

ASX release

14 August 2016

BWR – a total return REIT – 2017 results

BlackWall's total return REIT, BWR, has capped off a strong year declaring a final distribution of 6.5 cents per unit taking the full year distribution to 11 cents per unit. Distributions from the Trust are 100% tax deferred, and for the full year equate to a 8.4% per annum yield on the last closing price or 9.2% against the issue price of the rights issue and placement which closed earlier this year. On top of this, net tangible assets have grown by 10% to \$1.40 per unit.

Gross Assets	\$163 million - up 18%
Debt	42% LVR
NTA	\$93.3 million - \$1.40 pu
EPU	27 cpu – up 15%

“Along with its stable property portfolio BWR also participates in BlackWall's more dynamic deep value plays. The past 12 months have seen a number of these mature,” said BlackWall CEO Stuart Brown, “because the Trust is relatively small, such investments can have a significant effect on NTA and earnings.” Over the past three years BWR has generated a total return of 40%.

In its 2016 report, BlackWall pointed to both the Bakehouse Quarter and 55 Pyrmont Bridge Road as potential sources of capital growth. In June 2017, an option arrangement with respect to the Bakehouse was entered into at \$380 million and BlackWall announced it had completed the turn-around of 55 Pyrmont Bridge Road, which was revalued at \$111 million. The combined effect has been to add 20 cents per unit to the Trust's NTA which will grow by a further 13 cents per unit if the sale of the Bakehouse Quarter completes in late 2018.

The Bakehouse Quarter is a large scale mixed use precinct located in North Strathfield Sydney that has been developed by the group for almost 20 years. 55 Pyrmont Bridge Road is a 14,500 sqm media and technology hub on Sydney's CBD fringe, acquired in a distressed debt deal structured by BlackWall with NAB. BWR holds significant stakes in both projects along with other investors, in syndicates structured and managed by BlackWall.

“We have always said that the Bakehouse would be re-rated so the value gain should not be a surprise to BWR investors,” said Mr Brown, “however, more significant for BWR is the fact that the investment will be converted to cash and we can re-deploy it into active positions. We would expect to be able to grow our asset base by up to \$100 million over the next few years.”

The Trust has also reported progress with the leasing up of Canberra North in the ACT. BWR grew a small investment in the property to 100% ownership in June 2016. Previously the building was leased to Telstra and is a prominent office building in the Northbourne Avenue commercial zone adjacent to the Dickson retail precinct.

BlackWall has been repositioning it as a multi-tenant commercial hub including its flexible space provider WOTSO WorkSpace. In June 2016, the property was generating annualised gross revenue of \$1.5 million, which has grown by 47% to \$2.2 million. Fully let, the building is expected to generate gross revenue of just over \$3 million.

Canberra North will soon benefit from the completion of the Canberra Metro providing light rail services from Gungahlin to the CBD. “The Dickson interchange linking local bus services with the new light rail system is being constructed in front of our building” said Mr Brown.

For more information contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on + 612 9033 8611.



BLACKWALL
PROPERTY TRUST

WOTSO

ANNUAL REPORT

JUNE 2017
ASX:BWR

CONTENTS

- 03** Directors' Report - 2017 Results
- 04** Consolidated Balance Sheet
- 05** Consolidated Statement of Profit or Loss
- 06** Statement of Cash Flows and Changes in Equity
- 07** Directors' Report - Management Commentary
- 11** Directors' Report - ASX Additional Information
- 12** Notes to the Financial Statements
- 21** Auditors Independence Declaration and Audit Report
- 23** Directors' Report - Continued



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Significant Results

Profit up 55% to \$16.8 million
NTA up 27% to \$93.3 million

BWR is a total return property investment trust. It generates recurring, tax effective distributions from a stable property portfolio and NTA growth through development, turn-around and opportunistic investments. The 2017 result is indicative of our approach. Some examples of our more dynamic outcomes are:

- BWR underwrites a capital raising to acquire NAB's position in 55 Pymont Bridge Road, growing BWR's investment from \$2.8 million to \$7.6 million.
- 55 Pymont Bridge Road turnaround complete, independent valuation at \$111 million (up from \$80 million) generating a value uplift in BWR's investment of 9 cents per BWR unit.
- BlackWall negotiates an option arrangement to sell the Bakehouse Quarter for \$380 million, growing BWR's NTA by 6 cents per unit.
- BWR revalues its Bakehouse Quarter investment assuming a property value of \$300 million growing BWR's NTA by 5 cents per unit.
- If the option is exercised and the sale settles (late 2018) BWR's NTA will grow by a further 13 cents per unit and cash will grow by \$30 million.
- BWR completes a \$12 million capital raising.
- BWR acquires 162 Macquarie Street, Hobart.

At 30 June 2017, the Trust has carried forward revenue tax losses of \$17 million and capital losses of \$17.3 million.

Track Record & Outlook

BWR has generated a total return of 39% since July 2014 (distributions plus ASX price growth).

If the Bakehouse Quarter completes as expected, the Trust will have a larger and more liquid capital base which will be deployed in activities similar to those listed above. That is, deep value plays aimed at outperforming passive property investments. Some of these will no doubt present opportunities for WOTSO WorkSpace.

