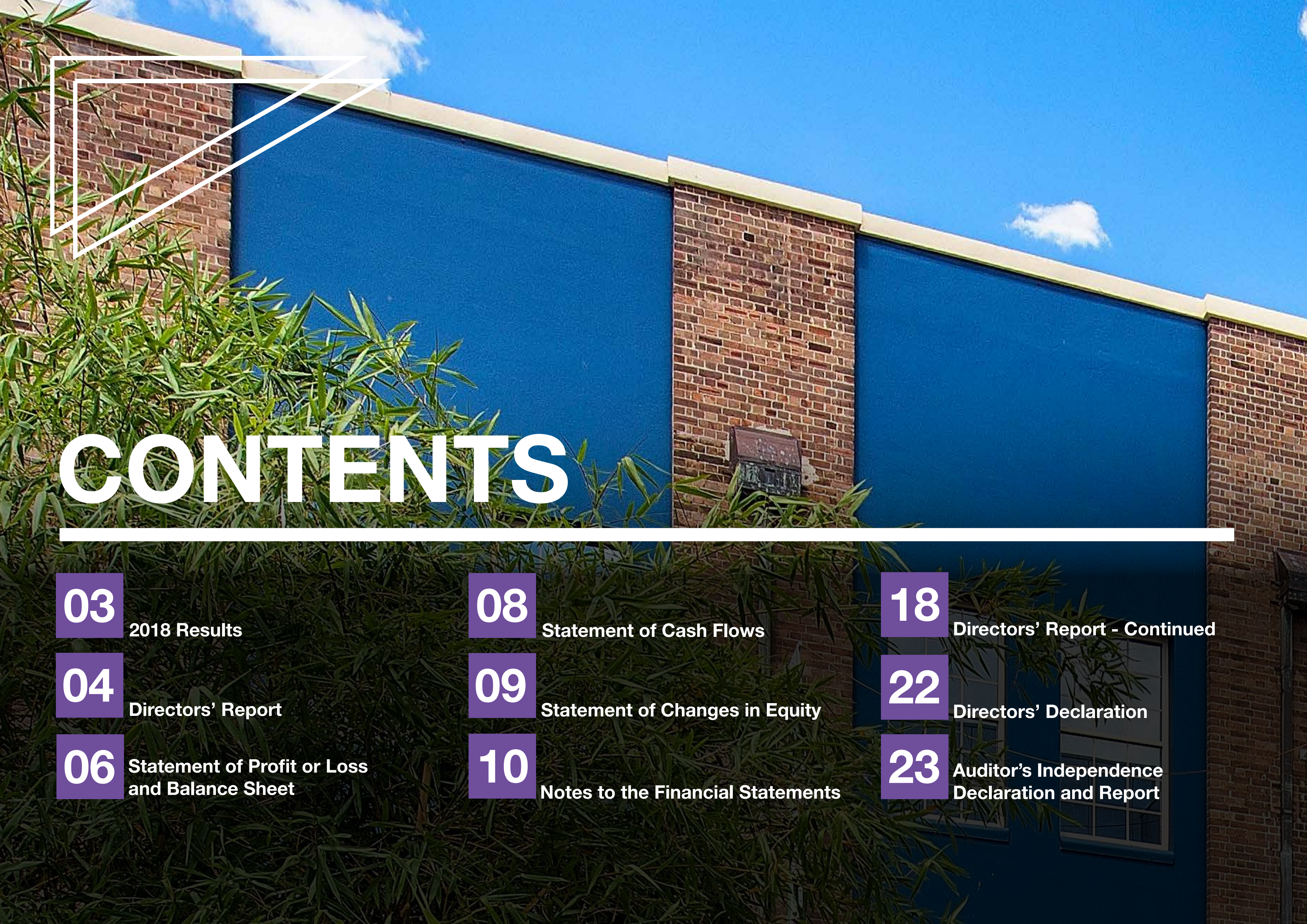
Annual Report 2018

BlackWall Property Trust



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2018 Results

Units on issue
66.6 million

Gross assets
$273 million

Gearing
44%

NTA per unit
$1.55

Distributions

Final
5 cpu to be paid
17 October 2018

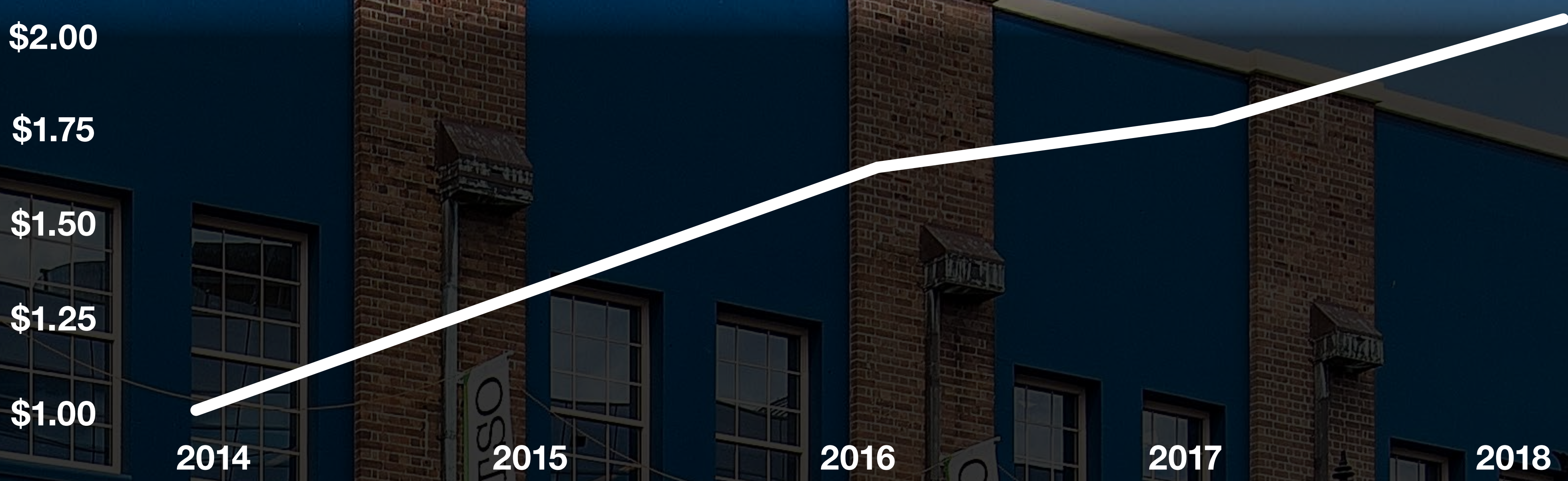
Total for 2018
10 cpu

Total Return Trust

We refer to BWR as a total return REIT, that is, we focus on a combination of the distributions we pay plus the NTA growth we generate. Although this is not a unique concept to the LPT market, we think the means by which we achieve it differentiates the Trust from its larger peers.

In managing the Trust, BlackWall looks for active opportunistic, development and distressed situations. In the short term these positions may negatively impact on the earnings per unit but once mature should grow both earnings and NTA per unit beyond general market movements. The graph shows the Trust's total return performance over the past 4 years.

Total Return from $1 Invested in July 2014



Directors' Report

BWR to Grow Balance Sheet Liquidity

Later we give an update on the sale of the Bakehouse Quarter, one of BWR's largest investment positions. As you will see, we are confident that the sale will complete in late February 2019. Because of this we have written the value of the Bakehouse Quarter investment up to $36 million which reflects the sale price. Once completion occurs, this amount will be cash on the Trust's balance sheet.

On the back of the Bakehouse Quarter sale, BlackWall is structuring a proposal, subject to BWR unitholder approval, for the Trust to make a takeover bid for the Kirela Development Unit Trust (Kirela) - the owner of the Bakehouse Quarter. This offer will be by way of cash or BWR units as consideration for all of Kirela unitholders' position in Kirela. Although the extent of take up of the offer is not certain we expect it to add $100 million of cash to the BWR balance sheet. As part of this transaction, BlackWall will also seek approval for BWR to make the following investments:

1. The acquisition of BlackWall's position in the Pyrmont Bridge Trust;
