

BlackWall Penrith Fund No. 3

ARSN 165 156 945

Annual Financial Statements

For the Year Ended 30 June 2018

BlackWall Penrith Fund No. 3
ARSN 165 156 945
Responsible Entity: BlackWall Fund Services Limited
ABN 39 079 608 825
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BlackWall Penrith Fund No. 3

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Directors' Report

BlackWall Penrith Fund No. 3 is a registered managed investment scheme. BlackWall Fund Services Limited acts as the Responsible Entity and the directors present the financial report of BlackWall Penrith Fund No. 3 for the year ended 30 June 2018.

The Fund has 4,500,000 units on issue and NTA per unit of \$1.38. During the year, the Fund paid a total of \$405,000 in interest to unitholders (9 cents per unit), which equates to 9% per annum on the issue price at commencement of \$1.00 per unit.

The Fund is a hybrid property investment trust (known as PIPES) with an interest in a 'big-box' retail property located on Mulgoa Road, Penrith. As the Fund's name suggests this is the third investment syndicate structured with respect to the Property (the first commenced in 2002). Since that time the Property has generated investor distributions of not less than 8.75% per annum. These distributions have been paid quarterly.

The Responsible Entity is a wholly owned subsidiary of ASX-listed BlackWall Limited. BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value or property related special situations. BlackWall is listed on the ASX under the stock code BWF. BlackWall and the Responsible Entity share the same board of directors (Directors) and management.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Fund during the financial year.

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

		2018	2017
	Note	\$	\$
PIPES interest from PIPES mortgage		405,000	405,000
Interest and fee recoveries		168	620
Total revenue	1	<u>405,168</u>	<u>405,620</u>
PIPES interest paid to unitholders	2	(405,000)	(405,000)
Administration expenses		(168)	(382)
Net Profit / (Loss) For the Year		<u>(405,168)</u>	<u>238</u>
Other comprehensive income		-	-
Total Comprehensive Profit / (Loss) For the Year		<u>-</u>	<u>238</u>

The accompany notes form part of these financial statements.

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Statement of Financial Position

For the Year Ended 30 June 2018

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	3	130	440
Receivables	4	101,384	101,216
Total Current Assets		101,514	101,656
Non-current Assets			
Financial assets	5	6,200,000	6,200,000
Total Non-current Assets		6,200,000	6,200,000
TOTAL ASSETS		6,301,514	6,301,656
LIABILITIES			
Current Liabilities			
Payables	6	101,514	101,656
Total Current Liabilities		101,514	101,656
Non-current Liabilities			
Financial liabilities	7	6,200,000	6,200,000
Total Non-current Liabilities		6,200,000	6,200,000
TOTAL LIABILITIES		6,301,514	6,301,656
NET ASSETS		-	-
TOTAL INVESTORS' FUND		-	-

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2018

As the Fund has no equity, the Fund has not included any items of changes in equity for the current or prior years.

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Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Cash Flows From Operating Activities			
Interest received from PIPES mortgage		405,000	405,000
Interest distributions to unitholders		(405,000)	(405,000)
Interest received		-	530
Bank charges paid		(310)	(239)
Net Cash Flows From / (Used in) Operating Activities	10	(310)	291
Net Increase / (Decrease) in Cash Held		(310)	291
Cash and cash equivalents at the beginning of period		440	149
Cash and Cash Equivalents at the End of Period	3	130	440

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Notes to the Financial Statements

For the Year Ended 30 June 2018

1. Revenue

	2018	2017
	\$	\$
PIPES interest from PIPES mortgage	405,000	405,000
Interest	168	620
Total	405,168	405,620

2. PIPES Interest Paid to Unitholders

	2018		2017	
	CPU	\$	CPU	\$
Interest paid in October for September quarter	2.25	101,250	2.25	101,250
Interest paid in January for December quarter	2.25	101,250	2.25	101,250
Interest paid in April for March quarter	2.25	101,250	2.25	101,250
Interest payable in July for June quarter	2.25	101,250	2.25	101,250
Total	9.00	405,000	9.00	405,000

3. Current Assets – Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank	130	440
Total	130	440

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

4. Current Assets – Receivables

	2018	2017
	\$	\$
PIPES interest receivable	101,384	101,216
Total	101,384	101,216

5. Non-current Assets – Financial Assets

	2018	2017
	\$	\$
PIPES Mortgage	4,500,000	4,500,000
PIPES Bonus	1,700,000	1,700,000
Total	6,200,000	6,200,000

The Fund has advanced monies secured by a registered second mortgage over property at 120 Mulgoa Road, Penrith. The Penrith property was independently valued in June 2017 at \$25.0 million (up from \$16.5 million), and the investors' capital is returned together with a bonus equating to 20% of this capital growth, which is only payable at the maturity date. The Fund's maximum exposure to credit risk is represented by PIPES interest receivable, PIPES mortgage and bonus.

