

# ASX Release

23 February 2017

## Capital Raising Closed, Gross Assets Up

### Key Details

- Total unitholder **return of 23%** for the 12 months to 31 December 2016
- Capital raising and post balance date transactions completed growing **gross assets to \$153 million up 34%\*** from December 2015.
- **100% tax deferred interim distribution of 4.5 cents per unit** to be paid 7 April 2017.

	Feb 2017	Dec 2016	Dec 2015 *
<b>Income Portfolio</b>	\$95 million	\$94 million	\$87 million
<b>Growth Portfolio</b>	\$53 million	\$52 million	\$23 million
<b>Other Assets</b>	\$5 million	\$3 million	\$4 million
<b>Gross Assets</b>	\$153 million	\$149 million	\$114 million
<b>NTA</b>	\$82 million	\$77 million	\$62 million
	\$1.27 pu	\$1.27 pu	\$1.21 pu
<b>Total Revenue</b>	N/A	6.9 million	5.7 million
<b>Debt</b>	42% LVR	42% LVR	44% LVR
<i>*Normalised for the in-specie distribution of Pelathon Pub units (\$6.2 million)</i>			

BlackWall Property Trust has successfully closed its \$12 million offer and significantly grown gross assets. The capital was raised through a combination of an over-subscribed rights issue and a private placement. "The private placement added over 70 new investors to the register," said BlackWall CEO, Stuart Brown. "Most of those are sophisticated investors." The completion of all transactions has grown the Trust's units on issue to 66.6 million.

The raising has allowed the Trust to grow its investment in two of BlackWall's property joint ventures and to make a new acquisition in Hobart.

BWR will soon settle the purchase of a 3,500 square metre commercial office building at 162 Macquarie Street in Hobart's CBD. Around 75% of the building is already occupied. The remaining vacant space will house a new WOTSO WorkSpace, with the group adapting and reusing the fit out left by the previous tenant.

In addition BWR has grown its investment in the BlackWall project known as 55 Pyrmont Bridge Road. BWR now controls just over 27% of the Trust that owns the prominent 14,000 square metre commercial media/tech hub in Sydney.

BWR is a small, nimble and dynamic property investment vehicle. The Trust's total return philosophy gives investors a mix of an underlying, reliable distribution flow while active positions drive NTA growth.

"Over the coming 12 months, we expect the Trust will receive growing and recurring income returns of 10% per annum on the proceeds of the raising and significant capital growth," said Mr Brown.

**For more information please contact BlackWall:**

Stuart Brown (CEO) or Tim Brown (CFO)



**BLACKWALL**  
PROPERTY TRUST

INTERIM  
CONSOLIDATED  
FINANCIAL  
REPORT

Half Year Ended Dec 31 2016



WOTSO

## Financial Statements

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## Total Return REIT

BWR is a small, nimble and dynamic property investment vehicle. The Trust's total return philosophy gives investors a mix of an underlying, reliable distribution flow while active positions drive NTA growth.

The Trust holds passive income producing assets in its **Income Portfolio** and takes on active special situations or development opportunities in the **Growth Portfolio**.

	Feb 2017	Dec 2016	Dec 2015 *
<b>Income Portfolio</b>	\$95 million	\$94 million	\$87 million
<b>Growth Portfolio</b>	\$53 million	\$52 million	\$23 million
<b>Other Assets</b>	\$5 million	\$3 million	\$4 million
<b>Gross Assets</b>	\$153 million	\$149 million	\$114 million
<b>NTA</b>	\$82 million	\$77 million	\$62 million
	\$1.27 pu	\$1.27 pu	\$1.21 pu
<b>Total Revenue</b>	N/A	\$6.9 million	\$5.7 million
<b>Debt</b>	42% LVR	42% LVR	44% LVR

*\*Normalised for the in-specie distribution of Pelathon Pub units (\$6.2 million)*

In the multi-billion dollar listed property trusts, development or transactions at the asset level rarely have a meaningful effect on the NTA per unit. Because of their size, such trusts' performance is more driven by market sentiment than on the ground property activities. This was evidenced by the "bond yield" sell of the A-REITs in late 2016.

