,600
Total				242,850	235,350

*Capitalisation rates adopted by independent valuers.

**Passing yield represents the rate that is derived by dividing the passing net rent by the property value.

Reconciliation of Property Investment Portfolio (\$'000)

	December 2018	June 2018
Opening Balance	271,483	156,293
Revaluation of Pyrmont	9,149	6,240
Capital improvements	1,458	1,998
Straight-line rental income	462	850
Revaluation of Yandina	433	(1,921)
Depreciation and amortisation	(2,413)	(4,421)
Revaluation of Other property investments	(2,365)	2,346
Revaluation of Bakehouse Quarter	(330)	8,679
Returns of capital – Bakehouse Quarter	(2,392)	(743)
Pyrmont net acquisition	-	99,319
Revaluation of Canberra North	776	4,761
Returns of capital – Pyrmont	-	(1,900)
Other disposal	-	(18)
Closing Balance	276,261	271,483

Disclosed as follows:

Bakehouse Quarter investment – current asset	33,411	36,133
Property investment portfolio – non-current asset	242,850	235,350
Total	276,261	271,483

Financial Statements

Consolidated Statement of Cash Flows (\$'000)
for the half year ended 31 December 2018

	December 2018	December 2017
Cash Flows From Operating Activities		
Receipts from tenants	12,910	6,384
Payments to suppliers	(6,567)	(3,085)
Interest paid	(2,318)	(1,447)
Distributions received from Woods PIPES	-	1,209
Interest received	2	14
Net Cash Flows From/(Used in) Operating Activities	4,027	3,075
Cash Flows From Investing Activities		
Returns of capital from Bakehouse Quarter	2,392	248
Payment for additional Pymont investment	(1,184)	(3,759)
Payment for capital expenditure	(1,458)	(703)
Proceeds from sale of WRV units	-	3,992
Returns of capital from Pymont (now consolidated)	-	2,099
Cash acquired on consolidation of Pymont	-	64
Net Cash Flows From/(Used in) Investing Activities	(250)	1,941
Cash Flows From Financing Activities		
Distributions paid by BlackWall Property Trust	(3,332)	(4,331)
Distributions paid by Pymont Property Trust to Non-controlling interests	(1,281)	-
Net Cash Flows From/(Used in) Financing Activities	(4,613)	(4,331)
Net Increase / (Decrease) in Cash Held	(836)	685
Cash and cash equivalents at the beginning of the year	1,083	1,690
Cash and Cash Equivalents at End of the Period	247	2,375

Reconciliation of Operating Cash Flows (\$'000)

	December 2018	December 2017
Profit for the period	2,059	5,154
Non-cash flows in profit:		
Non-controlling interests	7,248	-
Depreciation and amortisation	2,413	1,506
Net gain on assets	(7,779)	(3,934)
Loss on disposal of assets	-	8
Straight-line rental income	(462)	(336)
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(276)	466
(Increase) / decrease in other assets	114	56
Increase / (decrease) in trade and other payables	635	(62)
Increase / (decrease) in other liabilities	75	217
Net cash flows from operating activities	4,027	3,075

Financial Statements

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

for the half year ended 31 December 2018

	No. of Units On Issue	Issued Capital	Retained Earnings / (Accumulated Losses)	Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
Balance at 1 July 2018	66,635,378	136,036	(33,040)	102,996	48,438	151,434
Profit for the period	-	-	2,059	2,059	7,248	9,307
Distributions paid	-	-	(3,332)	(3,332)	(1,281)	(4,613)
Purchase of additional NCI shares					(1,174)	(1,174)
Balance at 31 December 2018 and signing date	66,635,378	136,036	(34,313)	101,723	53,231	154,954
Balance at 1 July 2017	66,635,378	136,036	(43,362)	92,674	-	92,674
Acquisition of subsidiary	-	-	-	-	44,001	44,001
Profit for the period	-	-	5,154	5,154	-	5,154
Distributions paid	-	-	(4,331)	(4,331)	-	(4,331)
Balance at 31 December 2017	66,635,378	136,036	(42,540)	93,496	44,001	137,497

Financial Statements

Notes

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

	December 2018	June 2018
Trade and other receivables		
Trade debtors	391	115
Total	391	115

No debtors have been provided for impairment as at 31 December 2018 (June 2018: \$Nil) or at the date of this report.