2. The acquisition of the properties housing WOTSO Adelaide and WOTSO Fortitude Valley.

If the offer and transactions proceed it is likely the Trust will have over $120 million of cash.

Post Transaction Strategy

For over 25 years BlackWall's founders have adopted a patient property investment philosophy. We aim to acquire real estate at a discount with the intention of owning it for the long term. We grow rent by creating leasing opportunities through adaptive reuse and development. Our debt levels reflect our assets' cash flow rather than the amount a financier will lend from time to time. If we sell an asset it is when we have exhausted it's growth opportunities or the after tax capital gains on sale are more than the returns we can make by holding the asset. Our intention is that the cash generated by the transactions described earlier is allocated in accordance with this philosophy.

Our strategy will mean that, for a period, BWR's earnings per unit are stagnant or may decline. However, if we can identify and execute opportunities of the kind we have in the past we expect BWR can significantly grow both NTA per unit and distributable earnings.

Bakehouse Quarter Update

In June 2017 Yuhu Group entered into a call option to purchase the Bakehouse Quarter paying a $38 million option fee. The option was exercisable between 1 July and 31 August 2018 with settlement within 2 months, that is, no later than 31 October 2018.

Recently Yuhu and BlackWall (on behalf of Kirela) agreed an amendment to the option arrangement as follows:

- settlement is to occur on 20 February 2019;
- Yuhu may make a payment of $5 million to extend the option by 1 month up to three times - that is the period in which the option can be exercised may be extended by a maximum of three months on the payment of $15 million in total; and
- Yuhu has agreed to make a pre-payment of the purchase price of $5 million in early December 2018.

At the date of this report Yuhu has served an Option Extension Notice and paid the $5 million fee extending the call option to 30 September 2018. We expect that Yuhu will extend the call option at the end of September and again at the end of October paying a total of $15m in option extension fees.