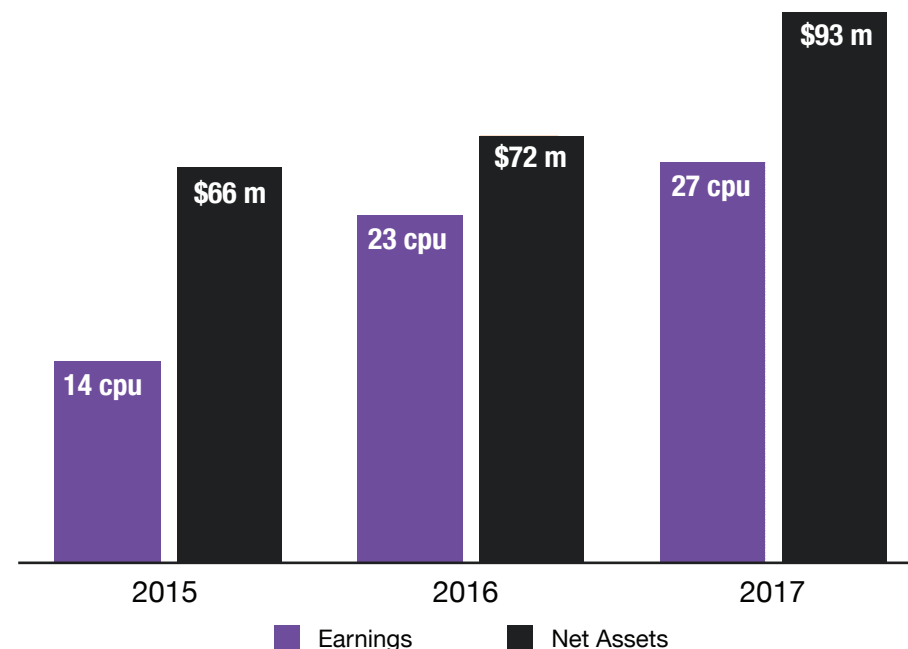
2017 Final Distribution

6.5 cents per unit
to be paid on
18th October
100% tax deferred

2017

Units on issue _ 66.6 million
Gross assets _ \$163 million
Gearing _____ 42%
NTA _____ \$93.3 million
NTA per unit _ \$1.40
Profit _____ \$16.8 million
EPU _____ 27 cents

In the past 3 years BWR has generated an average total return of 13% per annum



ASSETS	NOTE	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents		1,690	2,154
Trade and other receivables	3	5,078	256
Other assets	4	173	151
Total current assets		6,941	2,561
Non-current Assets			
Property investment portfolio	5	156,293	136,197
Total non-current assets		156,293	136,197
TOTAL ASSETS		163,234	138,758
LIABILITIES			
Current liabilities			
Trade and other payables	6	631	3,252
Other liabilities	7	383	248
Borrowings	8	-	62,000
Interest rate hedges	8	296	47
Total current liabilities		1,310	65,547
Non-current liabilities			
Borrowings	8	68,882	-
Interest rate hedges	8	368	1,397
Total non-current liabilities		69,250	1,397
TOTAL LIABILITIES		70,560	66,944
NET ASSETS		92,674	71,814
EQUITY			
Issued capital		136,036	126,216
Retained earnings/ (accumulated losses)		(43,362)	(55,042)
Outside equity interests		-	640
TOTAL EQUITY		92,674	71,814
Net tangible assets (excludes interest hedges)		93,338	73,258
Number of units on issue		66,635,378	57,837,613
NTA per unit		\$1.40	\$1.27

BWR's property investments are by direct ownership or as positions in property investment structures originated and managed by BlackWall. Each of the property investment structures invest in single assets and are mandated to hold and develop a particular property. As such, we treat these properties no differently to those held entirely by the Trust. Where possible, BWR aims to grow its investment in these structures as it has in 55 Pyrmont Bridge Road this year.

The carrying values of the property investment portfolio are summarised below. BWR's interest in 55 Pyrmont Bridge Road and the Canberra North property are held on the basis of independent valuations dated June and March 2017 respectively. BWR's interest in the Bakehouse Quarter has been revalued based on an underlying property value of \$300 million. Please refer to the Directors' Report - Management Commentary section for further information on the carrying value. Hobart is carried at its acquisition cost plus capital expenditure. The carrying values of all other assets are based on Director valuations. In determining these, the Directors have had regard to independent valuations completed in June 2016 and take into account movements in rental income, development activity and lease duration.

Property Investment Portfolio (\$'000)

	Ownership	Holding Value	Passing Yield	Fully Let Yield	2016
Commercial					
Canberra North, ACT	100%	25,000	5.90%	10.00%	25,000
Varsity Lakes, QLD	100%	18,000	6.40%	7.90%	18,000
Pyrmont Bridge Road, NSW	27%	13,677	6.70%	7.20%	2,800
Hobart, TAS	100%	8,400	5.30%	8.20%	-
Canberra South, ACT	100%	8,100	7.40%	7.40%	8,000
Mixed Use					
Bakehouse Quarter, NSW	14%	28,216	-	-	20,100
Big Box Retail/Entertainment					
Sippy Downs, QLD	100%	26,200	7.20%	8.00%	26,200
Woods Action Centre, NSW	-	-	-	-	1,497
Industrial					
Yandina, QLD	100%	22,200	11.90%	11.90%	24,700
Toowoomba, QLD	100%	6,500	9.60%	9.60%	6,500
Coolumb, QLD	-	-	-	-	3,400
Total property investment portfolio		156,293			136,197

For full address details see the Directory of Properties on page 10.

