



WOTSO

ANNUAL REPORT

JUNE 2019



BLACKWALL
PROPERTY TRUST

CANBERRA NORTH ACT

3050
PYRMONT BRIDGE ROAD, NSW

CONTENTS

- 3** 2019 Results
- 4** Directors' Report
- 7** Balance Sheet
- 8** Statement of Profit or Loss and Other Comprehensive Income
- 9** Statement of Cash Flows
- 10** Statement of Changes in Equity
- 11** Notes to the Financial Statements
- 19** Directors' Report Continued
- 23** Directors' Declaration
- 24** Auditor's Independence Declaration and Report

2019 RESULTS

Gross assets

\$317 million

3.5 cpu Distribution

100% tax deferred to be paid on 8 October 2019

Gearing

18%

NTA

\$1.48

No of Properties

11



Directors' Report

Chairman's Commentary

Over the past year we have dramatically expanded the BWR balance sheet and laid a foundation for future growth. To maximise our return on cash reserves we have elected to repay debt rather than hold cash on deposit which has had the effect of reducing our gearing to just 18%.

Some would describe this as a lazy balance sheet but we believe that we are now strategically positioned to take advantage of future opportunities. With property yields at record lows we think it unlikely that BWR will acquire passive real estate investments in the near term but we are on the hunt for active investments and special situations where we believe we can succeed regardless of market conditions.

We have a strong track record of finding and executing turnaround projects and our strong balance sheet means that we can now act quickly to capitalise on these opportunities when they arise.

In our view, commercial property yields are at unsustainably low levels and a correction is coming. Our aim is to be ready to act when investors are most fearful.

We have some immediate opportunities to grow income through the leasing up of our newly acquired Brisbane and Adelaide properties and we have a development opportunity with our Canberra North property.

To further improve our yield in the short term we have created a small loan book on properties that we control. These are secured against the underlying properties and receive around 2% higher interest than we would achieve through leaving money on deposit. Importantly, we can call these loans at short notice and deploy the capital when we are ready.

BWR will be paying a final distribution of 3.5 cents per unit on 8 October 2019. The following page shows the property portfolio as it stands today.



Seph Glew
Chairman

VARSIY LAKES, QLD



Portfolio



Fortitude Valley, QLD

76-84 Brunswick Street, Fortitude Valley

Value: \$8,680,000

NLA: 2,400 sqm

Prominent corner property with development potential now comprising two adjacent buildings after recent acquisition. Home to WOTSO and looking to find a child care and gym operator.



Toowoomba, QLD

52 Industrial Avenue, Toowoomba

Value: \$5,000,000

NLA: 4,200 sqm

Industrial asset in Toowoomba. Legacy property which is on the market for sale.



Varsity Lakes, QLD

194 Varsity Parade, Varsity Lakes

Value: \$18,500,000

NLA: 5,000 sqm

Four storey office building on Queensland's Gold Coast with a gym, child care centre, café and office tenants. Major tenants include Coral Homes and WOTSO.



Adelaide, SA

217-221 Flinders Street, Adelaide

Value: \$6,900,000

NLA: 4,300 sqm

Two adjacent buildings on the fringe of the Adelaide CBD. 217 established home to WOTSO, 221 recently acquired and being fitted out for WOTSO.



Hobart, TAS

162 Macquarie Street, Hobart

Value: \$9,250,000

NLA: 3,500 sqm

Six storey office building in Hobart CBD with WOTSO and RGIT as major tenants.

Yandina, QLD

54 Pioneer Rd, Yandina

Value: \$20,450,000

NLA: 9,100 sqm

Purpose built printing facility leased to News Limited. Houses News Limited's main printing press servicing SE Queensland.



Sippy Downs, QLD

30 Chancellor Village Blvd, Sippy Downs

Value: \$27,300,000

NLA: 9,500 sqm

Mixed use commercial centre with tenants including Joyce Mayne, First Choice Liquor, My Fitness Club, Sunshine Toyota and WOTSO.