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

	December 2018	June 2018
Trade payables		
Related parties – BlackWall Limited	-	116
Other parties	1,929	1,187
Tenant deposits	168	168
Total	2,097	1,471

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

	December 2018	June 2018
Rental income received in advance	788	713
Total	788	713

From time to time tenants (for their own reasons) pay their rent early. In these cases the prepaid rent is held as a current liability until the first day of the month in which it is due.

4. Current and Non-current Liabilities – Borrowings and Interest Rate Hedges

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

The LVR (loan to value ratio) shown below is calculated against the carrying value in these financial statements with the facility LVR covenant shown in parenthesis.

Security	LVR	Balance \$'000	Expiry	Margin	Lender
Various*	45% (65%)	50,000	02/19	2.10%	NAB
Pyrmont	40% (90%)	50,000	12/19	2.20%	NAB
Canberra North	49% (61%)	15,000	09/19	2.10%	NAB
Hobart	45% (50%)	3,882	02/19	2.10%	NAB
Total current		118,882			
Total December 2018		118,882			
Various*	43% (65%)	50,000	10/18	2.10%	NAB
Hobart	44% (50%)	3,882	02/19	2.10%	NAB
Total current		53,882			
Pyrmont	43% (90%)	50,000	12/19	2.20%	NAB
Canberra North	50% (61%)	15,000	09/19	2.10%	NAB
Total non-current		65,000			
Total June 2018		118,882			

*Secured against all assets held by the Trust save those specifically mentioned. This loan has been extended to October 2019 as of February 2019 on the same terms as the existing loan.

Interest Rate Hedges

	Bank	\$'000	Type	Floor	Cap	Expiry	MTM Value \$'000
Dec 2018	NAB	20,000	Collar	2.72%	4.55%	07/19	(88)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(107)
Total		50,000					(195)
June 2018	NAB	20,000	Collar	2.72%	4.55%	07/19	(166)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(146)
Total		50,000					(312)

Balance Sheet – the mark to market value of all interest rate hedges are calculated at 31 December and shown in this note as a negative number if they are out of the money and a positive if they are in the money. The value is prorated to the remaining hedge term and the portion with less than 12 months to run carried as a current liability / asset with the balance as non-current.

Profit or Loss – the gain or loss on interest rate hedge valuation is recognized in the net gain / (loss) on assets.

5. Segment Reporting

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

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

	December 2018	December 2017
Bakehouse Quarter, NSW	(330)	4,058
Pyrmont Bridge Road, NSW	9,148	28
Canberra North, ACT	776	276
Varsity Lakes, QLD	290	128
Hobart, TAS	(106)	162
Canberra South, ACT	(558)	80
Sippy Downs, QLD	(479)	171
Toowoomba, QLD	(1,512)	75
Yandina, QLD	433	(1,225)
Total net gain / (loss) on property investment portfolio	7,662	3,753
Net gain / (loss) on interest rate hedges	117	182
Total net gain / (loss) on assets	7,779	3,935

7. Expenses (\$'000)

	December 2018	December 2017
Administration expenses:		
Responsible entity fees	793	528
Compliance expenses (listing, registry etc)	458	280
Total	1,251	808

8. Distributions

A distribution of 5 cents per unit has been declared to be paid on 09 April 2019. Distributions paid before the balance date are listed below:

	2018	December 2018 \$'000	2017	December 2017 \$'000
Final distribution	5.0 cpu	3,332	6.5 cpu	4,331
Total		3,332		4,331

9. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 31 December 2018 (June 2018: Nil).