Financial Statements

Consolidated Statement of Profit or Loss for year ending 30 June 2017

05

	NOTE	2017 \$'000	2016 \$'000
Revenue			
Property income		10,994	9,882
Net gain / (loss) on assets		15,658	4,297
Interest income		13	113
Telstra lease payout		-	5,000
Total revenue		26,665	19,292
Property outgoings			
Property outgoings		(2,885)	(2,126)
Depreciation expense		(2,672)	(2,138)
Finance costs		(2,897)	(2,260)
Administration expenses	2	(1,365)	(1,103)
Transaction expenses	2	-	(700)
Profit from continuing operations		16,846	10,965
Profit / (loss) from discontinued operations		-	(121)
Profit for the year		16,846	10,844
Other comprehensive income		-	-
Profit and other comprehensive income for the year		16,846	10,844
Profit and other comprehensive income attributable to:			
Owners of the Trust		16,846	10,909
Outside equity interests		-	(65)
		16,846	10,844
Earnings per unit			
Basic earnings per unit		27.0 cents	23.4 cents
Calculated as follows:			
Profit for the year		16,846	10,909
Weighted average number of units for EPU		62,371,703	46,590,966

The movement in carrying values of BWR's investments are reflected in the Statement of Profit or Loss Statement through gains on assets. A reconciliation of these movements for the year is set out below.

Often BWR will hold real estate through investment structures originated and managed by BlackWall. In some cases, these structures will have carried forward tax losses, often derived from the development process. Where this is the case, distributions are received as returns of capital. To account for this, distributions are applied against the carrying value of the position in the Balance Sheet and then shown in the P&L as an unrealised gain. In the period to June 2017 the distributions from both the Bakehouse Quarter and 55 Pyrmont Bridge Road were such returns of capital. As explained earlier in this report both of these positions have also seen significant value increases.

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

	2017	2016
Bakehouse Quarter, NSW	8,680	232
Pyrmont Bridge Road, NSW	6,258	4
Yandina, QLD	(2,054)	358
Sippy Downs, QLD	321	4,597
Coolum, QLD	245	(499)
Varsity Lakes, QLD	391	(5)
Toowoomba, QLD	132	591
Canberra South, ACT	285	(416)
Hobart, TAS	(226)	-
Canberra North, ACT	110	-
Total net gain / (loss) on property investment portfolio	14,142	4,862
Gain on sale of BWR units from option transaction	735	-
Gain on sale of other financial assets	-	253
Net gain / (loss) on interest rate hedges	780	(818)
Total net gain / (loss) on assets	15,658	4,297

Consolidated Statement of Cash Flows

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Receipts from tenants	12,128	9,991
Payments to suppliers	(6,645)	(5,452)
Interest paid	(2,630)	(2,294)
Interest received	14	113
Distributions received	61	1,002
Borrowing costs paid	(163)	-
Receipts from Telstra lease payout	-	5,500
Net cash flows from operating activities	2,765	8,860
Cash flows from investing activities		
Purchase of Hobart property	(8,135)	-
Payment for additional Pymont investment	(3,633)	-
Proceeds from sale of Coolum property	3,600	-
Payment for additional Bakehouse Quarter investment	(2,195)	-
Payment for BlackWall Telstra House Trust units	(1,851)	-
Proceeds from sale of other investments	1,810	1,709
Payment for capital expenditure	(676)	(160)
Returns of capital from Bakehouse Quarter	459	627
Proceeds from sale of Bald Rock Hotel	-	855
Proceeds from redemption of Bakehouse Bonds	-	1,680
Payment for other investments	-	(331)
Net cash flows from investing activities	(10,621)	4,380
Cash flows from financing activities		
Proceeds from issue of units	10,512	-
Distributions paid	(5,232)	(5,591)
Payments for purchase of BWR units from option transaction	(4,537)	-
Proceeds from Hobart borrowings	3,882	-
Increase in Canberra North borrowings	3,000	-
Payment for capital raising costs	(197)	-
Payment for buy-back of units	(27)	(1,611)
Repayment of borrowings	-	(4,200)
Net cash flows used in financing activities	7,401	(11,402)
Net increase/(decrease) in cash held	(455)	1,838
Cash and cash equivalents at the beginning of the year	2,154	316
Less opening balance of subsidiaries that have left the group	(9)	-
Cash and cash equivalents at end of the year	1,690	2,154

Reconciliation of Operating Cash Flows (\$'000)

	2017	2016
Profit for the year	16,846	10,844
Non-cash flows in profit:		
Net gain on assets	(15,658)	(4,297)
Depreciation and amortisation	2,745	2,138
Straight-line rental income	(611)	(303)
RE fees settled in BWR units	180	-
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	185	131
(Increase) / decrease in other assets	(22)	(23)
Increase / (decrease) in trade and other payables	(1,035)	499
Increase / (decrease) in other liabilities	135	(129)
Net cash flows from operating activities	2,765	8,860