By contrast, the successful execution of plans in BWR's Growth Portfolio will have a significant effect on BWR's NTA and distribution per unit in a relatively short period of time.

## Management

BWR is managed by BlackWall Limited (ASX: BWF) which holds 16% of the Trust. BlackWall operates two complementary business units;

- BlackWall Property Funds – a full service property management, investment and development business; and
- WOTSO WorkSpace – a provider of collaborative workspace and flexible office space.

BlackWall has a long track record of securing and executing property special situations. BWR participates in these opportunities either through direct ownership or co-investment in property joint ventures originated and managed by BlackWall. In WOTSO, the Trust has a ready-made tenant for suitable acquisitions. The Trust's upcoming purchase of 162 Macquarie Street Hobart is an example of this.

## Balance Sheet & Subsequent Events

In late 2016, BWR announced a \$12 million capital raising and the sale of a small industrial asset in South East Queensland on a passing yield of 6.35% (\$3.6 million).

The Trust has successfully placed all units under the capital raising and, along with the proceeds of the asset sale, has reallocated that capital through the following investments;

- exercised and completed an option arrangement to acquire 4.32 million of its own units at \$1.05 per unit (\$4.5 million);
- participated in a rights issue in a property joint venture (PBT) controlling 55 Pyrmont Bridge Road, taking up just over \$3.5 million in that offer;
- acquired additional interests in PBT bringing BWR's holding to \$7.6 million or 27%;
- increased its investment by \$2.5 million in a property joint venture controlling the Woods Action Centre, taking BWR's control of the project to 45%.



## DIRECTORS' REPORT

Set out below is the investment portfolio showing the current position.

<b>Income Portfolio</b>		
Chancellor, Sippy Downs, QLD	\$26,200,000	
Yandina, QLD	\$24,700,000	
Silver, Varsity Lakes, QLD	\$18,000,000	
Canberra South, Symonston, ACT	\$8,100,000	
Hobart, TAS	\$7,800,000	
Toowoomba, QLD	\$6,500,000	
The Woods Action Centre, NSW	\$4,000,000	\$95,300,000
<b>Growth Portfolio</b>		
WOTSO House, Dickson, ACT	\$25,000,000	
Bakehouse Quarter, NSW	\$20,200,000	
55 Pyrmont Bridge Road, NSW	\$7,600,000	\$52,800,000
<b>Total Investment</b>		<b>\$148,100,000</b>

As discussed above the successful execution of plans in the Growth Portfolio will generate significant NTA and distribution growth. In the meantime the transactions set out above are NTA neutral and after their completion NTA per unit remains at \$1.27.

### Growth Portfolio

	Holding Value	Asset Value	Ownership
WOTSO House, Dickson, ACT	\$25.0 million	\$25 million	Direct
Bakehouse Quarter, NSW	\$20.2 million	\$270 million	PJV
55 Pyrmont Bridge Road, NSW	\$7.6 million	\$80 million	PJV

A detailed explanation of the Growth Portfolio was set out in the 2016 Annual Report released to the market 24 August 2016. WOTSO House in the ACT and 55 Pyrmont Bridge Road are being repositioned through leasing and internal reconfiguration, with both projects progressing as expected. With continued leasing success, these projects will add around \$2 million to net income.

In August 2016 BWR announced the possibility that the Bakehouse Quarter would be sold. This followed an unsolicited offer resulting in a highly conditional option arrangement that would see the site sold in stages over an eight year period with the first tranche to transact in March 2017. The agreements resulting from this proposal are no longer proceeding and all obligations with respect to them have lapsed.

