11 February 2014

ASX Release

P-REIT (PXT)
31 December 2013 – Half Year Result

The financial statements for the half-year to 31 December 2013 are attached along with the appendix 4D. Commentary on the Trust and results is included in the Directors' Report which forms part of the financial statements. The key points are:

- **Earnings –** The profit for the half-year was 10.8 cents per unit ($22.5 million) or 1.4 cents per unit ($2.9 million) excluding litigation effects and asset revaluations.

- **Distributions** – a maiden distribution (under current management) of **0.75 cents** per unit has been declared and will be paid on **7 April 2014**.

- **Taxation** – the Trust has carried forward revenue losses of just under $14 million and capital losses of $14.2 million. As a consequence for a significant period distributions will be **100% tax deferred**.

- **Bank debt –** the Trust has $48.5 million of borrowings against $124.3 million of assets giving rise to a gearing ratio of 39%. Management has been in discussions with the bank in relation to an extension of the facility. It is expected that the trust will receive an extension of 2 years with pricing reduced to a 1.85% per annum margin (3.25% at 31 December 2012).

- **NTA** – the Trusts net tangible assets value is 35 cents per unit (23 cents at December 2012).

- **MPS Litigation –** the significant rise in NTA and earnings is due to the reversal of a $19.7 million impairment. This adjustment was made when the NSW Court of Appeal handed down a unanimous judgment in the Trust's favour.

For more information please contact:

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P-REIT

Managed by BlackWall Property Funds

Condensed Interim Consolidated Financial Report

Half-year Ended 31 December 2013

P-REIT
ARSN 109 684 773
Responsible Entity: TFML Limited
ABN 39 079 608 825
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P-REIT

Managed by BlackWall Property Funds

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Financial Report

Directors' Report

P-REIT (Trust) is an ASX listed unit trust (ASX Code: PXT). TFML Limited (Responsible Entity or TFML) is the Trust'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/asset management businesses.

BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value property or special situations. BlackWall is listed on the ASX under the stock code BWF. BlackWall's board (Directors) is TFML's board (Directors). BlackWall holds 24.3 million of the 207.5 million issued units in the Trust (11.7%).

The Directors present P-REIT's condensed interim consolidated financial report (financial statements) for the half-year ended 31 December 2013.

Distributions

The Directors have resolved to pay a maiden distribution (under current management) of 0.75 cents per unit to be paid on 7 April 2014. There were no distributions paid or declared in the 6 months ended 31 December 2013 (2012: $nil). The Trust has carried forward revenue losses of $13.97 million and capital losses of $14.23 million. As a consequence for a significant period all distributions will be 100% tax deferred.

Principal Activities and Significant Changes in Affairs

P-REIT aims to generate:

- recurring and growing distributions; and
- NTA growth through the acquisition, development and improvement of income producing real estate.

When BlackWall took control of the Trust (in 2009) it was under significant financial pressure. As a consequence over the past four years its activities have been limited to rebuilding the balance sheet and aggressively reducing bank debt. In addition, BlackWall has been defending a significant legal claim relating to contracts entered into in 2007. With these issues largely resolved in the Trust's favour management is now focussed on the objectives outlined above. In this regard the reinstatement of distributions is a significant milestone.

Bank Debt

The Trust has a senior debt facility with National Australia Bank drawn to $48.5 million. BlackWall has been in discussions with the bank in relation to an extension of the facility. It is expected that the trust will receive an extension of 2 years with a pricing reduction to a 1.85% per annum margin (3.25% at 31 December 2012).

The Trust has two interest rate swap contracts for $10 million each, fixed at 5.26% and 5.22% per annum and expiring in June 2014. A further swap for $9 million swap is fixed at 4.22 % per annum and expires in November 2014. Assuming prevailing interest rates the combined effect of the margin reduction and swaps expiring is to reduce the Trust's interest cost by around $900,000 per annum.

MPS Litigation

The details, facts and history of the MPS's claim are set out in a BlackWall investor update dated October 2013 which can be downloaded at BlackWall's website (www.blackwallfunds.com.au) or can be viewed in a BlackWall ASX announcement entitled AGM Presentation and released on 23 October 2013.