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

	Issued Capital No.'000	Issued Capital	Retained Earnings / (Accumulated Losses)	Attributable to Owners of the Parent	Outside Equity Interests	Total Equity
Balance at 1 July 2016	57,838	126,216	(55,042)	71,174	640	71,814
Issue of units	8,807	10,569	53	9,884	(640)	9,244
Transaction costs on units issued	-	(738)	-	(738)	-	(738)
On-market buy-back	(9)	(11)	-	(11)	-	(11)
Profit for the year	-	-	16,846	16,846	-	16,846
Distributions paid	-	-	(5,219)	(5,219)	-	(5,219)
Balance at 30 June 2017	66,636	136,036	(43,362)	92,674	-	92,674
Buy-back since 30 June	-	-	-	-	-	-
Balance at signing date	66,636	136,036				
Balance at 1 July 2015	46,693	113,364	(49,255)	64,109	3,033	67,142
Issue of units	12,477	14,469	(4,940)	9,529	(1,608)	7,921
On-market buy-back	(1,332)	(1,617)	-	(1,617)	-	(1,617)
Profit for the year	-	-	10,909	10,909	(65)	10,844
Distributions paid	-	-	(11,756)	(11,756)	-	(11,756)
Disposal of Bald Rock Fund	-	-	-	-	(720)	(720)
Balance at 30 June 2016	57,838	126,216	(55,042)	71,174	640	71,814

The Trust raised \$12 million through a rights issue and placement at \$1.20 per unit. During the period, the Trust entered into an arrangement under which it acquired a call option to purchase 4.32 million of its own units at a price of \$1.05 per unit. The Trust completed this transaction and used the resulting units to partially settle the rights issue and placement at \$1.20 per unit.

The Bakehouse Quarter

This property is held in a special purpose trust managed by BlackWall, known as the Kirela Development Unit Trust (Kirela). At June 2016, the property was held at a value of \$270 million equating to a carrying value of BWR's position at \$20.1 million. In April 2017 BWR increased its investment in Kirela from 13.0% to 14.4%. This acquisition was priced at the \$270 million property value.

Late in the 2017 financial year BlackWall negotiated an agreement with respect to those parts of the Bakehouse Quarter shaded red in the photo opposite. The agreement reached is a call option under which the counterparty:

- has the right to purchase the relevant parts of the Bakehouse Quarter for a price of \$380 million;
- has paid a non-refundable option fee of \$38 million;
- may exercise the option at any time between 1 July 2018 and 31 August 2018; and
- may nominate a third party to complete the purchase.

If the option is exercised, completion of the ensuing property sale is contracted to occur within 2 months of the exercise date and the option fee is deducted from the purchase price. If the counterparty does not exercise the option before 31 August 2018, then Kirela will retain the property and the option fee paid.

As the arrangement is a call option, the counterparty has the right but not the obligation to purchase the property. To reflect the transaction, for the year ending 30 June 2017, we have written up the value of the Bakehouse Quarter to \$300 million and have brought to account the option fee paid (less transaction costs and distributions paid). The effect of this is to increase the carrying value of BWR's Kirela holding from \$20.1 million to \$28.2 million. This uplift equates to 11 cents per BWR unit.

If the counterparty exercises the option and completes the purchase, a further 13 cents per unit will be added to BWR's NTA and BWR's cash will grow by roughly \$30 million.



The Bakehouse Quarter

Below is a reconciliation of the carrying value of BWR's position in Kirela.

	(\$ million)
June 2016	
Bakehouse Quarter	270
Other assets	10
Bank debt	(125)
Net assets	155
BWR's position (13%)	20.1

June 2017	
Bakehouse Quarter	300
Option fee after costs and special distribution	21
Bank debt	(125)
Net assets	196
BWR's position (14.4%)	28.2

Assume Option Exercised & Completed	
Building L	15
Net sale proceeds and option fee after costs	241
Net assets	256
BWR's position (14.4%)	36.8

The part of the Bakehouse Quarter shaded blue is known as Building L. This property is a 5 level structure currently used as car parking. In the short term, BlackWall is converting part of the ground floor into a precinct featuring a collection of shipping container and cart food offers. In addition, the building can be converted to accommodate up to 6,000 sqm of commercial, showroom or retail space. As Building L is not part of the larger transaction, it will continue to be held by Kirela and should generate further growth and recurring income for BWR.



Bakehouse Quarter Food Precinct

Canberra North

Canberra North was previously 100% occupied by Telstra (and was then known as Telstra House). The property is a prominent office building in the Northbourne Avenue commercial zone and adjacent to the Dickson retail precinct. Since Telstra vacated the building, BlackWall has been repositioning it as a multi-tenant commercial hub including a WOTSO WorkSpace.

In June 2016, the property was generating annualised gross revenue of \$1.5 million which has grown by 47% to \$2.2 million. Fully-let, the building is expected to generate gross revenue of \$3 million.

Canberra North will soon benefit from the completion of the Canberra Metro providing light rail from Gungahlin to the CBD. In fact, the Dickson interchange linking local bus services with the new light rail system is being constructed in front of our building.



