

ASX Release

17 August 2015

BlackWall Property Trust - BWR

30 June 2015 – Full Year Results

Key Details

- **A final distribution of 6 cents per unit declared, to be paid on 6 November 2015.**
- The full year distribution of 11.5 cents per unit (5.5 cents paid in April 2015).
- NTA of \$1.40 per unit with gearing of 43%.

Distributions

The Trust has carried forward revenue losses of over \$20 million and capital losses of approximately \$17 million. As a consequence, for a significant period all distributions will be tax deferred.

Property Portfolio

The Trust's \$87.4 million property portfolio is stable with less than 5% vacancy and a weighted average lease expiry of 6.3 years. At 30 June the property portfolio is held at a weighted average capitalisation rate of 9.1%.

Bakehouse Bonds

The Trust holds \$21.7 million of Bakehouse Bonds. The bonds are subordinated debt notes secured against a large mixed-use development known as the Bakehouse Quarter.

During the 2015 financial year the Bakehouse Quarter was formally marketed for sale as a result of a number of unsolicited approaches to purchase. Through the marketing process an offer of \$270 million was received but was rejected by the Directors. Subsequently an offer (from a different party) of \$300 million was declined as it was subject to unacceptable conditions. Specifically, completion may not have occurred until 2020 (at the purchaser's election) and the proposed upfront payment of \$20 million was insufficient.

The Bakehouse Quarter has \$108 million of bank debt, which ranks in priority to \$27.1 million worth of Bakehouse Bonds (\$21.7 million held by BWR and \$5.4 million held by BlackWall Property Funds Limited – BWF). The bonds pay a coupon of 5.5% per annum and their face value is indexed to CPI annually. Total debt (bank and Bakehouse Bonds) secured against the project is just over \$135 million. Depending on the value of the



property adopted Bakehouse Bonds are protected by an equity buffer of between \$134 million and \$165 million. Should an opportunity present the Trust will look to convert its interest in the Bakehouse Bonds to ordinary equity in the Bakehouse Quarter.

The Bakehouse has approximately 40,000 sqm of commercial, entertainment and retail premises generating significant cash flow. In addition, it has close to 20,000 sqm of developable land. It is anticipated that this land would be suitable for substantial residential development.

While the site is no longer being actively marketed for sale there are a number of parties conducting due diligence and revised offers will be assessed if received. BlackWall has resolved to make an application for a rezoning of the site and either:

- sell the individual residential development sites; or
- joint venture a residential development.

If the Bakehouse were to be sold in one line the Bakehouse Bonds would be redeemed for cash. A partial sale or residential development would likely result in the bonds being redeemed in part or in full for cash.

The financial statements for the full year to 30 June 2015 together with the Appendix 4E are attached to this release. For more information contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on +612 9033 8611.

BLACKWALL PROPERTY TRUST

Managed By



BLACKWALL
PROPERTY FUNDS



Consolidated Annual Financial Report

Year Ended 30 June 2015

CONTENTS

Financial Statements

Directors' Report	Page 3
Auditor's Independence Declaration	Page 9
ASX Additional Information	Page 10
Trust Details	Page 12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	Page 13
Consolidated Statement of Financial Position	Page 14
Consolidated Statement of Changes in Net Assets Attributable to Unitholders	Page 15
Consolidated Statement of Cash Flows	Page 16
Notes to the Financial Statements	Page 17
Directors' Declaration	Page 36
Independent Auditor's Report	Page 37
Contents – Notes to the Financial Statements	Page 39
Glossary	Page 40

*** Front cover pictures:**

Top – Chancellor Homemaker Centre

Bottom Left – 55 Pyrmont Bridge Road

Bottom Right – WOTSO WorkSpace Silver @ The Exchange

Directors' Report

The BlackWall Property Trust is an ASX-listed real estate investment trust (ASX: BWR) with commercial, retail and industrial property interests.

BWR has \$120 million of gross assets with \$50 million of bank debt giving rise to net tangible assets of \$64 million or \$1.40 per unit. The Trust has 46 million units.

A final distribution of 6 cents per unit was declared on the date of this report with a payment date of 6 November 2015. This brings the full year distribution to 11.5 cents per unit (an interim distribution of 5.5 cents per unit paid in April 2015). The Trust has carried forward revenue losses of over \$20 million and capital losses of approximately \$17 million. As a consequence for a significant period all distributions will be 100% tax deferred.

BlackWall Fund Services Limited is BWR's Responsible Entity and wholly-owned by ASX-listed BlackWall Property Funds Limited (ASX: BWF). BlackWall is a vertically integrated property management, funds management and investment business. It provides property and asset management services to a range of property syndicates including BWR. BlackWall holds 7.5 million (16%) units in the Trust.

Review of Operations

Recently BWR announced and commenced an on market unit buy-back scheme. At the date of this report 150,515 units have been bought back under this scheme.

The Trust's \$87.4 million property portfolio is stable with less than 5% vacancy and a weighted average lease expiry of 6.3 years. At 30 June the property portfolio is held at a weighted average capitalisation rate of 9.1%.