As was the case with the initial $38 million option fee paid in June 2017, these payments are non-refundable and released to Kirela when received.

If the arrangement proceeds described above, prior to Christmas Yuhu will have paid up to $58 million in call option fees and pre-payments which will be deducted from the purchase price ($380 million) to be paid on settlement in February 2019.

55 Pyrmont Bridge Road

If the Bakehouse Quarter sale completes, the Trust will grow its investment in 55 Pyrmont Bridge Road. At December 2017 the Trust's control of 55 Pyrmont Bridge Road was such that it was consolidated onto the balance sheet. This project is a good example of the type of turnaround deals we hope to find.

In 2014 BlackWall structured the acquisition of the then half empty office building. That transaction was a complex distressed debt purchase in joint venture with NAB at a value of $80 million. Since then the asset has been repositioned, is fully tenanted and NAB's investment has been purchased. The property was independently valued at $111 million in June 2017.

BlackWall has successfully completed negotiations with the property's largest tenant, US telco, Verizon, who occupies roughly 4,500 sqm. Under this deal Verizon has committed a further term of 5 years through to November 2023, with two additional option terms of 5 years each. The terms of this deal have been signed off commercially and the lease is being drafted. To reflect the Verizon renewal the directors have adjusted the value of the property up by $6 million from the last independent valuation.

Canberra North

Below is an extract from the 2017 Annual Report:

> *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.*

Since June 2017 the demand for WOTSO's flexible office space has grown. To meet this demand Canberra North has been repositioned to allow all areas of the building to attract and house WOTSO's tenants. This change has led to a restructure of the arrangement between WOTSO and BWR, as building owner. The conventional lease structure has been replaced with a management arrangement. Like a hotel management arrangement, all revenue goes to the property owner and all operating costs are covered from that revenue with WOTSO earning a fee based on turnover. Under the new structure, the revenue projections set out in the above extract (which were based on conventional lease arrangements) will be exceeded. The current annualised gross revenue is now $2.8 million and fully-let gross revenue should reach $4 million.

Financial Statements

Consolidated Balance Sheet

at 30 June 2018

	Note	2018 $'000	2017 $'000
Assets			
Current Assets			
Cash and cash equivalents		1,083	1,690
Trade and other receivables	3	115	5,078
Bakehouse Quarter investment		36,133	28,216
Other assets		131	173
Total Current Assets		**37,462**	**35,157**
Non-current Assets			
Property investment portfolio		235,350	128,077
Total Non-current Assets		**235,350**	**128,077**
Total Assets		**272,812**	**163,234**
Liabilities			
Current Liabilities			
Trade and other payables	5	1,471	631
Other liabilities	6	713	383
Borrowings	7	53,882	-
Interest rate hedges	7	255	296
Total Current Liabilities		**56,321**	**1,310**
Non-current Liabilities			
Borrowings	7	65,000	68,882
Interest rate hedges	7	57	368
Total Non-current Liabilities		**65,057**	**69,250**
Total Liabilities		**121,378**	**70,560**
Net Assets		**151,434**	**92,674**
Equity			
Issued capital		136,036	136,036
Retained earnings / (accumulated losses)		(33,040)	(43,362)
Attributable to owners of the Trust		**102,996**	**92,674**
Non Controlling Interests		48,438	-
Total Equity		**151,434**	**92,674**
Net tangible assets		102,996	92,674
Number of units on issue		66,635,378	66,635,378
NTA per unit		$1.55	$1.39

Consolidated Statement of Profit or Loss

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue			
Property income		19,075	10,994
Net gain / (loss) on assets	4	20,457	15,658
Interest income		19	13
Other income		4	-
Total Revenue		**39,555**	**26,665**
Expenses			
Property outgoings		(6,025)	(2,885)
Depreciation expense		(4,025)	(2,672)
Finance costs		(4,133)	(2,897)
Administration expenses	2	(1,920)	(1,365)
Amortisation of lease incentive		(396)	-
Loss on sale of assets		(8)	-
Total Expenses		**(16,507)**	**(9,819)**
Profit From Continuing Operations		23,048	16,846
Profit from discontinued operations		-	-
Profit for the year		23,048	16,846
Other comprehensive income		-	-
Profit and other comprehensive income		**23,048**	**16,846**
Profit and other comprehensive income attributable to:			
Owners of the Trust		**17,985**	**16,846**
Non Controlling Interests		5,063	-
		23,048	**16,846**
Earnings Per Unit			
Basic earnings per unit		27.0 cents	27.0 cents
Calculated as follows:			
Profit for the year		17,985	16,846
Weighted average number of units for EPU		66,635,378	62,371,703

Directors' Report Management Commentary

BWR's property investments are by direct ownership or as positions in property investment structures originated and managed by BlackWall. Where possible, and if appropriate, BWR aims to grow its investment in these structures. The Trust's investment in 55 Pyrmont Bridge Road is such that the Trust has control of the entity holding the asset. As a consequence, the asset has been consolidated on to the BWR balance sheet from 31 December 2017.