Canberra North - Lobby

55 Pyrmont Bridge Road

This position was originally structured as a distressed debt joint venture with National Australia Bank, in late 2014. BlackWall established the Pyrmont Bridge Trust to acquire control of the substantially vacant 55 Pyrmont Bridge Road, Pyrmont. The transaction was priced at an \$80 million property value. NAB provided \$50 million in senior debt and \$15 million in equity along with the \$15 million invested by the Pyrmont Bridge Trust.

Over the past 12 months, BWR acquired a position of just over \$4 million in the Pyrmont Bridge Trust. In late 2016 the Pyrmont Bridge Trust undertook a rights issue to acquire NAB's interest. BWR participated in the rights issue and underwrote the shortfall resulting in it making a further \$3.6 million investment. All of BWR's interest was acquired at a price equating to the original \$80 million transaction value. In June 2017 the property was independently valued at \$111 million. This resulted in the carrying value of BWR's investment being increased by \$6.1 million.

Asset Sales

As described earlier in this report, BWR holds investments either as direct real estate holdings or through property investment structures originated and managed by BlackWall. Where the latter applies, BWR aims to grow its position to a point of control or complete ownership. BWR formerly held an investment in the Woods Action Centre. This investment was a small minority position with little prospect of BWR growing its position and, accordingly, was sold for cash at its carrying value.

The Trust holds two industrial assets located in Yandina and Toowoomba, Queensland. Each of these properties are legacy investments made by the Trust's previous manager and are not consistent with BlackWall's strategy. If an appropriate price is achieved, these assets may be sold. In this regard, our decision will be driven by the return on capital we expect from the cash generated by a sale compared to the implied yield at the potential sale price.



55 Pyrmont Bridge Road



55 Pyrmont Bridge Road - Lobby

Subsequent Events

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances except for the comments above 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.

Directory of Properties

Property	Property address
Canberra North	490 Northbourne Ave, Dickson ACT 2602
Varsity Lakes	194 Varsity Pde, Varsity Lakes QLD 4227
Pymont Bridge Road	55 Pymont Bridge Rd, Pymont 2009
Hobart	162 Macquarie St, Hobart 7000
Canberra South	10-14 Wormald St, Symonston ACT 2609
Bakehouse Quarter	George St, North Strathfield 2137
Sippy Downs	30 Chancellor Village Blvd, Sippy Downs QLD 4556
Woods Action Centre	850 Woodville Rd, Villawood 2163
Yandina	54 Pioneer Rd, Yandina 4561
Toowoomba	50 Industrial Ave, Toowoomba 4350

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 8 August 2017.

1. Unitholders

The Trust's top 20 largest unitholdings were:

Investor	Units (No.)	Units (%)
1 BlackWall Limited	10,880,665	16.33
2 Pelorus Private Equity Limited	7,970,317	11.96
3 Sandhurst Trustees Ltd <AIMS PSF A/C>	5,847,669	8.78
4 Seno Management Pty Ltd <Taipa A/C>	3,930,251	5.90
5 Mr Archibald Geoffrey Loudon	3,707,894	5.56
6 Vintage Capital Pty Limited	2,839,525	4.26
7 Sao Investments Pty Ltd	1,600,000	2.40
8 Lymkeesh Pty Ltd <Employees Super Fund A/C>	1,459,917	2.19
9 Alerik Pty Ltd <The Alerik Unit A/C>	1,375,000	2.06
10 Koonta Pty Ltd <Koonta Super Fund A/C>	1,032,532	1.55
11 Mr Peter Robin Joy	1,000,000	1.50
12 Koonta Pty Ltd <The Tedder Family A/C>	799,735	1.20
13 Castlebay Pty Limited	685,799	1.03
14 Pinnatus Pty Ltd	679,320	1.02
15 Glenahilty Ltd	670,746	1.01
16 Rigi Investments Pty Ltd <The Cape A/C>	572,534	0.86
17 Plane Sailing Trails Pty Ltd <PST Super A/C>	508,739	0.76
18 Methuselah Capital Management Pty Ltd <Feldman Family A/C>	444,651	0.67
19 Lymkeesh Pty Ltd	397,595	0.60
20 Mr Richard Hill and Mrs Evelyn Hill <Richard Hill Super Fund A/C>	354,901	0.53

2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

Category	No. of Holders
1-1,000	339
1,001-5,000	604
5,001-10,000	213
10,001-100,000	325
100,001 and over	58
Total number of unitholders	1,539

The Trust has 66,635,378 units on issue after buying back 8,724 units and issuing 8,806,489 new BWR units. 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 Limited	10,880,665	16.33
Pelorus Private Equity Limited	7,970,317	11.96
Seph Glew	7,239,351	10.86
Sandhurst Trustees Ltd <AIMS PSF A/C>	5,847,669	8.78
Paul Tressider	5,132,512	7.70
Robin Tedder	4,727,067	7.09

1. Segment Reporting

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

2. Expenses (\$'000)

	2017	2016
Transaction fees:		
Telstra acquisition and in-specie pub units distribution	-	700
Total	-	700
Administration expenses:		
Responsible entity fees	923	775
Compliance expenses (listing, registry etc)	442	159
Other fund expenses	-	169
Total	1,365	1,103

3. Current Assets - Trade and Other Receivables (\$'000)

	2017	2016
Trade and other receivables		
Asset sale (The Woods)	3,992	-
Distributions	1,015	-
Other	71	256
Total	5,078	256

The asset sale and distributions have been settled. No debtors have been provided for as at 30 June 2017 (2016 :\$Nil) or at the date of this report.