	Value \$'000	Implied Cap Rate	NLA sqm
APN Yandina	24,750	10.0%	9,100
Chancellor Homemaker Centre	22,000	8.3%	9,500
Silver @ The Exchange	18,500	8.5%	5,100
Canberra Eye Hospital	8,500	8.5%	2,600
Toowoomba	6,100	9.8%	4,100
Coolum	4,000	10.5%	2,900
Bald Rock Hotel *	3,500	N/A	N/A
	87,350		

* *Contracts exchanged*

As foreshadowed in the 2014 Annual Report the Trust's property portfolio had a number of lease expiries in the 2015 financial year. Specifically:

- Silver @ The Exchange on the Gold Coast had 4,300 sqm of vacant space with the expiry of the Gold Coast City Council lease. BlackWall has leased all but 500 sqm of this space. Significantly, the GCCC space has been split amongst four new tenants spreading future leasing risk and increasing flexibility. One of these tenants is a gym and health operator which adds amenity to the building for existing and prospective tenants. BlackWall's serviced office business has established an operation at Silver and has expanded on the back of strong take up. Negotiations are underway with respect to the balance of the vacant space. The let up period and incentives have had an impact on the rental income for the 2015 financial year. The majority of the incentives have now run off.
- A potential vacancy arose at Chancellor Homemaker Centre with the failure of Retail Adventure Group and subsequently DSG Holdings. A short term replacement tenant was secured and

BlackWall has negotiated for this tenant to take up a long term lease of part of the premises. This will leave a vacancy of 1,200 sqm.

In November 2013 BWR made an investment in a BlackWall syndicate known as the Bald Rock Fund. The Trust holds 39% of the fund and, as a consequence, it was consolidated onto the Trust's balance sheet. Contracts for the sale of the Bald Rock Hotel were recently exchanged and the asset has now been reclassified as current. Completion of this transaction is scheduled for 30 September 2015. At completion BWR's investment of \$390,000 will be returned along with a profit of \$210,000.

The Trust's rental and distribution income for the 2015 financial year has decreased by \$2.2 million. This decrease was caused by:

- one-off let up and lease incentives with respect to the leasing transactions explained above; and
- a reduction in distributions from Bakehouse Bonds following the redemption of 10 million Bakehouse Bonds which in part discharged the Trust's litigation liability in June 2014.

In June 2015 agents were appointed to market the Chancellor Homemaker Centre for sale with the instructions that the asset would only sell at a significant premium to its carrying value with the aim of redeploying the capital into a more active asset. The property has been revalued to \$22 million which reflects the best unconditional offer received. The Directors resolved that this was not a sufficient premium to warrant selling and the property will be retained.

Bakehouse Bonds

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Total debt (bank and Bakehouse Bonds) secured against the project is just over \$135 million. Depending on the value of the property adopted Bakehouse Bonds are protected by an equity buffer of between \$134 million and \$165 million. Should an opportunity present itself, the Trust will look to convert its interest in the Bakehouse Bonds to ordinary equity in the Bakehouse Quarter.

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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 Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Information on Officeholders of the Responsible Entity

The Responsible Entity is a wholly owned subsidiary of BlackWall Property Funds Limited. BlackWall's Officeholders comprise the board of the Responsible Entity. The Officeholders of the Responsible Entity 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.

Name and Position	Special Experience
Richard Hill Non-Executive Director and 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). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research.
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 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners. 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 around 40 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX). Robin is also a Fellow of the Financial Services Institute of Australasia.
Stuart Brown Executive Director and Chief Executive Officer	Stuart has been involved in property investment for over 17 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 an independent Director of Coogee Boys' Preparatory School.
Caroline Raw Company Secretary from 18 February 2015 (Don Bayly Company Secretary until 18 February 2015)	Caroline Raw joined the BlackWall team in 2013 and is responsible for executing corporate and fund transactions across the BlackWall Group. Caroline has been practising as a solicitor in NSW since 2005 and has worked predominantly on IPOs, public and private capital raisings, funds management, corporate advisory, takeovers and mergers and acquisitions. Caroline holds a Bachelor of Commerce, Bachelor of Laws and Graduate Diploma in Applied Corporate Governance. Caroline is also a Chartered Secretary and Associate Member of the Governance Institute of Australia.

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Richard Hill	10	10
Seph Glew	10	10
Robin Tedder	10	10
Stuart Brown	10	10

Key Management Personnel's Relevant Interests

KMP include all Directors and the Chief Financial Officer (Tim Brown). Their current relevant interests in the Trust and at the release of the 2014 Annual Report are shown below. For ease of comparison the 2014 numbers have been restated as if the 10:1 unit consolidation completed in March 2015 had occurred:

	26 August 2014	Net change	12 August 2015
Richard Hill	394,215	0	394,215
Seph Glew	3,595,437	539,066	4,134,503
Robin Tedder	5,085,915	55,050	5,140,965
Stuart Brown	412,297	55,049	467,346
Tim Brown	28,844	0	28,844
Total	9,516,708	649,165	10,165,873

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

Options

There were no options granted during the year ended 30 June 2015. There are no options on issue as at the date of this report.

Responsible Entity and Custodian Remuneration

The Responsible Entity's remuneration details can be found under the Related Party Transactions note of the financial statements.

The Custodian is Perpetual Limited. The custody fee is calculated at the greater of \$15,000 p.a. or 0.025% p.a. of the gross asset value (up to \$100 million then 0.015% for gross assets value between \$100-\$500 million) of the Trust, plus GST. In addition, the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties.

Interests in the Trust

The number of units on issue at 30 June 2015 was 45,977,273 (excluding 716,057 units BWR holds in itself). As at 30 June 2015 and the date of this report, the Responsible Entity and its associates held 7.5 million units in the Trust.

Subsequent to 30 June 2015, the Trust purchased 150,515 ordinary units on-market as part of The Trust's buy-back. The Trust currently has 45,826,758 units on issue.

Value of the Trust's Assets

At 30 June 2015, the Trust's assets were valued at \$119,946,000 as set out in the Trust's Consolidated Statement of Financial Position. Refer to the Financial Assets and Investment Properties notes for valuation details.