The Bakehouse Quarter is a large, mixed-use precinct in the centre of one of Australia's largest government infrastructure investments. This project will improve access and public transport amenity to the site while significantly growing the local residential population. In particular the WestConnex project (which is already underway), the Parramatta Road transformation and the proposed Parramatta Light Rail will all have a significant impact on the site.

In November 2016 Urban Growth NSW released the Parramatta Road transformation strategy, which states that, "From Granville in the West to Camperdown in the East, the strategy contains an integrated land use planning and transport policy framework for revitalising the corridor and eight precincts along its 20 km route."

The Bakehouse Quarter is located in the heart of the area that strategy names the Homebush Precinct and is specifically referred to in the document. Among other things the document recommends the Bakehouse

## DIRECTORS' REPORT

Quarter's floor to space ratio be lifted from the current 0.75:1 to 4:1.

*A copy of the strategy document can be downloaded from the Urban Growth NSW website at [www.urbangrowth.nsw.gov.au](http://www.urbangrowth.nsw.gov.au) (following links to "Parramatta Road Project").*

The Board has resolved to close all negotiations to sell the site in one line. Instead BlackWall will continue to develop income producing uses and consider selling off or joint venturing those parts of the site that may be suitable for residential development. Over time BWR aims to grow its investment in the Bakehouse Quarter.

### Market Commentary - Office Rents

Leaving aside the particular attributes of the three assets held in BWR's Growth Portfolio, as a general comment we are seeing rent inflation in both the Sydney and ACT markets. This is despite general inflation remaining at historically low levels.

As economic conditions improve demand for commercial space is growing while supply has reduced. This reduction in stock is due to proliferation of residential conversion and a number of government land resumptions to facilitate infrastructure projects including those mentioned above. The Bakehouse Quarter, 55 Pyrmont Bridge Road and WOTSO House all benefit from these market conditions.

Directors' Report continues on page 18.

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



**Stuart Brown**  
Director  
Sydney, 23 February 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	December 2016 \$'000	December 2015 \$'000
<b>Revenue</b>			
Income portfolio		4,069	3,917
Growth portfolio		791	551
Held for sale portfolio		339	386
Net unrealised gain on revaluation	2	1,657	765
Interest income		7	99
Gain on sale of investments		-	20
<b>Total Revenue</b>		<b>6,863</b>	<b>5,738</b>
Property outgoings		(1,196)	(995)
Depreciation expense		(1,290)	(1,069)
Finance costs		(1,333)	(1,138)
Administration expenses		(803)	(495)
<b>Profit From Continuing Operations</b>		<b>2,241</b>	<b>2,041</b>
Profit From Discontinued Operations		293	433
<b>Profit For The Period</b>		<b>2,534</b>	<b>2,474</b>
<b>Total Comprehensive Income For the Period</b>		<b>2,534</b>	<b>2,474</b>
<b>Profit / (Loss) Attributable To:</b>			
Owners of the Trust		2,541	2,530
Outside equity interests		(7)	(56)
		<b>2,534</b>	<b>2,474</b>
<b>Total Comprehensive Income / (Loss) Attributable To:</b>			
Owners of the Trust		2,541	2,530
Outside equity interests		(7)	(56)
		<b>2,534</b>	<b>2,474</b>
<b>Earnings Per Unit</b>			
Basic and diluted earnings per unit	8	4.4 cents	5.4 cents