4. Current Assets - Other Assets (\$'000)

	2017	2016
Prepayments	-	151
Borrowing costs	173	-
Total	173	151

5. Reconciliation of Property Investment Portfolio (\$'000)

	2017	2016
Opening balance	136,197	115,614
Hobart acquisition	7,800	-
Pymont net acquisition	5,461	1,308
Bakehouse Quarter net acquisition	909	20,000
Capital improvements	593	160
Coolum property sale	(3,400)	-
Other property investment sales	(1,288)	(8,856)
Revaluation of Bakehouse Quarter	8,680	212
Revaluation of Pymont	6,258	4
Revaluation of Yandina	(2,054)	(50)
Revaluation of Other property investments	804	5,266
Returns of capital – Bakehouse Quarter	(1,473)	(112)
Returns of capital – Pymont	(190)	-
Depreciation	(2,626)	(2,138)
Straight-line rental income	622	303
Canberra North acquisition	-	25,000
Bakehouse bond redemption	-	(20,000)
Returns of capital – Other	-	(514)
Closing Balance	156,293	136,197

6. Current Liabilities - Trade and Other Payables (\$'000)

	2017	2016
Trade payables:		
Related parties – BlackWall Limited	1	165
Other parties	454	2,890
Tenant deposits	176	197
Total	631	3,252

7. Current Liabilities - Other Liabilities (\$'000)

	2017	2016
Rental income received in advance	383	248
Total	383	248

8. Current and Non-current liabilities – Borrowings and Interest Rate Hedges

Borrowings	Bank	Facility Size \$'000	Undrawn \$'000	Expiry Date	Reference	Margin
June 2017	NAB	50,000	-	10/18	BBSY	2.10%
	NAB	15,000	-	09/19	BBSY	2.10%
	NAB	3,882	-	02/19	BBSY	2.10%
Total		68,882				
June 2016	NAB	50,000	-	07/16	BBSY	1.95%
	NAB	12,000	-	07/16	BBSY	1.80%
Total		62,000				

The Trust has no borrowings which are classified as current (2016: \$62 million).

Interest Rate Hedges

	Size Bank	\$'000	Type	Floor	Cap	Expiry	MTM Value \$'000
June 2017	NAB	20,000	Collar	2.72%	4.55%	07/19	355
	NAB	30,000	Collar	2.24%	3.24%	01/20	309
Total		50,000					664
June 2016	NAB	20,000	Collar	2.72%	4.55%	07/19	668
	NAB	32,000	Collar	2.24%	3.24%	01/20	729
	NAB	9,500	Swap	Fixed at 4.7%		08/16	47
Total		61,500					1,444

All of the above hedges are out of the money to the values shown. Of them, \$296,000 are considered current liabilities (2016: \$47,000).

The gain or loss from valuing the interest rate collar at fair value is recognised in profit or loss. As the current interest rate is below the floor rates, any further interest rate reduction will not have a profit or loss impact.

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

9. Distributions

A distribution of 6.5 cents per unit has been declared to be paid on 18 October 2017. Distributions paid before the balance date are listed below:

		2017 \$'000	2016 \$'000
Prior year final distribution	4 cpu	2,313	2,749
Current year interim distribution	4.5 cpu	2,906	2,790
Total		5,219	5,539

In addition, in June 2016 an in-specie distribution of Pelathon Pub Group units was made returning a total of \$6.2 million in capital to unitholders. The distribution was on the basis of 2.48 Pelathon units for every BWR unit held.

10. Lease Commitments Receivable (\$'000)

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

	2017	2016
Receivable within 1 year	8,849	8,590
Receivable within 2 – 5 years	25,332	27,473
Receivable for more than 5 years	10,361	15,644
Total	44,542	51,707

11. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 30 June 2017 (2016: Nil).

12. Subsequent Events

Apart from subsequent events disclosed in the Directors' report, 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.

13. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2017	2016
Parent entity: BlackWall Property Trust	Australia	100%	100%
Controlled entity of parent entity: Yandina Sub-Trust	Australia	100%	100%
BlackWall Telstra House Trust	Australia	100%	100%
BlackWall Hobart Unit Trust	Australia	100%	-
BlackWall Opportunities Fund	Australia	-	76.59%

14. 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.

(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:

Unlisted Funds / Entities	Holdings (No.'000)		Distribution / ROC Received	
	2017	2016	\$'000	
			2017	2016
Kirela Development Unit Trust	82	74	1,473	112
Pymont Bridge Trust	7,599	2,800	190	-
Bakehouse Quarter Trust	2	-	-	-
WRV Unit Trust	-	1,497	-	140
Bakehouse Bonds	-	-	-	550
Woods PIPES Fund	-	-	16	80
BlackWall Telstra House Trust	-	-	-	1
Planloc Preference Shares	-	-	-	92
BlackWall Penrith Fund No. 3	-	-	-	24
			1,679	4,999

For further details refer to the Reconciliation of Property Investment Portfolio table. Income received from Kirela and Pymont were 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, at market rates and were approved by the Board. Related party transactions that occurred during the year are as follows:

Expenses	2017 \$'000	2016 \$'000
Remuneration paid to Responsible Entity	922	867
Property management, leasing fees and accounting fees	501	508
Transaction fees	74	691
	1,497	2,066

Revenue

WOTSO WorkSpace rent, outgoings and utilities	738	420
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Refer to Directors' Report for Key Management Personnel's relevant interests in the Trust.