Environmental Regulation

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

Indemnities of Officers

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

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

Corporate Governance Statement

A description of the Trust's current corporate governance practices is set out in the Trust's corporate governance statement which can be viewed at <http://www.blackwallfunds.com.au/about-us.html>.

Auditor and Non-audit Services

\$12,178 was paid to the auditor for non-audit services during the year (2014: \$9,547) as detailed in the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

Rounding of Amounts

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

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

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

Stuart Brown
Director
Sydney, 17 August 2015



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

As auditor for the audit of Blackwall Property Trust and its Controlled Entities for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 14th day of August 2015.

A handwritten signature in black ink that reads 'ESV' with a checkmark-like flourish at the end.

ESV Accounting and Business Advisors

A handwritten signature in black ink that reads 'Tim Valtwies' in a cursive script.

Tim Valtwies
Partner

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The unitholder information set out below was current as at 12 August 2015.

1. Unitholders

The Trust's top 20 largest unitholdings were:

	Investor	Units (No.)	Units (%)
1	Pelorus Private Equity Limited	7,400,000	16.15
2	Sandhurst Trustees Ltd <AIMS PSF A/C>	5,847,669	12.76
3	Blackwall Property Funds Limited	5,400,000	11.78
4	Vintage Capital Pty Limited	3,557,505	7.76
5	Seno Management Pty Ltd	2,735,000	5.97
6	BlackWall Fund Services Limited	2,100,000	4.58
7	Lymkeesh Pty Ltd <Employers Super Fund A/C>	1,418,717	3.10
8	BlackWall Fund Services Limited <BQT A/C>	1,225,776	2.67
9	Koonta Pty Ltd <Koonta Super Fund A/C>	1,081,489	2.36
10	Seno Management Pty Ltd <Seno Super Fund A/C>	500,000	1.09
11	Stanbox Pty Limited <The Salem Family Account>	500,000	1.09
12	Pinnatus Pty Ltd	476,501	1.04
13	Stanbox No 2 Pty Ltd	430,000	0.94
14	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	422,639	0.92
15	Koonta Pty Ltd <The Tedder Family A/C>	415,435	0.91
16	Sao Investments Pty Ltd	410,982	0.90
17	J P Morgan Nominees Australia Limited	402,003	0.88
18	Lymkeesh Pty Ltd	373,103	0.81
19	Castlebay Pty Limited	370,047	0.81
20	Methuselah Capital Management Pty Ltd	222,070	0.48

2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

Category	No. of Holders
1-1,000	203
1,001-5,000	519
5,001-10,000	170
10,001-100,000	184
100,001 and over	39
Total number of unitholders	1,115

The Trust has 53 holders of less than a marketable parcel. The Trust has 45,826,758 units on issue after 150,515 buy-back and 716,057 units of which BWR holds in itself. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX: BWR).

3. Substantial Unitholders

The Trust's substantial unitholders are set out below:

Investor	Units (No.)	Units (%)
BlackWall Property Funds Ltd	7,500,000	16.37
Pelorus Private Equity Ltd	7,400,000	16.15
Sandhurst Trustees Ltd <AIMS PSF A/C>	5,847,669	12.76
Robin Tedder	5,140,965	11.22
Joseph (Seph) Glew	4,134,503	9.02
Paul Tresidder	2,886,296	6.30

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	www.blackwallfunds.com.au
Registry	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001 www.computershare.com.au Telephone: +613 9415 4329

BlackWall Property Trust

ARSN 109 684 773

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Revenue			
Rental income		9,094	10,604
Property securities distribution income		1,316	2,031
Interest income		248	106
Net unrealised gain on revaluation	2(b)	4,073	2,067
Revenue From Ordinary Activities		14,731	14,808
Reversal of prior years' litigation provision		-	2,790
Total Revenue	2(a)	14,731	17,598
Property outgoings	3	(2,319)	(2,137)
Depreciation expense		(2,176)	(2,253)
Administration expenses	3	(1,200)	(1,170)
Finance costs		(2,486)	(3,215)
Loss on sale of investments	3	(35)	(2,254)
Other expenses		(24)	-
Litigation expenses		-	(165)
Profit For the Year		6,491	6,404
Total Comprehensive Income For the Year		6,491	6,404
Profit Attributable To:			
Owners of the Trust		6,336	6,150
Outside equity interests		155	254
		6,491	6,404
Total Comprehensive Income Attributable To:			
Owners of the Trust		6,336	6,150
Outside equity interests		155	254
		6,491	6,404
Earnings Per Unit			
Basic and diluted earnings per unit	14	\$0.14	\$0.03

The accompanying notes form part of these financial statements.

BlackWall Property Trust

ARSN 109 684 773

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	316	230
Trade and other receivables	5	388	1,859
Other assets	6	128	159
Bald Rock Hotel	8	3,500	-
Total Current Assets		4,332	2,248
Non-current Assets			
Financial assets	7	31,764	29,404
Investment properties	8	83,850	83,950
Total Non-current Assets		115,614	113,354
TOTAL ASSETS		119,946	115,602
LIABILITIES			
Current Liabilities			
Trade and other payables	9	908	1,042
Other liabilities	10	1,968	3
Borrowings	11	50,000	-
Interest rate hedges	12	-	47
Total Current Liabilities		52,876	1,092
Non-current Liabilities			
Borrowings	11	-	51,721
Interest rate hedges	12	580	-
Total Non-current Liabilities		580	51,721
TOTAL LIABILITIES (EXCLUDING NET ASSETS)		53,456	52,813
NET ASSETS			
Attributable to owners of the parent		63,457	61,975
Outside equity interests	19	3,033	814
TOTAL NET ASSETS		66,490	62,789
TOTAL LIABILITIES (INCLUDING NET ASSETS)		119,946	115,602