The accompanying notes form part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	December 2016 \$'000	June 2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,888	2,154
Trade and other receivables		209	256
Other assets		186	151
Income portfolio (Held for sale)	3	6,500	9,900
<b>Total Current Assets</b>		<b>9,783</b>	<b>12,461</b>
<b>Non-current Assets</b>			
Income portfolio	4	87,697	78,397
Growth portfolio	4	51,613	47,900
<b>Total Non-current Assets</b>		<b>139,310</b>	<b>126,297</b>
<b>TOTAL ASSETS</b>		<b>149,093</b>	<b>138,758</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,862	3,252
Payable for Hobart property	4	7,020	-
Other liabilities		386	248
Borrowings	5	12,000	62,000
Interest rate hedges	6	-	47
<b>Total Current Liabilities</b>		<b>22,268</b>	<b>65,547</b>
<b>Non-current Liabilities</b>			
Borrowings	5	50,000	-
Interest rate hedges	6	745	1,397
<b>Total Non-current Liabilities</b>		<b>50,745</b>	<b>1,397</b>
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS)</b>		<b>73,013</b>	<b>66,944</b>
<b>NET ASSETS</b>			
Attributable to owners of the parent		75,456	71,174
Outside equity interests		624	640
<b>TOTAL NET ASSETS</b>		<b>76,080</b>	<b>71,814</b>
<b>TOTAL LIABILITIES (INCLUDING NET ASSETS)</b>		<b>149,093</b>	<b>138,758</b>



# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Units No.'000	Units \$'000	Retained Earnings / (Accumulated Losses) \$'000	Attributable to Owners of the Parent \$'000	Outside Equity Interests \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	<b>57,838</b>	<b>126,216</b>	<b>(55,042)</b>	<b>71,174</b>	<b>640</b>	<b>71,814</b>
Issue of units <sup>(1)</sup>	2,757	4,065	-	4,065	-	4,065
On-market buy-back	(9)	(11)	-	(11)	-	(11)
Profit / (loss)	-	-	2,541	2,541	(7)	2,534
Distributions paid	-	-	(2,313)	(2,313)	-	(2,313)
Partial disposal of BOF interest	-	-	-	-	(9)	(9)
<b>Balance at 31 December 2016</b>	<b>60,586</b>	<b>130,270</b>	<b>(54,814)</b>	<b>75,456</b>	<b>624</b>	<b>76,080</b>
Issue of units since 31 December	1,653	1,945				
<b>Balance at signing date</b>	<b>62,239</b>	<b>132,215</b>				
<b>Balance at 1 July 2015</b>	<b>46,693</b>	<b>113,364</b>	<b>(49,255)</b>	<b>64,109</b>	<b>3,033</b>	<b>67,142</b>
Issue of units	190	265	-	265	-	265
On-market buy-back	(320)	(391)	-	(391)	-	(391)
Profit / (loss)	-	-	2,530	2,530	(56)	2,474
Distributions paid	-	-	(2,749)	(2,749)	-	(2,749)
Disposal of BRF interest	-	-	-	-	(720)	(720)
Partial disposal of BOF interest	-	-	-	-	(1,273)	(1,273)
<b>Balance at 31 December 2015</b>	<b>46,563</b>	<b>113,238</b>	<b>(49,474)</b>	<b>63,764</b>	<b>984</b>	<b>64,748</b>

- (1) The Trust has raised \$9.1 million under the Rights Issue and Placement during the period to 31 December 2016, and partially settled the raising with units it already held.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	December 2016 \$'000	December 2015 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from tenants	5,807	4,882
Payments to suppliers	(2,960)	(2,467)
Interest paid	(1,368)	(1,132)
Property joint ventures distributions received	45	942
Interest received	7	99
<b>Net Cash Flows From Operating Activities</b>	<b>1,531</b>	<b>2,324</b>
<b>Cash Flows From Investing Activities</b>		
Net proceeds from sale of Coolum	3,506	-
Returns of capital from property joint ventures	223	480
Payment for Pymont Bridge Trust units	(3,625)	-
Payment for BlackWall Telstra House Trust units	(1,851)	-
Deposit paid for Hobart	(780)	-
Payment for capital expenditure	(374)	(152)
Payment for other related property joint ventures	(21)	(19)
Net proceeds from redemption of Bakehouse Bonds (CPI indexation)	-	1,680
Net proceeds from redemption of Bald Rock Hotel	-	855
Proceeds from disposal of related property joint ventures	-	742
Proceeds from disposal of other property joint ventures	-	5
<b>Net Cash Flows From / (Used in) Investing Activities</b>	<b>(2,922)</b>	<b>3,591</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from capital raising	9,107	-
Payment for call options	(4,536)	-
Distributions paid	(2,307)	(2,781)
Capital raising costs paid	(128)	-
Payment for buy-back of units	(11)	(391)
<b>Net Cash Flows From / (Used in) Financing Activities</b>	<b>2,125</b>	<b>(3,172)</b>
<b>Net Increase in Cash Held</b>	<b>734</b>	<b>2,743</b>
Cash and cash equivalents at the beginning of the year	2,154	316
<b>Cash and Cash Equivalents at End of the Period</b>	<b>2,888</b>	<b>3,059</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Segment Information