15. 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.

	2017 \$'000	2016 \$'000
Profit for the year	17,964	11,141
Total comprehensive income for the year	17,964	11,141
Financial position:		
Current assets	6,801	2,321
Non-current assets	143,730	120,472
Total assets	150,531	122,793
Current liabilities	(182)	(48,610)
Non-current liabilities	(50,000)	(1,397)
Total liabilities	(50,182)	(50,007)
Net assets	100,349	72,786

The parent entity had no contingencies at 30 June 2017 (2016: Nil). The parent entity has not entered into any capital commitments as at 30 June 2017 (2016: Nil).

16. Financial Instruments

(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 property investment structures and borrowings (including interest rate hedges). 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 overseeing 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:

	2017 \$'000	2016 \$'000
Financial assets		
Property investment structures	41,893	24,397
Financial liabilities		
Borrowings	68,882	62,000

The property investment structures referred to above represent the Trust's investment in Pymont and The Bakehouse Quarter.

(b) Capital management

The Trust's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust may adjust the amount of return of capital paid to unitholders, issue new units, buy-back units, purchase or sell assets.

(c) Liquidity risk

The major liquidity risk faced by the Trust is its ability to realise assets. The Trust has borrowings of \$69 million and total gross assets of \$163 million, of which \$156 million are income producing real estate assets for which there is a deep and active market. At the end of the reporting period, the Trust held the following financial arrangements:

\$'000 At 30 June 2017	Maturing within 1 year	Maturing 2 – 5 years	Maturing over 5 years	Total
Financial assets				
Cash and cash equivalents	1,690	-	-	1,690
Trade and other receivables	5,078	-	-	5,078
Property investment structures		41,893	-	41,893
	6,768	41,893	-	48,661
Financial liabilities				
Trade and other payables	455	176	-	631
Other liabilities	383	-	-	383
Borrowings		68,882	-	68,882
Interest rate hedges		664	-	664
	838	69,722	-	70,560

At 30 June 2016

\$'000 At 30 June 2016	Maturing within 1 year	Maturing 2 – 5 years	Maturing over 5 years	Total
Financial assets				
Cash and cash equivalents	2,154	-	-	2,154
Trade and other receivables	256	-	-	256
Property investment structures		24,397	-	24,397
	2,410	24,397	-	26,807
Financial liabilities				
Trade and other payables	3,252	-	-	3,252
Other liabilities	248	-	-	248
Borrowings	62,000	-	-	62,000
Interest rate hedges	47	1,397	-	1,444
	65,547	1,397	-	66,944

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

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

The following table presents the Trust's financial assets and financial liabilities measured at fair value as at 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	Level 2	Level 3	Total
At 30 June 2017 (\$'000)				
Property investment portfolio	-	-	41,893	41,893
Interest rate hedges	-	(664)	-	(664)
At 30 June 2016 (\$'000)				
Property investment portfolio	-	-	24,397	24,397
Interest rate hedges	-	(1,444)	-	(1,444)

(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. All these instruments are included in Level 3.

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

17. Critical Accounting Estimates and Judgments

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

Key estimates – impairment

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

Key estimates – financial assets

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

Key estimates – fair values of investment properties

The Trust carries its investment properties at fair value with changes in the fair values recognised in profit or loss. At the end of each reporting period, the Directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Property Investment Portfolio table on page 4. 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.

18. Statement of Significant Accounting Policies

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

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

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 2016/191 and, in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The 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.

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.

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.

Segment Reporting

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

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

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 the 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 the 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.

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

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 net fair value is positive and as liabilities when their net 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 financial assets (including property investment structures), 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. 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

For investments in 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.

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.

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.

Financial liabilities

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

Financial assets (property investment portfolio)

The property investment portfolio contains a portion of financial assets being property investment structures at FVTPL. All gains and losses in relation to financial assets are recognised in profit or loss. The 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.

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. 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.

Held for sale properties

Properties 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.

Investment income

Interest income is recognised as interest accrues using the effective interest method. Property investment structure income is recognised when the right to receive distribution has been established.

For tax deferred distributions (returns of capital) earned from any trusts that have significant carried forward tax losses, such distributions are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the profit and loss as an unrealised gain.

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 \$17 million of carried forward revenue tax losses and \$17 million carried forward 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 for the operating cash flows only.

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 effects to the Trust's financial statements.

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Trust is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

ACCOUNTING AND
BUSINESS ADVISORS



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 2017, 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 2017.

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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ACCOUNTING AND
BUSINESS ADVISORS



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Property Trust and its controlled entities ("the Group"), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on pages 4,5,6, notes comprising a summary of significant accounting policies and other explanatory information on pages 12 to 20, and the directors' declaration of the Group.