BlackWall Property Trust

ARSN 109 684 773

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2015

	Units on Issue No.'000	Issued Units \$'000	Retained Earnings / (Accumulated Losses) \$'000	Attributable to Owners of the Parent \$'000	Outside Equity Interests \$'000	Total \$'000
Balance at 1 July 2014	466,929	113,364	(51,389)	61,975	814	62,789
Unit consolidation *	(420,236)	-	-	-	-	-
Profit for the year	-	-	6,336	6,336	155	6,491
Distributions paid	-	-	(4,202)	(4,202)	(43)	(4,245)
Consolidation of BOF **	-	-	-	-	2,107	2,107
Balance	46,693	113,364	(49,255)	64,109	3,033	67,142
BWR Holdings in itself	(716)	(652)	-	(652)	-	(652)
Balance at 30 June 2015	45,977	112,712	(49,255)	63,457	3,033	66,490
Buy-back to 13 August 2015	(151)	(185)	-	-	-	-
Balance at signing date	45,826	112,527				
Balance at 1 July 2013	207,524	105,958	(55,983)	49,975	-	49,975
Profit for the year	-	-	6,150	6,150	254	6,404
Distributions paid	-	-	(1,556)	(1,556)	(36)	(1,592)
Issue of units	259,405	7,782	-	7,782	610	8,392
Transaction costs	-	(376)	-	(376)	(14)	(390)
Balance at 30 June 2014	466,929	113,364	(51,389)	61,975	814	62,789

* Represents a 10 to 1 unit consolidation in March 2015.

** In June 2015, the Trust acquired a controlling interest in BlackWall Opportunities Fund. As a result, BOF has been consolidated onto the Trust's accounts.

BlackWall Property Trust

ARSN 109 684 773

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash Flows From Operating Activities			
Receipts from customers		9,136	11,439
Payments to suppliers		(4,677)	(4,410)
Property securities distributions received		1,331	2,182
Interest received		196	106
Interest paid		(2,498)	(3,174)
Litigation related legal expenses		-	(165)
Net Cash Flows From Operating Activities	17	3,488	5,978
Cash Flows From Investing Activities			
Proceeds from disposal of financial assets		2,884	7,109
Payments for purchase of financial assets		(1,751)	(2,377)
Payments for capital expenditure		(645)	(13)
Deposit received for Bald Rock Hotel		150	-
Returns of capital from financial assets		177	-
Payments for Judgment Debt		-	(16,761)
Payments for purchase of Bald Rock Hotel (net)		-	(2,734)
Net Cash Flows From / (Used in) Investing Activities		815	(14,776)
Cash Flows From Financing Activities			
Net proceeds /(repayment) of borrowings		(15)	2,221
Distributions paid		(4,202)	(1,585)
Proceeds from issue of units		-	8,392
Transaction costs for issue of units		-	(39)
Net Cash Flows From / (Used in) Financing Activities		(4,217)	8,989
Net Increase in Cash Held			
Cash and cash equivalents at the beginning of the year		230	39
Cash and Cash Equivalents at End of the Year	4	316	230

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

1. Segment Information

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

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

The Trust has adopted three reporting segments, Direct Property, Other Investments and Unallocated. The Direct Property segment includes the ownership and leasing out of commercial, industrial and retail properties in Australian Capital Territory, New South Wales and Queensland. Income is derived from rent and property revaluations. The Other Investments segment includes interests in debt instruments and property related securities such as units in unlisted unit trusts. It generates income from dividends, distributions, and interest. The Unallocated segment covers general functions. The segment information for the year ended 30 June is as follows:

	Direct Property \$'000	Other Investments \$'000	Unallocated \$'000	Consolidated Total \$'000
30 June 2015				
Revenue from ordinary activities	9,094	1,564	-	10,658
Net unrealised gain on revaluation	3,448	625	-	4,073
Total segment revenue	12,542	2,189	-	14,731
Segment operating profit	7,006	1,971	-	8,977
Finance costs	(2,486)	-	-	(2,486)
Profit	4,520	1,971	-	6,491
Segment assets	87,541	32,405	-	119,946
Segment liabilities	(53,456)	-	-	(53,456)
30 June 2014				
Revenue from ordinary activities	10,604	2,137	-	12,741
Reversal of prior years' litigation provision	-	-	2,790	2,790
Net unrealised gain/(loss) on revaluation	2,373	(306)	-	2,067
Total segment revenue	12,977	1,831	2,790	17,598
Segment operating profit	7,636	1,358	790	9,784
Finance costs	(3,215)	-	-	(3,215)
Litigation expenses	-	-	(165)	(165)
Profit	4,421	1,358	625	6,404
Segment assets	85,672	29,930	-	115,602
Segment liabilities	(52,663)	-	(150)	(52,813)

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

2. Revenue

(a) Revenue	Note	2015	2014
		\$'000	\$'000
Rent:			
- Rental income		8,757	10,226
- Straight-line rental income		337	378
		<u>9,094</u>	<u>10,604</u>
Investment income:			
- Property securities distribution income		1,316	2,031
- Interest income		248	106
		<u>1,564</u>	<u>2,137</u>
Net unrealised gain on revaluation	2(b)	4,073	2,067
Reversal of prior years' litigation provision		-	2,790
Total revenue		<u>14,731</u>	<u>17,598</u>
(b) Net unrealised gain on revaluation			
Unrealised gain/(loss) on financial assets		625	(306)
Unrealised gain on investment properties		3,981	1,727
Unrealised gain/(loss) on interest rate hedges		(533)	646
Net unrealised gain		<u>4,073</u>	<u>2,067</u>