The segment information for the Trust is as follows. For information on segment reporting, refer to Statement of Significant Accounting Policies for more details.

<b>Profit &amp; Loss (\$'000)</b>	<b>Income</b>	<b>Growth</b>	<b>Held for</b>	<b>Total</b>
<b>December 2016</b>	<b>Portfolio</b>	<b>Portfolio</b>	<b>Sale/Other</b>	
Rental income	4,069	791	334	5,194
Investment	1,363	161	145	1,669
<b>Total Revenue</b>	<b>5,432</b>	<b>952</b>	<b>479</b>	<b>6,863</b>
Property outgoings	(872)	(260)	(64)	(1,196)
Depreciation	(882)	(314)	(94)	(1,290)
Other operating expenses	(271)	(160)	(372)	(803)
Finance costs	(1,025)	(216)	(92)	(1,333)
<b>Total expenses</b>	<b>(3,050)</b>	<b>(950)</b>	<b>(622)</b>	<b>(4,622)</b>
<b>Profit/(loss) from continuing operations</b>	<b>2,382</b>	<b>2</b>	<b>(143)</b>	<b>2,241</b>

<b>December 2015</b>				
Rental income	3,918	-	329	4,247
Investment	349	660	482	1,491
<b>Total Revenue</b>	<b>4,267</b>	<b>660</b>	<b>811</b>	<b>5,738</b>
Property outgoings	(925)	-	(70)	(995)
Depreciation	(919)	-	(150)	(1,069)
Other operating expenses	(251)	(74)	(170)	(495)
Finance costs	(987)	-	(151)	(1,138)
<b>Total expenses</b>	<b>(3,082)</b>	<b>(74)</b>	<b>(541)</b>	<b>(3,697)</b>
<b>Profit/(loss) from continuing operations</b>	<b>1,185</b>	<b>586</b>	<b>270</b>	<b>2,041</b>

<b>Balance Sheet (\$'000)</b>				
<b>December 2016</b>				
Assets	87,889	51,6752	9,552	149,093
Liabilities	(55,623)	(12,340)	(5,050)	(73,013)
<b>Net Assets</b>	<b>32,266</b>	<b>39,312</b>	<b>4,502</b>	<b>76,080</b>
<b>June 2016</b>				
Assets	78,538	48,011	12,209	138,758
Liabilities	(46,036)	(12,291)	(8,617)	(66,944)
<b>Net Assets</b>	<b>32,502</b>	<b>35,720</b>	<b>3,592</b>	<b>71,814</b>

### 2. Net unrealised gain on revaluation

	<b>December 2016</b>	<b>December 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Unrealised gain on property joint ventures	226	306
Unrealised gain on investment properties	732	738
Unrealised gain/(loss) on interest rate hedges	699	(279)
<b>Net unrealised gain</b>	<b>1,657</b>	<b>765</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Current Assets – Income Portfolio (Held for Sale)

	December 2016	June 2016
	\$'000	\$'000
Held for sale properties	6,500	9,900
<b>Total</b>	<b>6,500</b>	<b>9,900</b>

In June 2016 the Trust held two small legacy industrial assets which have been marketed for sale. The Coolum property was sold for \$3.6 million. The Trust continues to hold one small industrial asset in Toowoomba QLD as a current asset.