Unless stated otherwise, the carrying values are based on Director valuations having regard to independent valuations save that the Bakehouse Quarter investment carrying value has been adjusted to reflect the sale transaction described earlier. As settlement is to occur in February 2019 the investment is held as a current asset.

The movement in carrying values of BWR's investments are reflected in the Statement of Profit or Loss through gains on assets. In addition to the Bakehouse, the most significant event in the portfolio is the renewal of the Verizon lease at 55 Pyrmont Bridge Road. Verizon occupies roughly 4,500 sqm of the building's 14,500 sqm net lettable area under a 5-year lease expiring in November 2018. BlackWall has negotiated for Verizon to take up a new 5 year term to November 2023, with an option for a further 5 years.

From time to time, real estate investment structures in which BWR is invested 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 Statement of Profit or Loss as an unrealized gain.

At June 2018 BWR had $16 million in carried forward capital and $19 million in revenue tax losses. Because of this, distributions from the Trust have been paid as tax deferred returns of capital. If the transaction with respect to the Bakehouse completes, most, if not all of the tax losses will be taken up and distributions in the future are likely to be revenue with some tax deferred components.

Property Investment Portfolio ($'000)

	Ownership	Passing Yield	Fully Let Yield	2018	2017
Commercial					
Canberra North, ACT	100%	5.70%	9.70%	30,000	25,000
Varsity Lakes, QLD	100%	6.10%	7.60%	18,200	18,000
Pyrmont Bridge Road, NSW*	32%	6.50%	6.60%	117,000	13,677
Hobart, TAS	100%	7.70%	8.00%	8,800	8,400
Canberra South, ACT	100%	2.60%	7.20%	8,250	8,100
Mixed Use					
Bakehouse Quarter, NSW	14%	6.50%	6.60%	36,133	28,216
Sippy Downs, QLD	100%	6.10%	7.10%	26,400	26,200
Industrial					
Yandina, QLD	100%	13.60%	13.60%	20,100	22,200
Toowoomba, QLD	100%	2.20%	7.40%	6,600	6,500
Total property investment portfolio				**271,483**	**156,293**

*Consolidated in the 2018 financial year and the property value has been written up from $111 million to $117 million.

Reconciliation of Property Investment Portfolio ($'000)

	2018	2017
Opening Balance	156,293	136,197
Pyrmont net acquisition / consolidation	99,319	5,461
Revaluation of Bakehouse Quarter	8,679	8,680
Revaluation of Pyrmont	6,240	6,258
Revaluation of Canberra North	4,761	110
Revaluation of Other property investments	2,346	694
Capital improvements	1,998	593
Straight-line rental income	850	622
Depreciation	(4,421)	(2,626)
Revaluation of Yandina	(1,921)	(2,054)
Returns of capital – Pyrmont	(1,900)	(190)
Returns of capital – Bakehouse Quarter	(743)	(1,473)
Other disposal	(18)	-
Hobart acquisition	-	7,800
Bakehouse Quarter net acquisition	-	909
Coolum property sale	-	(3,400)
Other property investment sales	-	(1,288)
Closing Balance	**271,483**	**156,293**
Disclosed as follows:		
Bakehouse Quarter investment – current asset	36,133	28,216
Property investment portfolio – non-current asset	235,350	128,077
Total	**271,483**	**156,293**

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	2018 $'000	2017 $'000
Cash Flows From Operating Activities		
Receipts from tenants	20,132	12,128
Payments to suppliers	(9,576)	(6,645)
Interest paid	(3,969)	(2,630)
Distributions received from Woods Pipes	-	61
Interest received	19	14
Borrowing costs paid	-	(163)
Net Cash Flows From / (Used in) Operating Activities	**6,606**	**2,765**
Cash Flows From Investing Activities		
Proceeds from sale of The Woods units	3,992	-
Returns of capital from Pyrmont Bridge Trust	2,470	-
Returns of capital from Bakehouse Quarter	1,568	459
Cash acquired on consolidation of Pyrmont	62	-
Proceeds from sale of other investments	9	1,810
Payment for additional Pyrmont investment	(3,772)	(3,633)
Payment for capital expenditure	(1,998)	(676)
Proceeds from sale of Coolum property	-	3,600
Purchase of Hobart property	-	(8,135)
Payment for additional Bakehouse Quarter investment	-	(2,195)
Payment for BlackWall Telstra House Trust units	-	(1,851)
Net Cash Flows From / (Used in) Investing Activities	**2,331**	**(10,621)**
Cash Flows From Financing Activities		
Distributions paid	(8,244)	(5,232)
Repayment of other borrowings	(1,100)	-
Repayment of bank borrowings	(200)	-
Proceeds from issue of units	-	10,512
Proceeds from Hobart borrowings	-	3,882
Increase in Canberra North borrowings	-	3,000
Payments for purchase of BWR units	-	(4,537)
Payment for capital raising costs	-	(197)
Payment for buy-back of units	-	(27)
Net Cash Flows From / (Used in) Financing Activities	**(9,544)**	**7,401**
Net Increase / (Decrease) in Cash Held	**(607)**	**(455)**
Cash and cash equivalents at the beginning of the year	1,690	2,154
Less opening balance of subsidiaries that have left the group	-	(9)
Cash and Cash Equivalents at End of the Period	**1,083**	**1,690**