3. Expenses

	2015	2014
	\$'000	\$'000
Property outgoings:		
- Leasing fees	230	101
- Property outgoings	2,089	2,036
	<u>2,319</u>	<u>2,137</u>
Administration expenses:		
- Responsible entity fees	785	805
- Compliance expenses (listing, registry etc)	231	202
- Other fund expenses	184	163
	<u>1,200</u>	<u>1,170</u>
Loss on sale of investments:		
- Bakehouse Bonds	-	2,000
- Other financial assets	35	254
	<u>35</u>	<u>2,254</u>

4. Current Assets - Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at bank	316	230
Total	<u>316</u>	<u>230</u>

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

5. Current Assets - Trade and Other Receivables

	2015 \$'000	2014 \$'000
Trade and other receivables		
- Related parties	381	1,625
- Other parties	7	234
Total	388	1,859

Further information on receivables from related parties is set out in the Related Party Transactions note. \$43,000 of Bald Rock Hotel's debtors have been provided for as at 30 June 2015 (2014: Nil).

6. Current Assets - Other Assets

	2015 \$'000	2014 \$'000
Prepayments	128	159
Total	128	159

7. Non-current Assets - Financial Assets

	2015 \$'000	2014 \$'000
Financial assets at FVTPL	31,764	29,404
Total	31,764	29,404

(a) Financial assets at FVTPL

Investment in unlisted related entities:

- Bakehouse Bonds	7(b)	21,670	21,350
- Pymont Bridge Trust	7(c)	2,800	-
- Pelathon Pub Group	7(d)	2,878	2,158
- Planloc Preference Shares	7(e)	1,900	1,985
- BlackWall Penrith Fund No.3	7(e)	541	-
- WRV Unit Trust	7(f)	1,400	900
- BlackWall Telstra House Trust		4	3
- BlackWall Opportunities Fund (BOF)	7(g)	-	1,185
		31,193	27,581
Investment in unlisted other entities		571	1,823
Total		31,764	29,404

(b) Bakehouse Bonds

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 \$20 million is indexed to CPI annually (subject to impairment assessment) and the current value is \$21.7 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears. Investment in unlisted other entities represents investments in various managed investment schemes.

(c) Pymont Bridge Trust

In December 2014, BlackWall completed an \$80 million debt acquisition with NAB. PBT controls an office, media and technology hub on the Western fringe of Sydney CBD's known as 55 Pymont Bridge Road, Pymont. BOF subscribed for 2,800,000 units in PBT, of which BlackWall is the Responsible Entity. BOF is now consolidated into the Trust.

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

(d) Pelathon Pub Group

The Trust owns the following Pub Group units. The Preferred units are now fully paid to 6 cents per unit (the second instalment of 3.6 cents per unit totalling \$480,000 was paid in June 2015).

	2015	2014
	\$'000	\$'000
26,641,640 Ordinary Units	1,918	1,758
13,333,333 Preferred Units	960	400
Total	2,878	2,158

(e) Planloc and BlackWall Penrith Fund No.3

Both investments are property investment securities with an interest in a big box retail property located on Mulgoa Road, Penrith. The Planloc Preference Shares are preferred equity securities issued by an unlisted company, Planloc Pty Ltd. Planloc's sole asset is the Mulgoa Road property. The Planloc Preference Shares rank in priority to ordinary shares but are subordinated to secured debt. These securities earn a coupon of 10% per annum and share in any value increase in the real estate held by the issuer. BlackWall Penrith Fund No.3 is the third investment syndicate structure over the Mulgoa Road property since 2002 and pays quarterly interest at a rate of 9% per annum. That fund also has an interest in any increase in the property value.

(f) WRV Unit Trust

WRV Unit Trust is a single asset unit trust with an interest in The Woods Action Centre, Villawood. The property's key tenants are AMF Bowling, Chipmunks Playland, Sydney Indoor Climbing Gym and Kartatak Raceway.

(g) BlackWall Opportunities Fund (BOF)

In June 2015, the Trust acquired a further 4.1 million units in BOF which has resulted in a controlling interest in BOF. The Trust has now consolidated BOF in its accounts therefore the investment in BOF has been eliminated. Refer to the Controlled Entities note for further details.

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

8. Current and Non-current Assets - Investment Properties

	2015	2014
	\$'000	\$'000
Balance at the beginning of the financial year	83,950	81,350
Revaluation	3,981	1,727
Capital improvements	646	13
Lease incentives	612	-
Straight-line rental income	337	378
Depreciation	(2,176)	(2,253)
Purchase of Bald Rock Hotel (net)	-	2,735
Balance at the end of the financial year	87,350	83,950

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

	2015	2014
	\$'000	\$'000
APN Yandina	24,750	24,100
Chancellor Homemaker Centre	22,000	20,500
Silver @ The Exchange	18,500	18,250
Canberra Eye Hospital	8,500	7,900
Toowoomba	6,100	6,100
Coolum	4,000	4,000
	<hr/>	<hr/>
	83,850	80,850
Bald Rock Hotel (held as current asset)	3,500	3,100
Total	87,350	83,950

The Bald Rock Hotel was sold in August 2015 for \$3.5 million with completion scheduled for September 2015.

The Trust obtained a new independent valuation for APN Yandina in October 2014. The valuation was performed by registered independent valuers by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections and discounted cash flow projections.