### 4. Non-current Assets – Income Portfolio

#### December 2016

	Investment Properties \$'000	Property Joint Ventures \$'000	Total \$'000
<b>Income Portfolio</b>			
Chancellor, Sippy Downs, QLD	26,200	-	26,200
Yandina, QLD	24,700	-	24,700
Silver, Varsity Lakes, QLD	18,000	-	18,000
Canberra South, Symonston, ACT	8,100	-	8,100
Hobart, TAS	7,800	-	7,800
The Woods Action Centre, NSW	-	2,897	2,897
<b>Total Income Portfolio</b>	<b>84,800</b>	<b>2,897</b>	<b>87,697</b>
<b>Growth Portfolio</b>			
WOTSO House, Dickson, ACT	25,000	-	25,000
Bakehouse Quarter, NSW	-	20,114	20,114
55 Pyrmont Bridge Road, NSW	-	6,499	6,499
<b>Total Growth Portfolio</b>	<b>25,000</b>	<b>26,613</b>	<b>51,613</b>
<b>Total</b>	<b>109,800</b>	<b>29,510</b>	<b>139,310</b>

#### June 2016

	Investment Properties \$'000	Property Joint Ventures \$'000	Total \$'000
<b>Income Portfolio</b>			
Chancellor, Sippy Downs, QLD	26,200	-	26,200
Yandina, QLD	24,700	-	24,700
Silver, Varsity Lakes, QLD	18,000	-	18,000
Canberra South, Symonston, ACT	8,000	-	8,000
The Woods Action Centre, NSW	-	1,497	1,497
<b>Total Income Portfolio</b>	<b>76,900</b>	<b>1,497</b>	<b>78,397</b>
<b>Growth Portfolio</b>			
WOTSO House, Dickson, ACT	25,000	-	25,000
Bakehouse Quarter, NSW	-	20,100	20,100
55 Pyrmont Bridge Road, NSW	-	2,800	2,800
<b>Total Growth Portfolio</b>	<b>25,000</b>	<b>22,900</b>	<b>47,900</b>
<b>Total</b>	<b>101,900</b>	<b>24,397</b>	<b>126,297</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>Reconciliation of Investment Properties</b>	<b>December 2016</b>	<b>June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	101,900	83,850
WOTSO House acquisition	-	25,000
Purchase of Hobart property	7,800	-
Revaluation of investment properties	732	4,625
Straight-line rental income	145	303
Capital improvements	513	160
Depreciation	(1,290)	(2,138)
Reclassify to held for sale properties	-	(9,900)
<b>Closing balance</b>	<b>109,800</b>	<b>101,900</b>

The Directors have reassessed the independent valuations performed in June 2016. The current holding values generate the following capitalisation rates:

	<b>Value \$'000</b>	<b>Passing Yield</b>	<b>Market Yield</b>	<b>Valuation</b>
Chancellor, Sippy Downs, QLD	26,200	8.00%	8.50%	Independent
WOTSO House, Dickson, ACT	25,000	5.25%	9.00%	Directors
Yandina, QLD	24,700	10.20%	7.75%	Independent
Silver, Varsity Lakes, QLD	18,000	7.75%	8.50%	Independent
Canberra South, Symonston, ACT	8,100	8.90%	8.50%	Independent
Hobart, TAS	7,800	9.00%	9.00%	Purchase

The Trust has purchased a 3,450 sqm commercial office building in the Hobart CBD at 162 Macquarie Street for a purchase price of \$7.8 million. BWR has paid the deposit \$780,000 during the period and the remaining balance will be paid in March 2017.

The Trust owns interest in various property joint venture structures which own various properties (under both Income and Growth Portfolios). Refer to the Statement of Significant Accounting Policies note on definition of property joint ventures.

### **The Woods Action Centre (WRV Unit Trust and Woods PIPES Fund)**

WRV Unit Trust is a unit trust that owns The Woods Action Centre, Villawood in Sydney. Woods PIPES Fund also holds a mezzanine interest in the property.