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For the Year Ended 30 June 2018

6. Current Liabilities – Payables

	2018	2017
	\$	\$
Distributions payable	101,234	101,250
Other payable	280	406
Total	101,514	101,656

7. Non-current Liabilities – Financial Liabilities

	2018	2017
	\$	\$
Amounts due to PIPES unitholders	4,500,000	4,500,000
Accrued PIPES Bonus	1,700,000	1,700,000
Total	6,200,000	6,200,000

The PIPES Bonus is the investors' capital gain. The Penrith property was independently valued in June 2017 at \$25.0 million from \$16.5 million and the investors' capital is returned with a bonus equating to 20% of this capital gain, which is only payable at the maturity date.

Terms and conditions

All units in the Fund are the same class and carry equal rights. Under the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

The units are referred to as 'Property Income and Participating Equity Securities' or PIPES. Holders of units are entitled to participate in investment returns earned by the Fund in the proportion that their unitholding comprises to the total number of units issued, and are entitled to one vote per unit at unitholders' meetings. The Fund is expected to have a term of 7 years from registration.

Due to the finite life clause contained within the Fund's Constitution and product disclosure statement, and in accordance with the Accounting Standards, the issued units in the Fund have been classified as debt for these financial statements.

8. Auditor's Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor of the Fund:		
Audit or other audit related services	5,500	7,500
Taxation services	1,100	1,100
Total	6,600	8,600

The Auditor's remuneration is paid out of the underlying property assets.

9. Commitments and Contingencies

There are no commitments or contingencies as at 30 June 2018 (2017: nil).

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Notes to the Financial Statements

For the Year Ended 30 June 2018

10. Reconciliation of Profit After Income Tax to Operating Cash Flows

	2018	2017
	\$	\$
Profit (Loss) for the year	-	-
Change in assets and liabilities:		
Decrease / (increase) in receivables	(168)	(90)
Increase in payables	(142)	381
Net cash flows from / (used in) operating activities	(310)	291

11. Subsequent Events

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

12. Related Party Transactions

(a) Related Parties

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

(b) Transactions with Related Parties

Total unitholdings held by related parties as at 30 June 2018 was 662,622 (2017: 662,622).

In accordance with the terms of the Fund Constitution, the Responsible Entity is entitled to a management fee of 0.5% per annum of the property's value, payable monthly in arrears. The fees are paid from the underlying property assets not from the Fund's assets.

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

Related party transactions that occurred during the year are as follows:

	2018	2017
Expenses	\$	\$
Fund management fee paid to Responsible Entity	124,800	82,800
Distribution paid/payable to related unitholders	59,640	57,697
Receivables from related parties - current	101,384	101,216
Payables to related parties - current	14,910	14,910

13. Financial Risk Management

(a) Financial risk management

The main risks the Fund is exposed to through its financial instruments are market risk and liquidity risk. The Fund's exposure to credit risk is to one party being the mortgagor Planloc Pty Ltd for which a second mortgage is held as collateral. The Fund's major financial instruments are financial mortgage assets and net assets attributable due to unit holders.

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For the Year Ended 30 June 2018

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. They monitor the Fund's risk exposures by regularly reviewing finance and property markets. An analysis of major financial instruments held by the Fund, which are subject to financial risk, is as follows:

	2018	2017
	\$	\$
Financial assets	6,200,000	6,200,000

There is no material difference between the carrying value and the fair value of the financial assets.

(b) Market risk

The Fund is exposed to market risk if insufficient cash flows are generated by the underlying property supporting the financial assets to enable PIPES Mortgage interest to be received by unitholders via distributions. The interest rate for the PIPES Mortgage is fixed at 9% for the life of the Fund. Distributions to investors may also be affected by fluctuations in the interest rate applicable to the senior debt facility secured on the property. If interest rates had moved at 30 June, with all other variables held constant, profit would have not been materially affected. Therefore, a sensitivity analysis has not been prepared.