For the year ended 30 June 2015, the Directors have updated their assessment of the fair value of the properties. Chancellor Homemaker Centre has been revalued to the highest offer made in the recent sale process. The offer was not accepted by the Responsible Entity. The current holding values generate the following initial capitalisation rates:

	Value \$'000	Cap Rate
APN Yandina	24,750	10.0%
Chancellor Homemaker Centre	22,000	8.3%
Silver @ The Exchange	18,500	8.5%
Canberra Eye Hospital	8,500	8.5%
Toowoomba	6,100	9.8%
Coolum	4,000	10.5%

9. Current Liabilities - Trade and Other Payables

	2015	2014
	\$'000	\$'000
Trade payables:		
- Related parties	41	311
- Other parties	524	524
	<hr/>	<hr/>
	565	835
Sundry payables and accrued expenses	193	207
Deposit received for Bald Rock Hotel	150	-
Total	908	1,042

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

10. Current Liabilities - Other liabilities

	2015 \$'000	2014 \$'000
Rental income received in advance	262	3
Bald Rock facility	1,256	-
Loan from BlackWall to Bald Rock Fund	450	-
Total	1,968	3

The Bald Rock (CBA) facility of \$1,256,000 is secured over the Bald Rock Hotel. Both the facility and the loan from BlackWall will be fully repaid from the proceeds of the sale of the Bald Rock Hotel.

11. Current and Non-current Liabilities - Borrowings

	Note	2015 \$'000	2014 \$'000
Current (2014: held as Non-current)			
NAB bill facility	11(a)	50,000	50,000
Bald Rock facility		-	1,256
Loan from BlackWall to Bald Rock Fund		-	465
Total		50,000	51,721

(a) NAB bill facility

The facility is secured by registered first mortgages over the freehold land and buildings (refer to the Investment Properties note excluding the Bald Rock Hotel). The borrowings will mature in May 2016 and therefore are classified as a current liability. They are subject to a margin of 1.95% p.a. (June 2014: 1.95% p.a.) over BBSY.

Refer to the Interest Rate Hedges and Financial Risk Management notes below for further details.

12. Current and Non-current Liabilities - Interest Rate Hedges

	2015 \$'000	2014 \$'000
Interest rate hedges (current)	-	47
Interest rate hedges (non-current)	580	-
Total	580	47

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 remeasuring the interest rate collar at fair value is recognised in profit and loss. As the current interest rate is below the floor rates, any further interest rate reduction will not have a profit and loss impact. If interest rates were to move above 4.55% the maximum increase in interest expenses as a result would be \$666,000.

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

13. Distributions

	2015	2014
Parent	\$'000	\$'000
2014 final distribution 3.5 cents paid in October 2014 (2013: nil)	1,634	-
2015 interim distribution 5.5 cents paid in April 2015 (2014: 7.5 cents)	2,568	1,556
Total	4,202	1,556

In March 2015, units on issue were consolidated on a 10 to 1 basis. Pre-consolidation distributions have been restated on this basis. In addition, the Board has declared a final distribution of 6 cents per unit to be paid on 6 November 2015.

14. Earnings Per Unit

	2015	2014
Basic and diluted EPU	\$0.14	\$0.03
Calculated as follows:		
Profit for the year	\$6,336,000	\$6,150,000
Weighted average number of units for EPU	46,693,330	210,366,835
Weighted average number of units for EPU (less BWR holdings in itself)	46,646,247	210,366,835

Movements in the number of units from 2014 to 2015 relate to a rights issue and unit consolidation during the June 2014 and March 2015 periods respectively. Profit for June 2014 included the reversal of a litigation provision of \$2.8 million and litigation related expenses of \$2.2 million (\$2 million loss on sale of Bakehouse Bonds and \$165,000 for litigation expenses).

15. Auditor's Remuneration

	2015	2014
	\$'000	\$'000
Remuneration of ESV for:		
- Audit and assurance services	43	45
- Taxation services	12	10
Total	55	55

16. Commitments and Contingencies

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

	2015	2014
	\$'000	\$'000
Receivable within 1 year	7,559	7,558
Receivable within 2 - 5 years	24,371	23,905
Receivable more than 5 years	18,998	22,182
Total	50,928	53,645

There are no operating lease or other capital commitments as at 30 June 2015 (2014: Nil). There are no contingencies as at 30 June 2015 (2014: \$nil).

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

17. Reconciliation of Operating Cash Flows

	2015	2014
	\$'000	\$'000
Profit for the year	6,491	6,404
Non-cash flows in profit:		
- Unrealised gain on revaluation	(4,073)	(2,067)
- Depreciation	2,176	2,253
- Straight-line rental income	(337)	(378)
- Loss on sale of financial assets	35	2,254
- Litigation provisions	-	(2,790)
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(154)	624
Increase in other assets	(581)	-
Decrease in trade and other payables	(329)	(266)
Increase / (decrease) in other liabilities	260	(56)
Net cash flows from operating activities	3,488	5,978

18. Subsequent Events

Since 30 June 2015, the Trust purchased 150,515 ordinary units on-market as part of the Trust's buy-back (commenced on 7 July 2015). A total cost of \$185,000 was deducted from issued units.

To the best of the Directors' knowledge, since the end of the financial year 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.

19. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2015	2014
Parent entity:			
BlackWall Property Trust	Australia	100%	100%
Controlled entity of parent entity:			
Yandina Sub-trust	Australia	100%	100%
Bald Rock Fund	Australia	39%	39%
BlackWall Opportunities Fund	Australia	29.79%	16.54%

On 30 June 2015, the Trust acquired a further 4.1 million units in BOF that has resulted in a controlling interest in BOF (9,280,528 BOF units). Outside equity interests represent non-BWR interests in the Bald Rock Fund and BOF.