Reconciliation of Operating Cash Flows ($'000)

	2018	2017
Profit for the year	23,048	16,846
Non-cash flows in profit:		
Depreciation and amortisation	4,401	2,745
Net gain on assets	(20,449)	(15,658)
Straight-line rental income	(850)	(611)
RE fees settled in BWR units	-	180
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(268)	185
(Increase) / decrease in other assets	184	(22)
Increase / (decrease) in trade and other payables	235	(1,035)
Increase / (decrease) in other liabilities	305	135
Net cash flows from operating activities	**6,606**	**2,765**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Issued Capital No.'000	Issued Capital $'000	Retained Earnings / (Accumulated Losses) $'000	Attributable to Owners of the parent $'000	Non Controlling Interests $'000	Total Equity $'000
Balance at 1 July 2017	**66,636**	**136,036**	**(43,362)**	**92,674**	**-**	**92,674**
Acquisition of subsidiary	-	-	-	-	43,956	43,956
Profit for the year	-	-	17,985	17,985	5,063	23,048
Distributions paid	-	-	(7,663)	(7,663)	(581)	(8,244)
Balance at 30 June 2018	**66,636**	**136,036**	**(33,040)**	**102,996**	**48,438**	**151,434**
Buy-back since 30 June	-	-				
Balance at signing date	**66,636**	**136,036**				
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	-	(738)	-	(738)	-	(738)
On-market buy-back	(9)	(11)	-	(11)	-	(11)
Profit / (loss) for the period	-	-	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**

Notes

1. Segment Reporting

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

2. Expenses ($'000)

	2018	2017
Administration expenses:		
Responsible entity fees	1,388	923
Compliance expenses (listing, registry etc)	532	442
Total	**1,920**	**1,365**

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

	2018	2017
Trade and other receivables		
Asset sale (The Woods)	-	3,992
Distributions	-	1,015
Other	115	71
Total	**115**	**5,078**

No debtors have been provided for as at 30 June 2018 (2017: $Nil) or at the date of this report.

4. Net gain / (loss) on assets ($'000)

	2018	2017
Bakehouse Quarter, NSW	8,679	8,680
Pyrmont Bridge Road, NSW	6,240	6,258
Canberra North, ACT	4,761	110
Varsity Lakes, QLD	852	391
Hobart, TAS	484	(226)
Canberra South, ACT	433	285
Sippy Downs, QLD	370	321
Toowoomba, QLD	208	132
Yandina, QLD	(1,921)	(2,054)
Coolum, QLD	-	245
Total net gain / (loss) on property investment portfolio	**20,106**	**14,142**
Net gain / (loss) on interest rate hedges	351	780
Gain on sale of BWR units from option transaction	-	735
Total net gain / (loss) on assets	**20,457**	**15,658**

5. Current Liabilities – Trade and Other Payables ($'000)

	2018	2017
Trade payables		
Related parties – BlackWall Limited	116	1
Other parties	1,187	454
Tenant deposits	168	176
Total	**1,471**	**631**

6. Current Liabilities – Other Liabilities ($'000)

	2018	2017
Rental income received in advance	713	383
Total	**713**	**383**

7. Borrowings and Interest Rate Hedges

Borrowings

All facilities are priced off BBSY. The total undrawn balance across all facilities is less than $200k.

The LVR (loan to value ratio) shown below is calculated against the carrying value in these financial statements with the facility LVR covenant shown in parenthesis.

Security	LVR	Balance $'000	Expiry	Margin	Lender
Various*	43% (65%)	50,000	10/18	2.10%	NAB
Hobart	44% (50%)	3,882	02/19	2.10%	NAB
Total current		**53,882**			
Pyrmont	43% (90%)	50,000	12/19	2.20%	NAB
Canberra North	50% (61%)	15,000	09/19	2.10%	NAB
Total non-current		**65,000**			
Total June 2018		**118,882**			
Various*	39% (65%)	50,000	10/18	2.10%	NAB
Canberra North	60% (61%)	15,000	09/19	2.10%	NAB
Hobart	46% (50%)	3,882	02/19	2.10%	NAB
Total June 2017		**68,882**			

*Secured against all assets held by the Trust save those specifically mentioned above.

Interest Rate Hedges

	Bank	$'000	Type	Floor	Cap	Expiry	MTM Value $'000
June 2018	NAB	20,000	Collar	2.72%	4.55%	07/19	(166)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(146)
Total		**50,000**					**(312)**
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)**

Balance Sheet - the mark to market value of all interest rate hedged are calculated at 30 June and shown in this note as a negative number if they are out of the money and a positive if they are in the money. The value is prorated to the remaining hedge term and the portion with less than 12 months to run carried as a current liability / asset with the balance as non-current.
Profit or Loss - the gain or loss on interest rate hedge valuation is recognized in the net gain / (loss) on assets.