### **Bakehouse Quarter (Kirela Development Unit Trust)**

The Trust holds 13% of the ordinary equity of the Bakehouse Quarter. The Bakehouse Quarter is valued at \$270 million.

### **55 Pyrmont Bridge Road (Pyrmont Bridge Trust)**

PBT controls an office, media and technology hub on the Western fringe of Sydney's CBD known as 55 Pyrmont Bridge Road, Pyrmont. The Trust holds 23% of PBT.

## **5. Current and Non-current Liabilities - Borrowings**

	<b>December 2016</b>	<b>June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	12,000	62,000
Non-current	50,000	-
<b>Total</b>	<b>62,000</b>	<b>62,000</b>

The existing debt of \$62 million is split into two facilities: one secured only on WOTSO House, Dickson in the ACT (\$12 million expiring September 2017), and a separate facility across the balance of the BWR portfolio (\$50 million expiring October 2018). Both facilities are subject to a margin of 2.1% p.a. over BBSY (June 2016: 1.95% p.a. and 1.85% margin for \$50 million and \$12 million facilities respectively).

A further \$3.9 million facility was drawn in February 2017 and is secured against the Hobart property and guaranteed by BWR.

Refer to the Interest Rate Hedges note below for further details.

#### 6. Current and Non-current Liabilities – Interest Rate Hedges

	December 2016	June 2016
	\$'000	\$'000
Current	-	47
Non-current	745	1,397
<b>Total</b>	<b>745</b>	<b>1,444</b>

Details of the terms are as follows:

- \$20 million collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a. The collar will expire in July 2019.
- \$30 million collar with a floor rate of 2.24% p.a. and a cap rate of 3.24% p.a. The collar will expire in January 2020.

The gain or loss from valuing the interest rate collar at fair value is recognised in the profit and loss.

#### 7. Distributions

	December 2016	December 2015
	\$'000	\$'000
2016 final distribution 4 cents paid in November 2016 (2015: 6 cents)	2,313	2,749
<b>Total</b>	<b>2,313</b>	<b>2,749</b>

In addition, the Board has declared an interim distribution of 4.5 cents per unit to be paid on 7 April 2017.

#### 8. Earnings Per Unit

	December 2016	December 2015
Basic and diluted EPU	4.4 cents	5.4 cents
Calculated as follows:		
Profit	\$2,541,000	\$2,530,000
Weighted average number of units for EPU	58,178,651	46,633,945

#### 9. Contingencies

There were no contingencies as at 31 December 2016 (2015: Nil).

#### 10. Subsequent Events

Subsequent to the reporting date, the following transactions have occurred:

- acquired additional interests in PBT bringing BWR's holding to \$7.6 million or 27%;
- increased its investment by \$1.1 million in a property joint venture controlling the Woods Action Centre, taking BWR's control of the project to 45%.



Apart from the above, 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. Fair Value Measurement of Financial Instruments

### (a) 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 property joint ventures 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 property joint ventures 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 31 December 2016</b>				
Property joint ventures	-	-	29,510	29,510
Interest rate hedges	-	(745)	-	(745)
<b>At 30 June 2016</b>				
Property joint ventures	-	-	24,397	24,397
Interest rate hedges	-	(1,444)	-	(1,444)

### (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. 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 property joint ventures classified as Level 3:

<b>At 31 December 2016</b>	<b>\$'000</b>
Balance at the beginning of the year	24,397
Purchases	5,110
Disposals/returns of capital	(223)
Fair value movement	226
Balance at the end of the period	<b>29,510</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2016	\$'000
Balance at the beginning of the year	31,764
Purchases	22,332
Disposals/returns of capital	(30,506)
Fair value movement	807
Balance at the end of the year	<u>24,397</u>

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

### 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.

#### *Key estimates – property joint ventures*

All financial assets at FVTPL have been classified as property joint ventures, which have the same meaning as financial assets at FVTPL with gains and losses recognised as profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities.