20. Related Party Transactions

(a) Related Entities

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

(b) Interests in Related Parties

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

Entity	Holdings (No.'000)		Distribution Received (\$'000)	
	2015	2014	2015	2014
Bakehouse Bonds	20,000	20,000	1,100	1,513
Pymont Bridge Trust	2,800	-	-	-
Pelathon Pub Group (Ordinary)	26,642	26,642	-	-
Pelathon Pub Group (Preferred)	13,333	13,333	-	-
Planloc Preference Shares	1,900	1,985	199	88
BlackWall Penrith Fund No. 3	541	-	55	-
WRV Unit Trust	1,400	900	52	-
BlackWall Telstra House Trust	4	3	-	-
BlackWall Opportunities Fund	9,281	5,154	-	-
BlackWall Penrith Fund No. 2	-	-	-	56
			1,406	1,657

For further details refer to the Financial Assets note.

All interests in BOF were eliminated as the Trust has now consolidated BOF in its accounts. Income received from WRV was in the form of returns of capital.

(c) Related Entity Transactions

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

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

	2015	2014
	\$'000	\$'000
Expenses		
Remuneration paid to Responsible Entity	785	805
Property management, leasing fees and accounting fees	411	394
Underwriting fees	-	156
Interest paid	25	14
	1,221	1,369

Outstanding Balances with Related Parties

Receivables from related parties - current	381	1,625
Payables to related parties - current	41	311
Loan from related parties - current (2014: non-current)	450	465

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

21. Parent Entity Disclosures

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

	2015	2014
	\$'000	\$'000
Profit for the year	6,479	6,127
Total comprehensive income for the year	6,479	6,127
Financial position:		
Current assets	779	2,034
Non-current assets	115,052	112,198
Total assets	115,831	114,232
Current liabilities	(50,345)	(951)
Non-current liabilities	(580)	(50,000)
Total liabilities	(50,925)	(50,951)
Net assets attributable to unitholders	64,906	63,281

The parent entity had no contingencies at 30 June 2015 (2014: Nil). The parent entity has not entered into any capital commitments as at 30 June 2015 (2014: Nil).

22. Financial Risk Management

(a) Financial risk management

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

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

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. The Board monitors the Trust's risk exposure by regularly reviewing finance and property markets. Major financial instruments held by the Trust which are subject to financial risk analysis are as follows:

	2015	2014
	\$'000	\$'000
Financial assets		
Financial assets at FVTPL	31,764	29,404
Financial liabilities		
Borrowings	50,000	51,721

(b) Market risk

(i) Interest rate risk

The Trust has exposure to market risk for changes in variable interest rates on borrowings. This risk is managed by the Trust by entering into interest rate swap contracts with financial institutions to protect part of the borrowings (\$50 million) as detailed in Borrowings note. The major financial

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

asset - the Trust's interest in Bakehouse Bonds is subject to a fixed coupon rate of 5.5% p.a. and as a result is not directly exposed to the interest rate risk. However, the Bonds' value is linked to inflation and therefore affected by the inflation rate.

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

	2015		2014	
	Interest rate	Balance	Interest rate	Balance
	% p.a.	\$'000	% p.a.	\$'000
Borrowings – unhedged portion	-	-	4.49	(42,721)

During the year the Trust entered into a \$20 million collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a. and a \$30 million collar with a floor rate of 2.24% p.a. and a cap rate of 3.24% p.a. Both have 5 year terms (2014: 4.22% p.a. for one hedge \$9 million). See the Interest Rate Hedges note for a sensitivity analysis.

(ii) Price risk

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

(c) Credit risk

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

(d) Liquidity risk

The major liquidity risks faced by the Trust is its ability to realise assets. The Trust has borrowings of \$52 million and total gross assets of \$120 million, of which \$84 million are income producing real estate for which there is a deep and active market. At the end of the reporting period, the Trust held the following financial arrangements:

	Maturing within 1 year \$'000	Maturing 1 - 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
At 30 June 2015				
Financial assets				
Cash and cash equivalents	316	-	-	316
Trade and other receivables	388	-	-	388
Financial assets at FVTPL	-	31,764	-	31,764
	704	31,764	-	32,468
Financial liabilities				
Trade and other payables	908	-	-	908
Borrowings	50,000	-	-	50,000
Interest rate hedges	-	457	123	580
	50,908	457	123	51,488

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

	Maturing within 1 year \$'000	Maturing 1 – 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
At 30 June 2014				
Financial assets				
Cash and cash equivalents	230	-	-	230
Trade and other receivables	1,859	-	-	1,859
Financial assets at FVTPL	-	8,054	21,350	29,404
	2,089	8,054	21,350	31,493
Financial liabilities				
Trade and other payables	1,042	-	-	1,042
Interest rate hedges	47	-	-	47
Borrowings	-	51,721	-	51,721
	1,089	51,721	-	52,810

(e) Fair value measurements

(i) Fair value hierarchy

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

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

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

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

The following table presents the Trust's financial assets and liabilities measured at fair value as at 30 June. Refer to 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 balance \$'000
At 30 June 2015				
Financial assets at FVTPL				
- Equities	-	-	10,174	10,174
- Debt instruments	-	-	21,590	21,590
	-	-	31,764	31,764
Interest rate hedges	-	(580)	-	(580)

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
At 30 June 2014				
Financial assets at FVTPL				
- Equities	-	-	8,054	8,054
- Debt instruments	-	-	21,350	21,350
	-	-	29,404	29,404
Interest rate hedges	-	(47)	-	(47)

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

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

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

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

At 30 June 2015	\$'000
Balance at the beginning of the year	29,404
Purchases	4,626
Disposals/returns of capital	(1,706)
Fair value movement	625
Consolidation of BOF (eliminate investment)	(1,185)
Balance at the end of the year	31,764
At 30 June 2014	\$'000
Balance at the beginning of the year	38,323
Purchases	4,367
Disposals/returns of capital	(12,980)
Fair value movement	(306)
Balance at the end of the year	29,404

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

23. Critical Accounting Estimates and Judgments

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

Key estimates – impairment

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

Key estimates – financial assets

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

Key estimates – fair values of investment properties

The Trust carries its investment properties at fair value with changes in the fair values recognised in profit or loss. 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.