8. Acquisition of Subsidiary ($'000)

In December 2017 the Trust gained control of 55 Pyrmont Bridge Road through control of the following entities:

- Pyrmont Bridge Property Pty Limited (PBP) – the registered proprietor of the property; and
- Pyrmont Bridge Trust (PBT) – a wholesale investment trust, managed by BlackWall which holds a $55 million subordinated debt instrument secured by a registered second mortgage over the property.

As BWR controls both entities the subordinated debt instrument held by PBT eliminates on consolidation. Interests in both PBP and PBT held by third parties are show as non controlling interests.

The assets and liabilities recognised are as follows:

	Fair value $'000
Cash	63
Borrowing costs	146
Property investment	111,000
Trade payables	(534)
Borrowings	(51,300)
Net assets acquired	59,375
Less: non-controlling interests	(44,001)
Group share of assets acquired	**15,374**

The purchase of the investments was paid in cash, and there were no acquisition related costs.

9. Distributions

A distribution of 5.0 cents per unit has been declared to be paid on 17 October 2018. Distributions paid before the balance date are listed below:

	2018	2018 $'000	2017	2017 $'000
Prior year final distribution	6.5 cpu	4,331	4.0 cpu	2,313
Current year interim distribution	5.0 cpu	3,332	4.5 cpu	2,906
Total		**7,663**		**5,219**

10. Lease Commitments Receivable ($'000)

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

	2018	2017
Receivable within 1 year	16,306	8,849
Receivable within 2 – 5 years	33,517	25,332
Receivable for more than 5 years	24,795	10,361
Total	**74,618**	**44,542**

11. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 30 June 2018 (June 2017: Nil).

12. Subsequent Events

Special note should be taken of the update in relation to the sale of the Bakehouse Quarter, the Verizon lease at 55 Pyrmont Bridge Road and the acquisition proposal all of which are explained on pages 4 and 5 of this report. Other than these matters, to the best of the Directors' knowledge, 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	Percentage Owned 2018	2017
Parent entity:		
BlackWall Property Trust	100%	100%
Controlled entity of parent entity:		
Yandina Sub-Trust	100%	100%
BlackWall Telstra House Trust	100%	100%
BlackWall Hobart Unit Trust	100%	100%
Pyrmont Bridge Property Pty Limited	32%	-
Pyrmont Bridge Trust	25%	27%

Parent and controlled entities are all domiciled in Australia.

14. Auditor's Remuneration ($'000)

	2018	2017
Remuneration of ESV for:		
Audit and assurance services	52	43
Total	**52**	**43**

15. 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:

	Holdings (No.'000)		$'000 Distribution	
Unlisted Funds / Entities	**2018**	**2017**	**2018**	**2017**
Kirela Development Unit Trust	82	82	742	1,473
Pyrmont Bridge Trust	-	7,599	2,280	190
Bakehouse Quarter Trust	-	2	1	-
Woods PIPES Fund	-	-	-	16
			3,023	**1,679**

For further details refer to the Reconciliation of Property Investment Portfolio table. Income received from Kirela was in the form of returns of capital. Pyrmont Bridge Trust has been consolidated from January 2018.

(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	2018 $'000	2017 $000
Remuneration paid to Responsible Entity	1,335	922
Property management, leasing fees and accounting fees	582	501
Transaction fees	-	74
	1,917	**1,497**
Revenue		
WOTSO WorkSpace rent, outgoings and utilities	1,219	738

Refer to Directors' Report for Key Management Personnel's relevant interests in the Trust.

16. 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.

	2018 $'000	2017 $000
Profit for the year	9,302	17,964
Total comprehensive income for the year	**9,302**	**17,964**
Financial position:		
Current assets	661	6,801
Non-current assets	153,908	143,730
Total assets	**154,569**	**150,531**
Current liabilities	(50,606)	(182)
Non-current liabilities	(1,975)	(50,000)
Total liabilities	**(52,581)**	**(50,182)**
Net assets	**101,988**	**100,349**

The parent entity had no contingencies at 30 June 2018 (2017: Nil). The parent entity has not entered into any capital commitments as at 30 June 2018 (2017: Nil).

17. Financial Risk Management

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 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:

	2018 $'000	2017 $000
Financial assets		
Property investment structures	36,133	41,893
Financial liabilities		
Borrowings	118,882	68,882

The property investment structures referred to above represent the Trust's investment in The Bakehouse Quarter (2017: The Bakehouse Quarter and Pyrmont).

Sensitivity analysis

The Group is not exposed to any material credit or liquidity risks.

In relation to interest rate risk, if interest rates on borrowings were to increase by 1% profit before tax would be reduced by $1,189,000.

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.