In short the dispute relates to a claim by MPS that it had a right to withdraw a $15 million investment in the Trust in priority to other P-REIT unitholders. The claim stems from contracts entered into with MPS by P-REIT's previous management. BlackWall has always refuted this claim, however, MPS management chose to aggressively pursue it. On 3 September 2013 the NSW Supreme Court handed down a unanimous judgment declaring that MPS had no right to withdraw in priority to other unitholders and awarded costs in P-REIT's favour.

MPS has lodged an application to have elements of the Court of Appeal's judgment reviewed by the High Court of Australia. A hearing to determine if the matter is suitable for the High Court is set down for 14 February 2014. The Trust's lawyers have made submissions setting out the reasons why the matter is not suitable for the High Court and will present oral arguments at the hearing. In the event that MPS's application is rejected we expect the matter to be at an end. If the case is set down for a High Court hearing P-REIT will defend those proceedings.

Review of Operations

The NSW Court of Appeal's decision has lead to the Trust reversing a $19.7 million litigation impairment which is reflected in the following statement. In addition the Trust has taken up a contingent asset in the range of $500k and $1 million to reflect the cost order. The Trust's financial result for the six months to December 2013 is summarised in the table below.

	6 months to December 2013 $'000	**6 months to December 2012 $'000**
Revenue	6,284	6,205
Expenses	(3,405)	(3,798)
Normalised Profit	**2,879**	**2,407**
Reversal of prior years' litigation provision	19,700	-
Litigation expenses	(17)	(1,085)
	19,683	(1,085)
Unrealised gain on revaluation	1,201	1,716
Realised gain / (loss) on sale of investments	(137)	117
Depreciation expenses	(1,127)	(1,201)
Total Comprehensive Income For the Period	**22,499**	**1,954**

In November 2013 the Trust made an investment in the Bald Rock Fund. This trust holds an investment in a freehold hotel located in Rozelle, Sydney known as the Bald Rock Hotel. The trust was capitalised by P-REIT and a small number of wholesale investors (including BlackWall CEO Stuart Brown, Chairman Richard Hill and Non-executive Director Seph Glew). The trust is forecast to generate a cash distribution in excess of 9% per annum. P-REIT's equity in the trust gives it constructive control and, 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 P-REIT's asset base through acquisitions and where appropriate controlling positions in pooled property investments.

Events Subsequent to Reporting Date and Likely Developments

Other than the matters referred to in these financial statements, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs.

Office Holders of the Responsible Entity

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

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)
Don Bayly (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 Trust is a group of the kind referred to in ASIC Class Order 98/0100, 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.

Stuart Brown
Director
Sydney, 11 February 2014

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

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2013, there have been:

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

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

Dated at Sydney the 11th day of February 2014

ESV

ESV Accounting and Business Advisors

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P-REIT

ARSN 109 684 773

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2013

	Note	December 2013 $'000	December 2012 $'000
Revenue From Continuing Operations			
Rental income		5,289	5,157
Dividends and distributions		992	1,041
Interest income		3	7
Gain on sale of investments		-	117
Net unrealised gain on revaluation	4	1,201	2,153
Other Income			
Reversal of prior years' litigation provision	10	19,700	-
Total Revenue		**27,185**	**8,475**
Property outgoings		(1,197)	(1,160)
Depreciation expenses		(1,127)	(1,201)
Administration expenses		(556)	(549)
Finance costs		(1,624)	(2,041)
Loss on sale of investments		(137)	-
Other operating expenses		(28)	(48)
Litigation expenses		(17)	(1,085)
Profit For the Period		**22,499**	**2,391**
Other Comprehensive Loss			
Items that will be reclassified to profit or loss			
Net unrealised loss on revaluation of financial assets	4	-	(437)
Other Comprehensive Loss For the Period		**-**	**(437)**
Total Comprehensive Income For the Period		**22,499**	**1,954**
Profit Attributable To:			
Owners of the Trust		22,279	2,391
Non-controlling Interests		220	-
		22,499	**2,391**
Total Comprehensive Income Attributable To:			
Owners of the Trust		22,279	1,954
Non-controlling Interests		220	-
		22,499	**1,954**
Earnings Per Unit			
Basic and diluted earnings per unit	5	$0.11	$ 0.01

The accompanying notes form part of these financial statements.