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

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial 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 Group 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 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 Group, would be in the same terms if given to the directors at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the risk
<p>Valuation of Property Investment Portfolio (refer consolidated balance sheet, note 5 and 18) As at 30 June 2017, the total property investment portfolio of the group is valued at \$156.3 million (2016: \$136.2 million) which is significant to the balance sheet. The portfolio consists of directly owned properties valued at \$114.4 million (2016: \$111.8 million) and equity investments in property joint venture trusts of \$41.9 million (2016: \$24.4 million) The property investment portfolio is recorded at fair value.</p> <p>The external valuations and internal valuations make a number of property specific key estimates and assumptions; in particular, assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases and discount rates and other inputs.</p> <p>The valuation of the property investment portfolio held is the key driver of the net assets value and total return. Incorrect valuation could have significant impact on the investment valuation and, therefore, the return generated for shareholders.</p> <p>Internal and external valuations are used by management to recommend to the board.</p>	<p>Our procedures included, but were not limited to, for both direct and indirect property joint venture trusts:</p> <p>We assessed managements procedures in respect of property valuation for external and internal valuations.</p> <p>We assessed the independence and competence of the external valuers as experts and examined the engagement correspondence for any scope limitations or anything which may indicate that their objectivity may be impaired.</p> <p>For both the external and internal valuations on a sample basis, we assessed the reasonableness of the significant judgements and assumptions applied to the valuation model, including occupancy rates, lease incentives, lease terms and passing yields. We agreed the key inputs to underlying lease contracts and results.</p> <p>We compared the yield and capitalisation rates to published material for external market trends. And discussed with management anomalies, movements and property specific matters impacting valuations.</p> <p>Reviewed details of option agreement to director valuations</p>
<p>Related Party Transactions</p> <p>During the financial year, a number of significant related party transactions are undertaken by entities within the Blackwall Group. The nature and amount of these related party transactions are disclosed under note 14.</p> <p>Given the number of material related party transactions occurring throughout the period, there is a risk that these transactions are not identified, disclosed and conducted at arm's length.</p>	<p>Our procedures included but were not limited to:</p> <p>Reviewed the Group structure and processes in place to identify related parties and inquired with management and those charged with governance of any transactions with those parties during the period.</p> <p>Reviewed the minutes of meetings of the Board of Directors and other management meetings for material transactions.</p> <p>Identified the related party transactions and on a sample basis verified the transactions with supporting documentation including the assumptions used by management in determining that transactions were made on normal commercial terms and conditions.</p> <p>We also assessed the appropriateness of the related party disclosures in note 14 to the consolidated financial statements.</p>

Other Information

The directors of the Responsible Entity ('the directors') are responsible for the other information. The other information comprises the information included in the Directors' report (pages 3, 7-11, 23, 24) which we obtained prior to the date of this auditor's report. but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of 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 the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 the 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/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney the 14th day of August 2017



ESV Accounting and Business Advisors



Tim Valtwies
Partner

Information on Officeholders of the Responsible Entity

The Responsible Entity is a wholly owned subsidiary of BlackWall 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.

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 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 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 an independent Director of Coogee Boys' Preparatory School and Randwick District Rugby Union Football Club.

Sophie Gowland

Company Secretary (Appointed 16 May 2017)

Sophie is a lawyer with 10 years of experience across legal practice and investment banking. Sophie has practiced in the areas of corporate advisory, equity capital markets and mergers and acquisitions with firms including Gilbert + Tobin. In her investment banking career, Sophie worked 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.

Sophie was preceded as Company Secretary by Caroline Raw who resigned in September 2016 after 1.5 years as BlackWall's Company Secretary. For the period between Ms Raw's resignation and Ms Gowland's appointment, BlackWall's CFO Tim Brown acted as interim Company Secretary.

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 (KMP) Relevant Interests

KMP include all Directors and the Chief Financial Officer (Tim Brown). Their current relevant interests in the Trust are shown below.

	15 August 2016	Net change	8 August 2017
Richard Hill	517,815	145,224	663,039
Seph Glew	5,903,435	1,335,916	7,239,351
Robin Tedder	1,621,460	3,105,607	4,727,067
Stuart Brown	481,339	(18,142)	463,197
Tim Brown	41,869	28,230	70,099
Total	8,565,918	4,596,835	13,162,753

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

Options

There were no options granted during the year ended 30 June 2017. 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 The Trust Company 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

At the date of this report, the Trust has 66,635,377 units on issue after 8,724 buy-back and issue of 8,806,489 new BWR units (June 2017: 66,635,377 units on issue). The Responsible Entity and its associates held 10.8 million units in the Trust.

Value of the Trust's Assets

At 30 June 2017, the Trust's assets value is set out in the Trust's Consolidated Balance Sheet. Refer to the Property Investment Portfolio table 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.blackwall.com.au/about-us.html>.

Auditor and Non-audit Services

\$50,000 and \$12,000 was paid to the auditor for audit and non-audit services respectively during the year (2016: \$55,000 and \$12,000). 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 Company is of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Stuart Brown
Director
Sydney, 14 August 2017

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 2017 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, 14 August 2017