24. Statement of Significant Accounting Policies

The financial statements cover BlackWall Property Trust and its controlled entities, the Yandina Sub-trust, Bald Rock Fund and BlackWall Opportunities Fund. BlackWall Property Trust is a managed investment scheme registered in Australia. The Yandina Sub-trust is a discretionary trust established and domiciled in Australia. Bald Rock Fund was established on 17 September 2013. BlackWall Opportunities Fund is a registered managed investment scheme and has been consolidated into the Trust's accounts on 30 June 2015.

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.

Basis of Preparation

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

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

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

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

New and amended standards adopted

The Trust has not elected to adopt any accounting standards or amendments to standards or interpretations issued prior to the date of this report where application is not mandatory for the year ended 30 June 2015. Management has considered the accounting standards that have been issued but are not yet effective and do not anticipate any having a significant impact on the financial statements.

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

Going concern

The Trust has a current asset deficiency as at 30 June 2015 as bank borrowings were classified as current liabilities. Given the Trust generates operating cashflow of around \$3.5 million per annum, the Directors do not consider there to be a going concern issue. 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.

Comparative figures

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

Presentation currency

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

Principles of Consolidation

Controlled entities

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

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-entity balances

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

Impairment of assets

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

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

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

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

Financial Instruments

Derivatives (Interest rate hedges)

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

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

Non-derivative financial instruments

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

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

Recognition

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

Loans and receivables

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

Fair value

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

Impairment

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

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

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

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

Financial liabilities

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

Financial assets

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

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

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

(ii) Equity investments

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

Measurement

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

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

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

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

Assets Classified as Held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather through continuing use and a sale is considered highly probable. They are measured at their carrying amount. Any subsequent increases or decreases in carrying amount is recognised in the profit and loss.

Investment Properties

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

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

Interest Bearing Borrowings

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

Revenue

Rent

Rent comprises rental and recovery of outgoings from property tenants. Rental income from investment properties is accounted for on a straight-line basis over the lease term.

Lease incentives

Rent free incentives granted are recognised as an integral part of total rental income.

Cash incentives paid or payable to tenants are capitalised as part of investment properties.

BlackWall Property Trust

ARSN 109 684 773

Notes to the Financial Statements

For the Year Ended 30 June 2015

Investment income

Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established. All revenue is stated net of the amount of GST.

Income Tax

Under current income tax legislation the Trust is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Trust. The Trust has over \$20 million of carried forward revenue tax losses and approximately \$17 million in capital losses.

GST

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

EPU

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

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 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 changes to the Trust's financial statements.

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, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



Stuart Brown
Director
Sydney, 17 August 2015



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

Report on the Financial Report

We have audited the accompanying financial report of Blackwall Property Trust and Controlled Entities ("the Trust"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unit holders and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Trust and the entities it controlled at 30 June 2015 year end.

Directors' Responsibility for the Financial Report

The directors of Blackwall Fund Services Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 24, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackwall Fund Services Limited, the Responsible Entity of the Trust, would be in the same terms if given to the directors as at the time of this auditor's report. We have given the directors of the Responsible Entity an Auditor's Independence Declaration, a copy which is included in the financial report.



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

Opinion

In our opinion:

- (a) the financial report of Blackwall Property Trust and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 24.

Dated at Sydney the 17th day of August 2015.

ESV Accounting and Business Advisors

Tim Valtwies
Partner

CONTENTS

Notes to the Financial Statements

1. Segment Information	Page 17
2. Revenue	Page 18
3. Expenses	Page 18
4. Current Assets - Cash and cash equivalents	Page 18
5. Current Assets - Trade and other receivables	Page 19
6. Current Assets - Other assets	Page 19
7. Non-current Assets - Financial assets	Page 19
8. Current and Non-current Assets - Investment properties	Page 20
9. Current Liabilities - Trade and other payables	Page 21
10. Current Liabilities - Other liabilities	Page 22
11. Current and Non-current Liabilities - Borrowings	Page 22
12. Current and Non-current Liabilities – Interest rate hedges	Page 22
13. Distributions	Page 23
14. Earnings Per Unit	Page 23
15. Auditor’s Remuneration	Page 23
16. Commitments and Contingencies	Page 23
17. Reconciliation of Operating Cash Flows	Page 24
18. Subsequent Events	Page 24
19. Controlled Entities	Page 24
20. Related Party Transactions	Page 24
21. Parent Entity Disclosures	Page 25
22. Financial Risk Management	Page 25
23. Critical Accounting Estimates and Judgments	Page 29
24. Statement of Significant Accounting Policies	Page 30

GLOSSARY

BWR / Trust	BlackWall Property Trust
BlackWall	BlackWall Property Funds Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
BOF	BlackWall Opportunities Fund
Consolidated annual financial report	Financial statements
Custodian	Perpetual Limited
EPU	Earnings per unit
FVTPL	Fair value through profit and loss
GST	Goods and services tax
IFRS	International Financial Reporting Standards
KMP	Key management personnel
Outside equity interests	Non-controlling interests
p.a.	Per annum
PBT	Pymont Bridge Trust
Planloc	Planloc Pty Ltd
Responsible Entity	BlackWall Fund Services Limited

BLACKWALL PROPERTY TRUST

ARSN 109 684 773

Consolidated Annual Financial Report
Year Ended 30 June 2015

Managed By:



BLACKWALL
PROPERTY FUNDS

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