P-REIT

ARSN 109 684 773

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	December 2013 $'000	June 2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		175	39
Trade and other receivables		808	612
Other assets		177	405
Total Current Assets		1,160	1,056
Non-current Assets			
Financial assets	6	38,729	38,323
Investment properties	7	84,450	81,350
Total Non-current Assets		123,179	119,673
TOTAL ASSETS		**124,339**	**120,729**
LIABILITIES			
Current Liabilities			
Trade and other payables		533	801
Other liabilities		164	60
Borrowings	8	48,500	49,500
Derivatives	9	381	693
Provision	10	-	19,700
Total Current Liabilities		49,578	70,754
Non-current Liabilities			
Borrowings	8	1,706	-
Total Non-current Liabilities		1,706	-
TOTAL LIABILITIES (EXCLUDING NET ASSETS)		**51,284**	**70,754**
NET ASSETS			
Attributable to owners of the parent		72,243	49,975
Non-controlling interests		812	-
TOTAL NET ASSETS		**73,055**	**49,975**
TOTAL LIABILITIES (INCLUDING NET ASSETS)		**124,339**	**120,729**

P-REIT

ARSN 109 684 773

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the Half-year Ended 31 December 2013

	Units on Issue No.'000	Issued Units $'000	Retained Earnings / (Accumulated Losses) $'000	Available-for-sale Assets Reserve (*) $'000	Attributable to Owners of the Parent $'000	Non-controlling Interests $'000	Total $'000
Balance at 1 July 2013	**207,524**	**105,958**	**(55,983)**	**-**	**49,975**	**-**	**49,975**
Profit for the period	-	-	22,279	-	22,279	220	22,499
Issue of units	-	-	-	-	-	610	610
Transaction costs	-	(11)	-	-	(11)	(18)	(29)
Balance at 31 December 2013	**207,524**	**105,947**	**(33,704)**	**-**	**72,243**	**812**	**73,055**
Balance at 1 July 2012	**207,524**	**105,958**	**(60,133)**	**(249)**	**45,576**	**-**	**45,576**
Profit for the period	-	-	2,391	-	2,391	-	2,391
Other comprehensive loss	-	-	-	(437)	(437)	-	(437)
Balance at 31 December 2012	**207,524**	**105,958**	**(57,742)**	**(686)**	**47,530**	**-**	**47,530**

* 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.

P-REIT

ARSN 109 684 773

Consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2013

	December 2013 $'000	December 2012 $'000
Cash Flows From Operating Activities		
Receipt from customers	5,495	5,661
Payments to suppliers	(2,378)	(2,329)
Litigation expenses	(17)	(555)
Distribution received	980	626
Interest received	3	7
Interest paid	(1,581)	(1,797)
Net Cash Flows From Operating Activities	**2,502**	**1,613**
Cash Flows From Investing Activities		
Payments for purchase of financial assets	(1,152)	-
Payments for purchase of investment properties	(2,965)	(13)
Proceeds from disposal and redemption of financial assets	234	312
Proceeds from disposal of investment properties	230	-
Net Cash Flows From / (Used in) Investing Activities	**(3,653)**	**299**
Cash Flows From Financing Activities		
Repayment of borrowings	(1,000)	(2,580)
Proceeds from borrowings	1,706	-
Proceeds from issue of units to non-controlling interests	610	-
Transaction costs for issue of units	(29)	-
Net Cash Flows From / (Used in) Financing Activities	**1,287**	**(2,580)**
Net Increase / (Decrease) in Cash Held	**136**	**(668)**
Cash and cash equivalents at the beginning of the year	39	1,306
Cash and Cash Equivalents at End of the Period	**175**	**638**

1. Statement of Significant Accounting Policies

The financial statements cover P-REIT and its controlled entities, the Yandina Sub-trust and Bald Rock Fund. P-REIT 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 registered on 17 September 2013.

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

The financial statements for the Trust for the half-year ended 31 December 2013 were authorised for issue in accordance with the 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 of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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 2013 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 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 Trust is a group of the kind referred to in ASIC Class Order 98/0100, 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 accounting policies adopted are consistent with those of the previous financial year ended 30 June 2013 except as described below.

(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

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 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. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

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. Application of this standard by the Trust will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Trust's investments.

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

(ii) AASB 13 Fair Value Measurement

The measurement and disclosure requirements are applicable for the December 2013 half-year end. The Trust has included the disclosures in the financial statements.