Pymont Bridge Road, NSW

55 Pymont Bridge Rd, Pymont

Value: \$126,300,000

NLA: 15,000 sqm

City fringe seven storey mixed use building. Major tenants include Verizon, IAG and WOTSO.



Villawood, NSW

850 Woodville Rd, Villawood

Value: \$19,500,000

NLA: 9,400 sqm

Entertainment precinct in Sydney's West. Zone Bowling, Flipout and Sydney Indoor Climbing Gym are amongst some of the action filled businesses.



Canberra North, ACT

490 Northbourne Ave, Dickson

Value: \$30,700,000

NLA: 8,000 sqm

Prominent seven storey building leased to ACT Government and WOTSO. Home to over 100 SMEs.



Canberra South, ACT

10-14 Wormald Street, Symonston

Value: \$8,500,000

NLA: 2,700 sqm

Former Canberra Eye Hospital now occupied by WOTSO, Cardno Young and others.



Case Study 55 Pyrmont Bridge Road

BlackWall was introduced to assist with this property turn-around in late 2013 on behalf of NAB as mortgagee in possession and PWC as administrators. BlackWall formulated a repositioning strategy and in late 2014 structured a transaction to move the asset off the bank's balance sheet by way of a distressed debt purchase. BlackWall raised \$15 million and NAB invested the same amount with the asset valued at \$80 million. By late 2017 BlackWall had retired the bank's investment completely (save a conforming debt facility) and took full control of the project.

Since 2016 BWR has been building an investment in the asset by underwriting an equity raising and acquiring seed investor's positions on a secondary sale basis. By June 2017 BWR's investment was such that the asset was consolidated onto its balance sheet.

When BlackWall took control, 55 Pyrmont Bridge Road was valued at \$80 million and had over 6,000 sqm of actual or imminent vacancy. Today the property has no vacancy and was recently valued at \$126 million. BWR continues to grow its investment in the property.

Financial Statements

Balance Sheet at 30 June 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		9,719	1,083
Trade and other receivables	4	559	115
Bakehouse Quarter investment		-	36,133
Financial assets	5	2,000	-
Borrowing costs		32	131
Loan portfolio	6	17,180	-
Total Current Assets		29,490	37,462
Non-current Assets			
Financial assets	5	6,000	-
Property investment portfolio		281,080	235,350
Total Non-current Assets		287,080	235,350
TOTAL ASSETS		316,570	272,812
LIABILITIES			
Current Liabilities			
Trade and other payables	7	4,276	1,471
Other liabilities	8	572	713
Borrowings	9	57,000	53,882
Interest rate hedges	9	282	255
Total Current Liabilities		62,130	56,321
Non-current Liabilities			
Borrowings	9	-	65,000
Interest rate hedges	9	-	57
Total Non-current Liabilities		-	65,057
TOTAL LIABILITIES		62,130	121,378
NET ASSETS		254,440	151,434
EQUITY			
Issued capital		254,710	136,036
Retained earnings / (accumulated losses)		(35,311)	(33,040)
Attributable to owners of the Trust		219,399	102,996
Non Controlling Interests		35,041	48,438
TOTAL EQUITY		254,440	151,434
Net tangible assets		219,399	102,996
Number of units on issue		148,516,055	66,635,378
NTA per unit		\$1.48	\$1.55

Property Investment Portfolio

	Ownership	Passing Yield	Fully Let Yield	2019 \$'000	2018 \$'000
Canberra North, ACT	100%	7.4%	8.2%	30,700	30,000
Varsity Lakes, QLD	100%	5.9%	7.4%	18,500	18,200
Pyrmont Bridge Road, NSW	41%	6.0%	6.0%	126,300	117,000
Hobart, TAS	100%	6.2%	7.2%	9,250	8,800
Canberra South, ACT	100%	6.7%	7.0%	8,500	8,250
Adelaide, SA	100%	2.5%	10.9%	6,900	-
Fortitude Valley, QLD	100%	2.3%	7.5%	8,680	-
Mixed Use					
Sippy Downs, QLD	100%	5.9%	6.7%	27,300	26,400
Villawood, NSW	46%	5.8%	7.7%	19,500	-
Bakehouse Quarter, NSW	-	-	-	-	36,133
Industrial					
Yandina, QLD	100%	13.7%	13.7%	20,450	20,100
Toowoomba, QLD	100%	4.0%	11.5%	5,000	6,600
Total property investment portfolio				281,080	271,483