10. Subsequent Events

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

11. Financial Instruments

Fair value measurements

Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
At 31 December 2018 (\$'000)				
Bakehouse Quarter investment	-	-	33,411	33,411
Interest rate hedges	-	(195)	-	(195)
At 30 June 2018 (\$'000)				
Bakehouse Quarter investment	-	-	36,133	36,133
Interest rate hedges	-	(312)	-	(312)

Valuation techniques used to derive Level 3 fair values

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

There were no transfers between Level 1, 2 and 3 financial instruments during the year. For all other financial assets and financial liabilities, recorded at amortised cost, due to the short-term nature, the carrying amount of those instruments approximates their fair value.

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the period ended 31 December:

At 31 December 2018 (\$'000)	
Balance at 30 June 2018	36,133
Return of capital	(1,897)
Fair value movement through the profit and loss	(825)
Balance at 31 December 2018	33,411
At 30 June 2018 (\$'000)	
Balance at 30 June 2017	41,893
Purchase of Pyrmont units	3,772
Return of capital	(2,643)
Fair value movement through the profit and loss	8,515
Consolidation of Pyrmont	(15,388)
Other	(16)
Balance at 30 June 2018	36,133

12. Critical Accounting Estimates and Judgments

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

Key estimates - impairment

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

Key estimates – financial assets

The property investment portfolio contains a portion of financial assets being property investment structures at FVTPL. All gains and losses in relation to financial assets are recognised in profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities.

Key estimates – fair values of investment properties

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

13. Statement of Significant Accounting Policies

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

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

Statement of Compliance

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

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

Basis of Preparation

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets (property joint ventures) and financial liabilities for which the fair value basis of accounting has been applied. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

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

The financial statements are presented in Australian dollars.

Rounding of amounts

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

Comparative figures

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

Property joint ventures

All financial assets at FVTPL have been classified as property joint ventures in these financial statements, which have the same meaning as financial assets at FVTPL with gains and losses recognised in profit or loss.

Segment Reporting

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

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

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are effective for the current reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management have determined that the timing of recognition of income is not affected by the new standard.

Auditors Independence Declaration and Audit Report

ACCOUNTING AND
BUSINESS ADVISORS



INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Property Trust and Controlled Entities ("the Trust"), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on page 10 to 13, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Independence

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

LEVEL 18, CITY CENTRE TELEPHONE +61 2 9283 1666
55 MARKET STREET FACSIMILE +61 2 9283 1866
SYDNEY NSW 2000 ADMIN@ESVGROUP.COM.AU
ESVGROUP.COM.AU

A member of TIG, The International Accounting Group, a worldwide alliance of independent accounting firms.
Liability limited by a scheme approved under Professional Standards Legislation.

ACCOUNTING AND
BUSINESS ADVISORS



INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

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

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney the 26th day of February 2019

ESV Accounting and Business Advisors

Tim Valtwies
Partner



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

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Blackwall Property Trust and Controlled Entities for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 25th day of February 2019

ESV Accounting and Business Advisors

Tim Valtwies
Partner

Directors' Report

Continued

Officeholders of the Responsible Entity

Richard Hill (Non-Executive Director and Independent Chairman)

Joseph (Seph) Glew (Non-Executive Director)

Robin Tedder (Non-Executive Director)

Stuart Brown (Executive Director and Chief Executive Officer)

Timothy Brown (Executive Director and Chief Financial Officer)

Sophie Gowland (Company Secretary)

Auditor

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

Rounding of Amounts

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

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



Stuart Brown

Director

Sydney, 26 February 2019

Directors' Declaration

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

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



Stuart Brown

Director

Sydney, 26 February 2019



BLACKWALL PROPERTY TRUST

ARSN

109 684 773

ABN

68 450 446 692

RESPONSIBLE ENTITY

BlackWall Fund Services Limited

ADDRESS

50 Yeo Street
Neutral Bay
NSW 2089

TELEPHONE

+61 2 9033 8611

EMAIL

info@blackwall.com.au

WEBSITE

www.blackwall.com.au

REGISTRY

Computershare Investor Services
www.computershare.com.au

WAREHOUSE QUARTERS