(c) Liquidity risk

Units in the Fund are regarded as illiquid. This means that there is no active market in which to sell units except for off-market transfer. The Responsible Entity has no obligation to purchase or redeem units during the term of the Fund. There is no secondary market for units and transfers may only be effected in accordance with the Constitution and with the approval of the Responsible Entity. At the end of the year, the Fund held the following financial liabilities by maturity grouping.

	Maturing within 1 year \$	Maturing over 5 years \$	Total \$
At 30 June 2018			
Financial liabilities			
Payables	101,514	-	101,514
Amounts due to PIPES unitholders	-	6,200,000	6,200,000
	101,514	6,200,000	6,301,514
	Maturing within 1 year \$	Maturing over 5 years \$	Total \$
At 30 June 2017			
Financial liabilities			
Payables	101,656	-	101,656
Amounts due to unitholders	-	6,200,000	6,200,000
	101,656	6,200,000	6,301,656

14. Segment Reporting

The Fund currently operates in one business segment in Australia acting as the recipient of income to which investors are entitled to and to distribute this income to investors in proportion to their entitlements.

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For the Year Ended 30 June 2018

15. Fund Details

The management of the Fund is undertaken at:
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

16. 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 Fund.

Key estimates – impairment

The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to impairment of assets. The Directors of the Responsible Entity believed it appropriate to raise no impairment provisions for the current year.

Key estimates – PIPES bonus

The PIPES bonus is calculated with reference to the independent valuation performed on the property. The property valuation involves relevant assumptions made by the expert independent valuer.

17. Statement of Significant Accounting Policies

The Fund is a managed investment scheme registered in Australia. The financial statements for the Fund were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on the date they were issued.

Basis of preparation

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

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

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

Presentation of financial statements

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

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For the Year Ended 30 June 2018

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.

Financial Assets

As provided for in the Constitution, investors in the Fund acquired units, known as PIPES units. The assets are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

The operative asset of the Fund is a registered second mortgage over 120 Mulgoa Road, Penrith.

Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Fund has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

Measurement

Pipes Mortgage

Mortgage loans are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any.

The Responsible Entity assesses at each reporting period date whether there is any objective evidence that

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mortgage loans are impaired. A mortgage loan is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the mortgage loan (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the mortgage loan that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing other financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the loan loss provision account.

For the purpose of a collective evaluation of impairment the Fund considers credit risk characteristics such as asset type, industry, geographic location, collateral type, past due status and other relevant factors.

Loans and receivables/payables

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short term receivables/payables.

Payables

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

Revenue

Interest income is recognised using the effective interest method when interest is received/receivable. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. All revenue is stated net of the amount of GST.

Income Tax

Under current income tax legislation, the Fund is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Fund and the Fund generally distributes its taxable income.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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Notes to the Financial Statements

For the Year Ended 30 June 2018

Unit prices

Unit prices are determined in accordance with the Fund's Constitution and Product Disclosure Statement and are calculated as net assets attributable to unitholders of the Fund, less estimated costs, divided by the number of units on issue.

New Accounting Standards and Interpretations

There are no standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions. AASB will impact them, in terms of how credit risk is assessed and recognized as appropriate.

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The impact to the Fund shall not be material. The Fund has not yet decided when to adopt AASB 9.

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Directors' Report - Continued

Information on Officeholders

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

Richard Hill, Non-Executive Director (Independent Chairman)

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Sirtex Medical Limited (listed on the ASX). Richard is Chairman of the Westmead Millennium Institute for Medical Research. In the last three years, Richard has served as a director (Chairman) of Sirtex Medical Limited (Sirtex), listed on ASX. Richard resigned as director of Sirtex on 28 October 2017.

Joseph (Seph) Glew, Non-Executive Director

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many turnaround processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Robin Tedder, Non-Executive Director

Robin has worked in finance and investment since 1976 during which time he has served as the CEO of an investment bank and as non executive director on the boards of public and private companies in banking, insurance, funds management, property, healthcare, retail and wine. He was a member of ASX for many years. He is the Chairman of investment company Vintage Capital and has been an investor in BlackWall Group projects since 1997. Robin is also the Chairman of the BlackWall Board Audit Committee.