All properties are carried at the fair values determined by independent valuations which were undertaken for the purposes of the BWR restructure set out in the Notice of Meeting released to the market on 8 April 2019. The value of properties have been adjusted to include any capital expenditure that has occurred since the date of the independent valuations. These adjustments don't assume any value margin on capex but simply add the amount of capital expended.

Reconciliation of Property Investment Portfolio

	2019 \$'000	2018 \$'000
Opening balance	271,483	156,293
Acquisition of Villawood	19,452	-
Revaluation of Pyrmont	9,817	6,240
Acquisition of Fortitude Valley	8,655	-
Acquisition of Adelaide	6,816	-
Capital improvements	4,328	1,998
Revaluation of Canberra North	1,152	4,761
Straight-line rental income	1,068	850
Revaluation of other property investments	674	2,346
Revaluation of Yandina	545	(1,921)
Bakehouse Quarter disposal	(34,483)	(18)
Depreciation	(5,387)	(4,421)
Distributions from Kirela (prior to acquisition)	(1,650)	(743)
Revaluation of Toowoomba	(1,390)	-
Pyrmont net acquisition	-	99,319
Revaluation of Bakehouse Quarter	-	8,679
Returns of capital – Pyrmont	-	(1,900)
Closing Balance	281,080	271,483
Disclosed as follows:		
Bakehouse Quarter investment – current asset	-	36,133
Property investment portfolio – non-current asset	281,080	235,350
Total	281,080	271,483

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue			
Property income		25,143	19,075
Net gain / (loss) on assets	2	10,816	20,457
Interest income		375	19
Other income		-	4
Total Revenue		36,334	39,555
Expenses			
Property outgoings		(9,472)	(6,025)
Depreciation expense		(5,259)	(4,025)
Finance costs		(5,026)	(4,133)
Administration expenses	3	(2,677)	(1,920)
Amortisation of lease incentive		(116)	(396)
Gain / (loss) on sale of assets		(807)	(8)
Total Expenses		(23,357)	(16,507)
Profit for the year		12,977	23,048
Other comprehensive income		-	-
Profit and other comprehensive income		12,977	23,048
Profit and other comprehensive income attributable to:			
Owners of the Trust		4,393	17,985
Non Controlling Interests		8,584	5,063
		12,977	23,048
Earnings Per Unit			
Basic earnings per unit		5.9 cents	27.0 cents
Calculated as follows:			
Profit for the year		4,393	17,985
Weighted average number of units for EPU		74,935,611	66,635,378

Directors' Report Management Commentary

The Bakehouse Quarter settled in April 2019. Following this transaction BWR undertook a restructure of its balance sheet by way of the acquisition of the wholesale investment trust (known as the Kirela Development Unit Trust) which owned the Bakehouse Quarter and a number of other assets. In addition, BWR acquired a property located at Fortitude Valley in Brisbane. These transactions were approved by BWR unitholders at an EGM on 10 May 2019. The relevant Notice of Meeting and accompanying Independent Expert's Report were released to the market on 8 April 2019 and set out the transaction in detail. Completion of acquisitions set out in the Notice of Meeting occurred on 24 May 2019. As a consequence, the earnings shown in these financial statements only include approximately 6 weeks of revenue from the properties acquired in the BWR restructure.