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

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. Notwithstanding the deficiency in current assets over current liabilities the Directors believe the bank facilities of $48.5 million, classified as a current liability for reasons set out in the Borrowings note, will be renewed and extended after May 2014.

Comparative figures

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.

2. 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. The Directors believed it appropriate to raise no impairment provisions for the half-year ended 31 December 2013.

Key estimates – financial assets

Financial asset provisions have been raised with reference to the prevailing prices at 31 December 2013 of 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 assessment.

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 the 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.

3. 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 half-year ended 31 December is as follows:

	Direct Property $'000	Other Investments $'000	Unallocated $'000	Consolidated Total $'000
31 December 2013				
Sales to external customers	5,289	995	-	6,284
Reversal of prior years' litigation provision	-	-	19,700	19,700
Net unrealised gain/(loss) on revaluation	1,576	(375)	-	1,201
Total segment revenue	6,865	620	19,700	27,185
Segment operating profit	4,051	389	19,700	24,140
Finance costs	(1,624)	-	-	(1,624)
Litigation expenses	-	-	(17)	(17)
Total comprehensive income	**2,427**	**389**	**19,683**	**22,499**
31 December 2012				
Sales to external customers	5,164	1,158	-	6,322
Unrealised gain on revaluation	1,125	1,028	-	2,153
Total segment revenue	6,289	2,186	-	8,475
Segment operating profit	3,453	2,064	-	5,517
Finance costs	(2,041)	-	-	(2,041)
Litigation expenses	-	-	(1,085)	(1,085)
Other comprehensive loss	-	(437)	-	(437)
Total comprehensive income/(loss)	**1,412**	**1,627**	**(1,085)**	**1,954**
31 December 2013				
Segment assets	85,067	39,272	-	124,339
Segment liabilities	(51,284)	-	-	(51,284)
30 June 2013				
Segment assets	81,945	38,784	-	120,729
Segment liabilities	(50,946)	(108)	(19,700)	(70,754)

4. Unrealised Gain / (Loss)

Up until 31 December 2012 the Trust's investments are classified as available-for-sale financial assets. Subsequent to initial recognition, they were measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity, with the exception of impairment losses, distribution and interest income, which were recognised in profit or loss. Where the investment was disposed of or was determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve was reclassified to profit or loss.

From 1 January 2013 the Trust classifies its financial assets as financial assets at fair value through profit or loss (FVTPL). Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

	December 2013 $'000	December 2012 $'000
Unrealised gain/(loss) recognised in profit and loss	(375)	1,029
Unrealised loss recognised in other comprehensive loss	-	(437)
Total unrealised gain/(loss) on financial assets	(375)	592
Unrealised gain on investment properties	1,263	1,023
Unrealised gain on interest rate swaps	313	101
Net unrealised gain	**1,201**	**1,716**
Reconciled to profit and loss as follows:		
Net unrealised gain in profit and loss	1,201	2,153
Net unrealised loss in other comprehensive loss	-	(437)
	1,201	**1,716**

5. Earnings Per Unit

	December 2013	December 2012
Basic and diluted earnings per unit	$0.11	$0.01
Calculated as follows:		
Profit attributable to the owners of the Trust	22,279,000	$2,391,000
Weighted average number of units for earnings per unit	207,524,039	207,524,039

6. Non-current Assets - Financial Assets

	December 2013 $'000	June 2013 $'000
Bakehouse Bonds	31,089	31,089
Investment in unlisted related entities	5,152	4,424
Investment in unlisted other entities	2,488	2,810
Total	**38,729**	**38,323**

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. The Bonds' face value of $30 million is indexed to CPI annually (subject to impairment assessment) and the current value is $31.09 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears. All other assets are investments in various managed investment schemes.

The Trust acquired 13,333,333 Pelathon Pub Group Preferred units during the period. The acquisition is payable in two instalments (total 6 cents per unit). The second instalment of 3.6 cents per unit is payable within two years after the close of the offer. The amount payable is included in the value above.