Stuart Brown, Executive Director and Chief Executive Officer

Stuart has been involved in property investment for over 18 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value.

In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also an independent Director of Coogee Boys' Preparatory School and Randwick District Rugby Union Football Club.

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Timothy Brown, Executive Director and Chief Financial Officer (appointed as Director on 29 January 2018)

Timothy Brown is the Chief Financial Officer for the BlackWall Group and its funds, and is responsible for all aspects of the group's financial reporting, debt management and accounting operations. Timothy joined the formerly listed Pelorus Property Group Limited in 2008 as Group Financial Controller and became Chief Financial Officer in 2009, continuing with BlackWall when it listed in 2011. He has a Bachelor of Commerce from the University of New South Wales, is a member of the Institute of Chartered Accountants of Australia and has a Graduate Diploma from the Financial Services Institute of Australasia. With over 20 years experience in the financial services and property industries, he started his career with Deloitte in their middle market audit division working on a wide variety of SMEs. In 2002 he joined Lend Lease Corporation and held a number of finance roles across the Lend Lease portfolio from development and retail financial management to corporate treasury, including Treasury Manager for Lend Lease's European operations based in London.

Sophie Gowland, Company Secretary and Head of Funds Management

Sophie is a lawyer with over 10 years of experience in legal practice and financial services. Prior to joining BlackWall, Sophie practiced in the areas of corporate advisory, equity capital markets and mergers and acquisitions with firms including Gilbert + Tobin. Sophie was previously an investment banker with Credit Suisse, specialising in equity capital markets. Sophie holds a Bachelor of Commerce and Bachelor of Laws (First Class Honours) from the University of Queensland.

Meeting Attendances

Director	Board Meetings
Meetings Held	10
Richard Hill	10
Seph Glew	10
Robin Tedder	10
Stuart Brown	10
Timothy Brown	5

Events Subsequent to Reporting Date and Likely Developments

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Remuneration

In accordance with the terms of the Constitution and Product Disclosure Statement, the Responsible Entity is entitled to receive an annual management fee based on 0.5% of the gross asset value of the Fund. The total fees paid to the Responsible Entity and its associates during the year are set out in the Related Party Transactions note.

There were no fees paid or payable from the Fund to the Directors of the Responsible Entity during the financial year.

The Fund does not provide any short term or post employment benefits to its KMP.

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Interests in the Fund

The number of units on issue at 30 June 2018 was 4,500,000 (2017: 4,500,000). The Responsible Entity and its associates held 273,158 units in the Fund as at 30 June 2018 (2017: 273,158). There were no withdrawals from the Fund during the year.

Value of Fund's Assets

The value of the Fund's assets is set out in the Statement of Financial Position in the Total Assets line. Refer to the Financial Assets note for valuation details.

Environmental Regulation

The Fund's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory.

Indemnities of Officers

During the financial period the Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that Responsible Entity against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Responsible Entity, other than conduct involving a wilful breach of duty. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Fund.

Non-audit Services and Auditor

Amounts paid to the auditor during the year are detailed at the Auditor's Remuneration note of the financial statements.

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.

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



Stuart Brown

Director

Sydney, 28 September 2018

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Directors' Declaration

In the opinion of the Directors of BlackWall Fund Services Limited, the Responsible Entity of BlackWall Penrith Fund No. 3:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund 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, 28 September 2018



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

To the Directors of BlackWall Fund Services Limited ("the Responsible Entity")

As auditor for the financial report of BlackWall Penrith Fund No. 3 for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 28th day of September 2018

A handwritten signature in black ink, appearing to read 'ESV' or similar, written over the printed name.

ESV Accounting and Business Advisors

A large, stylized handwritten signature in black ink, appearing to read 'Tim Valtwies'.

Tim Valtwies
Partner



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF BLACKWALL PENRITH FUND NO. 3

Opinion

We have audited the financial report of BlackWall Penrith Fund No. 3 ("the Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the directors for the financial report

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



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF BLACKWALL PENRITH FUND NO. 3

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Dated at Sydney on the 28th of September 2018

ESV Accounting and Business Advisors

Tim Valtwies
Partner