#### *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 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.

### 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 of the IFRS 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 2016 and any public announcements made by the Trust during the half-year in accordance with the continuous disclosure obligations of the ASX listing rules.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 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.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2016.

### 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'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 from 1 July 2016: Income Portfolio, Growth Portfolio and Held for Sale/Other.

The Trust generates and distributes income returns from assets held in its Income Portfolio. The Income Portfolio includes Chancellor, Yandina, Silver in QLD, Canberra South in the ACT, Hobart in TAS and The Woods Action Centre in NSW.

The Growth Portfolio segment is invested in WOTSO House, Dickson in the ACT, 55 Pyrmont Bridge Road in Sydney and the Bakehouse Quarter in North Strathfield. Once assets in the Growth Portfolio stabilise or mature, they move to the Income Portfolio to grow distributions. The Trust either purchases real estate directly or holds positions in property joint ventures.

## NOTES TO THE FINANCIAL STATEMENTS

The Held for Sale/Other segment includes small industrial assets which are listed for sale, and all unallocated general income and overheads.

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

Certain new accounting standards and interpretations have been published that are not mandatory 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. The Trust is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

#### *AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019)*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard substantially carries forward the lessor accounting requirements in AASB 117 and required enhanced disclosure about the lessor's risk exposure. The Trust is currently assessing the impact of applying the new standard and does not expect a material impact from the application.

## DIRECTORS' REPORT - CONTINUED

### 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 period are set out below.

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)  
Tim Brown (Company Secretary from 23 September 2016)  
Caroline Raw (Company Secretary to 23 September 2016)

### 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, 23 February 2017



**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 2016, 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 22<sup>nd</sup> day of February 2017

A handwritten signature in blue ink, appearing to read 'ESV' or similar, positioned above the printed name.

**ESV Accounting and Business Advisors**

A handwritten signature in blue ink, appearing to read 'Tim Valtwies', positioned above the printed name.

**Tim Valtwies**  
**Partner**



## 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 2016 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.

The 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.

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



**Stuart Brown**  
Director  
Sydney, 23 February 2017

## TRUST DETAILS

The Responsible Entity's details are as follows:

Registered office and principal place of business	BlackWall Fund Services Limited Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	+612 9033 8611
Fax	+612 9033 8600
Website	<a href="http://www.blackwall.com.au">www.blackwall.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 4000

**INDEPENDENT REVIEW REPORT TO THE INVESTORS OF BLACKWALL PROPERTY TRUST AND ITS CONSOLIDATED ENTITIES ("THE TRUST")****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Blackwall Property Trust and its consolidated entities ("the Trust") which comprises the condensed consolidated statement of financial position as at 31 December 2016 and the condensed consolidated statement of profit or loss and other comprehensive income, condensed statement of net assets attributable to unitholders, condensed 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, 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 2016 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.



**INDEPENDENT REVIEW REPORT TO THE INVESTORS OF BLACKWALL PROPERTY TRUST AND ITS  
CONSOLIDATED ENTITIES ("THE TRUST")**

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 2016 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 23<sup>rd</sup> day of February 2017

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**

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BWR / Trust	BlackWall Property Trust
BlackWall	BlackWall Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
BOF	BlackWall Opportunities Fund
BTHT	BlackWall Telstra House Trust
Consolidated financial report	Financial statements
Custodian	The Trust Company Limited
EPU	Earnings per unit
FVTPL	Fair value through profit and loss
IFRS	International Financial Reporting Standards
Outside equity interests	Non-controlling interests
p.a.	Per annum
PBT	Pymont Bridge Trust
Property joint ventures	Financial assets at FVTPL
Responsible Entity	BlackWall Fund Services Limited
ROC	Returns of Capital





BlackWall Property Trust  
ARSN 109 684 773

Responsible Entity: BlackWall Fund Services Limited  
ABN 39 079 608 825

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