7. Non-current Assets - Investment Properties

	December 2013	June 2013
	$'000	$'000
Chancellor Homemaker Centre	20,400	20,400
Silver @ The Exchange	18,250	18,250
APN Yandina	24,100	24,100
BlueScope Coolum	4,700	4,700
Canberra Eye Hospital	7,900	7,900
APN Toowoomba	6,000	6,000
Bald Rock Hotel	3,100	-
Total	**84,450**	**81,350**

Movements in investment properties:		
Balance at the beginning of financial year	81,350	81,350
Purchase of Bald Rock Hotel	2,965	-
Sale of Bald Rock Hotel pokies entitlements	(230)	-
Additions (subsequent expenditures)	1	27
Straight-line rental income	228	503
Depreciation	(1,127)	(2,403)
Revaluation	1,263	1,873
Balance at the end of financial period	**84,450**	**81,350**

The Trust obtained independent valuations for its investment properties Silver @ The Exchange, APN Yandina and Canberra Eye Hospital in February 2012 and June 2010 for Chancellor Homemaker Centre, BlueScope Coolum and APN Toowoomba. The valuations were performed by registered independent valuers under the instructions from the Trust's bank by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections and discounted cash flow projections.

In November 2013, the Trust acquired a controlling interest in the Bald Rock Fund which acquired the Bald Rock Hotel in Rozelle, Sydney. The fund was capitalised by P-REIT and a small number of wholesale investors (including BlackWall CEO Stuart Brown, Chairman Richard Hill and Non-executive Director Seph Glew). The fund is forecast to generate a cash distribution in excess of 9% per annum. P-REIT's equity in the trust gives it constructive control and, 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 P-REIT's asset base through acquisitions and where appropriate controlling positions in pooled property investments.

For the half-year ended 31 December 2013, the Directors have updated their assessment of the fair value of all 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 holding values generate the following capitalisation rates:

Chancellor Homemaker	9.6%
Silver @ The Exchange	10.7%
APN Yandina	9.9%
BlueScope Coolum	8.4%
Canberra Eye Hospital	8.4%
APN Toowoomba	9.5%
Bald Rock Hotel	7.6%

8. Current and Non-current Liabilities - Borrowings

	Note	December 2013 $'000	June 2013 $'000
Current			
NAB bill facility	8(a)	48,500	49,500
		48,500	**49,500**
Non-current			
Bald Rock facility	8(b)	1,256	-
Loan from Blackwall Property Funds		450	-
		1,706	**-**
Total borrowings		**50,206**	

The Trust has two bank borrowings with NAB and CBA as follows:

(a) Current – NAB bill facility

The bill facilities are secured by registered first mortgages over the freehold land and buildings (refer to Investment Properties note excluding the Bald Rock Hotel). During the period $1 million of debt has been repaid to the Trust's lenders.

The borrowings of $48,500,000 will mature in May 2014 and therefore are classified as a current liability. Subject to documentation, BlackWall has negotiated for the bank margin to be repriced from 3.25% (at 31 December 2012) down to 1.85%. In addition, the bank has agreed to allow the Trust to draw down further debt to fund development or acquisitions subject to standard covenants. $29 million of borrowings are hedged under interest rate swap contracts. Refer to Derivatives note below for further details. The average interest rate on the facility for the half-year was 4.93% (June 2013: 6.56%).

(b) Non-current – Bald Rock facility

The CBA facility of $1,256,000 is secured over the Bald Rock Hotel. It will mature in November 2015 and the margin is 2.67%. 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.

9. Current Liabilities - Derivatives

	December 2013 $'000	June 2013 $'000
Interest rate swaps	381	693
Total	**381**	**693**

The Trust is party to interest rate swaps in the normal course of business in order to hedge exposure to fluctuations in interest rate through $29 million of interest rate swap contracts. The gain or loss from remeasuring the interest rate swaps at fair value is recognised in profit or loss. The terms of the interest rate swaps are:

- $10 million swapped at 5.26% to 1 June 2014.
- $10 million swapped at 5.22% to 9 June 2014.
- $9 million swapped at 4.22% to 10 November 2014.

10. Current Liabilities - Provision

	December 2013 $'000	June 2013 $'000
Provision for litigation claim	-	19,700
Total	**-**	**19,700**

The provision for litigation claim relates to court proceeding instituted by the MacartherCook Property Securities Fund (now call the Aims Property Security Fund ASX Code: APW). The details, facts and history of the MPS's claim are set out in a BlackWall investor update dated October 2013 which can be downloaded at BlackWall's website (www.blackwallfunds.com.au) or can be viewed in BlackWall's ASX announcement entitled AGM Presentation released on 23 October 2013.