Liquidity risk

The major liquidity risk faced by the Trust is its ability to realise assets. The Trust has borrowings of $119 million and total gross assets of $273 million, of which $235 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	Maturing Within 1 year	Maturing 2 – 5 years	Maturing over 5 years	Total
At 30 June 2018				
Financial liabilities				
Trade and other payables	1,303	168	-	1,471
Other liabilities	713	-	-	713
Borrowings	53,882	65,000	-	118,882
Interest rate hedges	255	57	-	312
	56,153	**65,225**	**-**	**121,378**
At 30 June 2017				
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**

Fair value measurements

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 Judgement note for further details of assumptions used and how fair values are measured.

	Level 1	Level 2	Level 3	Total
At 30 June 2018 ($'000)				
Property investment portfolio	-	-	36,133	36,133
Interest rate hedges	-	(312)	-	(312)
At 30 June 2017 ($'000)				
Property investment portfolio	-	-	41,893	41,893
Interest rate hedges	-	(664)	-	(664)

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

Significant unobservable inputs within the income capitalisation method associated with the valuations of the property investment portfolio are as follows:

Significant unobservable inputs used to measure fair value	Range of unobservable inputs	Impact of increase in input on fair value	Impact of decrease in input on fair value
Capitalisation rate (%)	6.5 – 10.2	Decrease	Increase
Net market rent ($ per sqm)	116 – 1,043	Increase	Decrease

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

	$'000
At 30 June 2018	
Balance at the beginning of the year	41,893
Purchase of Pyrmont units	3,772
Return of capital	(2,643)
Fair value movement through the profit and loss	8,515
Consolidation of Pyrmont	(15,388)
Other	(16)
Balance at the end of the year	**36,133**
At 30 June 2017	
Balance at the beginning of the year	24,397
Purchase of investments	12,300
Sale of investments	(6,597)
Return of capital	(2,949)
Fair value movement through the profit and loss	14,742
Balance at the end of the year	**41,893**

18. Critical Accounting Estimates and Judgements

The Directors of the Responsible Entity evaluate estimates and judgements 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. 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.

19 . Changes in Liabilities Arising from Financing Activities ($'000)

	Borrowings	Total
Total liabilities from financing activities as at 1 July 2016	**(62,000)**	**(62,000)**
Net cash from / (used in) financing activities – Hobart borrowings	(3,882)	(3,882)
Net cash from / (used in) financing activities – Canberra North borrowings	(3,000)	(3,000)
Total liabilities from financing activities as at 30 June 2017	**(68,882)**	**(68,882)**
Net cash from / (used in) financing activities	1,300	1,300
Acquisition of Pyrmont	(51,300)	(51,300)
Total liabilities from financing activities as at 30 June 2018	**(118,882)**	**(118,882)**

20. Statement of Significant Accounting Policies

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

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

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 ow 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 include 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 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. 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 straight-lining 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 and amortised on a straightlined basis over the lease term as a reduction in lease income.

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.

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.

Directors' Report
Continued

Subsequent Events

Special note should be taken of the update in relation to the sale of the Bakehouse Quarter, the Verizon lease at 55 Pyrmont Bridge Road and the acquisition proposal all of which are explained on pages 4 and 5 of this report. Other than these matters, to the best of the Directors' knowledge, 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.

Directory of Properties

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

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 24 August 2018.

Unitholders

The Trust's top 20 largest unitholdings were:

	Investor	Units(No.)	Units(%)
1	BlackWall Fund Services Limited	10,798,898	16.21
2	Pelorus Private Equity Limited	9,702,168	14.56
3	Seno Management Pty Ltd <Taipa A/C>	4,800,000	7.20
4	Mr Archibald Geoffrey Loudon	3,707,894	5.56
5	Vintage Capital Pty Limited	3,510,000	5.27
6	Sao Investments Pty Ltd	2,000,000	3.00
7	Alerik Pty Limited <The Alerik Unit A/C>	1,925,000	2.89
8	Lymkeesh Pty Ltd <Employees Super Fund A/C>	1,459,917	2.19
9	Koonta Pty Ltd <Koonta Super Fund A/C>	1,032,532	1.55
10	Mr Peter Joy	1,000,000	1.50
11	Koonta Pty Ltd <The Tedder Family A/C>	800,227	1.20
12	Frogstorm Pty Ltd <Rockahula A/C>	725,526	1.09
13	HSBC Custody Nominees (Australia) Limited	689,435	1.03
14	Castlebay Pty Limited	685,799	1.03
15	Pinnatus Pty Ltd	679,320	1.02
16	Glenahilty Ltd	670,746	1.01
17	Rigi Investments Pty Limited <The Cape A/C>	610,000	0.92
18	Plane Sailing Trails Pty Ltd <PST Super A/C>	517,435	0.78
19	Methuselah Capital Management Pty Ltd <Feldman Family A/C>	444,651	0.67
20	Mr Simon Charles Farr	400,000	0.60

Distribution of Unitholders

The distribution of unitholders by size of holding on 24 August 2018 is shown below:

Category	No. of Holders
1 – 1,000	305
1,001 – 5,000	537
5,001 – 10,000	207
10,001 – 100,000	324

The Trust has 66,635,378 units on issue. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX: BWR).

Substantial Unitholders

The Trust's substantial unitholders are set out below:

Investor	Units(No.)	Units(%)
BlackWall Limited	10,798,898	16.21
Pelorus Private Equity Limited	9,632,621	14.46
Joseph (Seph) Glew	8,734,100	13.11
Paul Tressider	5,982,512	8.98
Robin Tedder	5,398,034	8.10
Mr Archibald Geoffrey Loudon	3,707,894	5.56

Key Management Personnel's Relevant Interests

The current relevant interests in the Trust held by Key Management Personnel of the Responsible Entity are shown below:

Director	8 August 2017	Net Change	10 August 2018
Richard Hill (non-executive director)	663,039	-	663,039
Seph Glew (non-executive director)	7,239,351	1,494,749	8,734,100
Robin Tedder (non-executive director)	4,727,067	670,967	5,398,034
Stuart Brown (executive director and CEO)	463,197	513,907	977,104
Timothy Brown (executive director and CFO)	70,099	279,659	349,758
Jessica Glew (COO)	14,168	250,000	264,168
Total	**13,176,921**	**3,209,282**	**16,386,203**

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

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. Richard is Chairman of the Westmead Institute for Medical Research. In the last three years, Richard has served as a director (Chairman) of Sirtex Medical Limited (Sirtex), listed on ASX. Richard retired as director of Sirtex on 28 October 2017.

Joseph (Seph) Glew

Non-Executive Director

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "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.

Timothy Brown (appointed 29 January 2018)

Executive Director and Chief Financial Officer

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

Sophie Gowland

Company Secretary

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

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Richard Hill	10	10
Seph Glew	10	10
Robin Tedder	10	10
Stuart Brown	10	10
Timothy Brown (appointed January 2018)	5	5

Options

There were no options granted during the year ended 30 June 2018. 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 and at 30 June 2017, the Trust had 66,635,378 units on issue. The Responsible Entity

and its ultimate holding company held 10.8 million units in the Trust.

Value of the Trust's Assets

At 30 June 2018, 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 entities 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 entities 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

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 (2017: $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 Trust 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, 31 August 2018

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 2018 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, 31 August 2018

Auditors Independence Declaration and Audit Report

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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 2018, 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 31st day of August 2018.

ESV

ESV Accounting and Business Advisors

Tim Valtwies

Tim Valtwies
Partner

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS 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 2018, 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 6,8,9 notes including a summary of significant accounting policies on pages 10-17, 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 2018 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
Valuation of Property Investment Portfolio As at 30 June 2018, the total property investment portfolio of the group is valued at $271 million (2017: $156 million) which is significant to the balance sheet. The portfolio consists of directly owned properties valued at $235 million (2017: $114 million) and equity investments in property joint venture trusts of $36 million (2017: $42 million). The property investment portfolio is recorded at fair value. 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. 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. Internal and external valuations are used by management to recommend to the board.	Our procedures included, but were not limited to for both direct and indirect property investments : We assessed the managements procedures in respect of property valuation for external and internal valuations. 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. 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. 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. Reviewed details of option agreements to director valuations
Related Party Transactions During the financial year, a number of related party transactions were undertaken by entities controlled by Blackwall Ltd the parent of the Responsible Entity. The nature and amount of these related party transactions are disclosed under note 15. 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 on normal commercial terms and conditions.	Our procedures included but were not limited to: 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. Reviewed the minutes of meetings of the Board of Directors and other management meetings for material transactions. 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. We also assessed the appropriateness of the related party disclosures in note 15 to the consolidated financial statements.

Accounting for the Consolidation of the Pyrmont entities The group's property investments are by direct investment and property investment structures which are managed by Blackwall Ltd. As a result of a restructure of the Pyrmont entities during December 2017, BWR owns 32.44% of shares in Pyrmont Bridge Property Pty Ltd (PBP) and 25.42% of units Pyrmont Bridge Trust (PBT). Many factors need to be considered to establish that BWR gained control of the Pyrmont entities. The consolidation of the Pyrmont entities is significant as the following major assets, liabilities and results are consolidated on to the Group's financial statements: - Property assets of $117 million recorded within the Property Investment Portfolio and $50 million recorded as non-current borrowings in the Balance Sheet - $5.8 million recorded as property income in the Statement of Profit or Loss	Our procedures included, but were not limited to: Reviewed and discussed management's basis for establishing control in accordance with AASB 10. We have examined and verified: - The Pyrmont entities' share and unit registers Examined how widely disbursed the investor base is to understand likelihood of other investors impacting voting power. Understood the power delegated to related parties through contractual means. Subsequent to control being established, made an assessment whether there have been changes to decision making rights due to changes in ownership percentages and related party holdings.

Other Information

Other information is financial and non-financial information in the Group's annual report which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2018. 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 4, 5, 7, 18-21) 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 31st day of August 2018.

ESV

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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