In summary the dispute relates to a claim by MPS that it had a right to redeem/withdraw a $15 million investment in the Trust in priority to other P-REIT unitholders. The claim stems from contracts entered with MPS by P-REIT's previous management. BlackWall has always refuted this claim, however, MPS management choose to aggressively pursue it. On 10 August 2012 MPS was awarded damages and costs of $19.7 million by Justice Hammerschlag in the Supreme Court of NSW. The Trust lodged an appeal to this decision and in September 2013 the NSW Supreme Court handed down a unanimous judgment declaring that MPS had no right to withdraw in priority to other unitholders and awarding costs in the P-REIT's favour. On the basis of this decision the provision for litigation was reversed and a contingent asset for the costs award (of between $500,000 and $1 million) is carried.

MPS has lodged an application to have elements of the Court of Appeal's judgment reviewed by the High Court of Australia. A hearing to determine if the matter is suitable for the High Court is set down for 14 February 2014. The Trust's lawyers have made submissions setting out the reasons why the matter is not suitable for the High Court and will present oral arguments at the hearing. In the event that MPS's application is rejected we expect that the matter to be at an end. If the case is set down for a High Court hearing P-REIT will defend those proceedings.

11. Contingent Assets and Contingent Liabilities

Apart from the Provision note above in relation to contingent assets and contingent liabilities, there are no other contingencies as at 31 December 2013.

12. Subsequent Events

Other than the matters referred to in these financial statements, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

13. Fair Value Measurement of Financial Instruments

(a) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, 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 following table presents the Trust's financial assets and liabilities measured at fair value as at 31 December and 30 June.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
At 31 December 2013				
Financial assets at FVTPL				
- Unquoted equities	-	-	8,030	8,030
- Debt instruments	-	-	30,699	30,699
	-	-	38,729	38,729
Interest rate swaps	-	(381)	-	(381)
At 30 June 2013				
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)

(b) 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.

(c) 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 as at 31 December and 30 June:

	Financial assets at FVTPL $'000	Level 3 Total $'000
At 31 December 2013		
Balance at the beginning of year	38,323	38,323
Purchases	2,254	2,254
Disposals/redemptions	(1,473)	(1,473)
Fair value movement	(375)	(375)
Balance at the end of period	**38,729**	**38,729**
At 30 June 2013		
Balance at the beginning of year	917	38,368
Purchases	185	1,658
Disposals/redemptions	(774)	(2,628)
Fair value movement	1,362	925
Reclassification (*)	36,633	-
Balance at the end of year	**38,323**	**38,323**

* 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.

There were no transfers between Level 1, 2 and 3 financial instruments during the period. For all other financial assets and liabilities carrying value is an approximation of fair value.

14. Trust Details

Principal place of business
The management of the Trust is undertaken at:
Level 1, 50 Yeo Street
Neutral Bay NSW 2089

Directors' Declaration

In the opinion of the Directors of TFML Limited, the Responsible Entity of P-REIT:

(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 2013 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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Stuart Brown
Director
Sydney, 11 February 2014

ESV

Independent Review Report to the Investors of P-REIT ("the Trust")

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of P-REIT ("the Trust") which comprises the condensed consolidated statement of financial position as at 31 December 2013 and the condensed consolidated statement of comprehensive income, statement of net assets attributable to unitholders, condensed consolidated statement of cash flows for the half-year ended on that date, selected accompanying notes to the financial statements and the Director's declaration.

Directors' Responsibility for the Financial Report

The Directors of TFML 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 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 2013 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 P-REIT, 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 RFML Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

(a) giving a true and fair view of the financial position of the Trust as at 31 December 2013 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*.

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Independent Audit Report to the Investors of P-REIT ("the Trust")

Emphasis of matter

Without qualification to our conclusion, we draw attention to Note 10 which discloses the circumstances relating to the ongoing litigation with Aims Property Securities Fund (APW) (formerly known as Macarthurcook Property Securities Fund (MPS)).

Dated at Sydney the 11th day of February 2014

ESV

ESV Accounting and Business Advisors

Chris Kirkwood
Partner

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