Statement of Cash Flows for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Cash Flows From Operating Activities		
Receipts from tenants	25,766	20,132
Payments to suppliers	(13,749)	(9,576)
Interest paid	(5,162)	(3,969)
Interest received	375	19
Net Cash Flows From/(Used in) Operating Activities	7,230	6,606
Cash Flows From Investing Activities		
Cash inflow on Kirela acquisition	205,309	-
Distributions from Kirela	3,865	1,568
Payment for Kirela units	(73,809)	-
Payment for additional Pymont investment	(17,436)	(3,772)
Loan advance made - portfolio	(17,180)	(1,100)
Net cash outflow on Kirela disposal	(10,122)	-
Payment for capital expenditure	(4,542)	(1,998)
Purchase of property – Fortitude Valley	(3,875)	-
Net acquisition of Fortitude Valley subsidiary	(2,674)	-
Loan advance made - BWF and others	(1,045)	-
Proceeds from sale of The Woods units	-	3,992
Returns of capital from Pymont Bridge Trust	-	2,470
Cash acquired on consolidation of Pymont	-	62
Proceeds from sale of other investments	-	9
Net Cash Flows From/(Used in) Investing Activities	78,491	1,231
Cash Flows From Financing Activities		
Repayment of bank borrowings	(68,882)	(200)
Distributions paid – members of the trust	(6,664)	(7,663)
Distributions paid – non controlling interests	(1,454)	(581)
Payment for capital raising costs	(85)	-
Net Cash Flows From/(Used in) Financing Activities	(77,085)	(8,444)
Net Increase / (Decrease) in Cash Held	8,636	(607)
Cash and cash equivalents at the beginning of the year	1,083	1,690
Cash and Cash Equivalents at End of the Period	9,719	1,083

Reconciliation of Operating Cash Flows

	2019 \$'000	2018 \$'000
Profit for the year	12,977	23,048
Non-cash flows in profit:		
Depreciation and amortisation	5,375	4,401
Net gain on assets	(10,009)	(20,449)
Straight-line rental income	(1,068)	(850)
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(464)	(268)
(Increase) / decrease in other assets	1	184
Increase / (decrease) in trade and other payables	568	235
Increase / (decrease) in other liabilities	(150)	305
Net cash flows from operating activities	7,230	6,606

Statement of Changes in Equity

	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 2018	66,636	136,036	(33,040)	102,996	48,438	151,434
Issue of units	81,880	121,183	-	121,183	-	121,183
Transaction costs on units	-	(2,509)	-	(2,509)	-	(2,509)
Profit for the year	-	-	4,393	4,393	8,584	12,977
Distributions paid	-	-	(6,664)	(6,664)	(2,026)	(8,690)
Non-controlling interests on acquisition of Villawood					5,159	5,159
Purchase of additional Pymont units					(25,114)	(25,114)
Balance at 30 June 2019	148,516	254,710	(35,311)	219,399	35,041	254,440
Net tangible assets per unit				\$1.48		
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
Net tangible assets per unit				\$1.55		

Notes

1. Segment Reporting

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

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

	2019	2018
Pymont Bridge Road, NSW	9,818	6,240
Canberra North, ACT	1,152	4,761
Varsity Lakes, QLD	583	852
Yandina, QLD	545	(1,921)
Villawood, NSW	265	-
Adelaide, SA	84	-
Fortitude Valley, QLD	51	-
Hobart, TAS	43	484
Sippy Downs, QLD	9	370
Toowoomba, QLD	(1,390)	208
Canberra South, ACT	(374)	433
Bakehouse Quarter, NSW	-	8,679
Total net gain / (loss) on property investment portfolio	10,786	20,106
Net gain / (loss) on interest rate hedges	30	351
Total net gain / (loss) on assets	10,816	20,457

3. Expenses (\$'000)

	2019	2018
Administration expenses:		
Responsible entity fees	1,709	1,388
Compliance expenses (listing, registry etc)	968	532
Total	2,677	1,920

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

	2019	2018
Trade and other receivables		
Other	559	115
Total	559	115

No debtors have been provided for as at 30 June 2019 (2018: \$Nil) or at the date of this report.

5. Financial Assets (\$'000)

	2019	2018
Current - YuHu group Australia	2,000	-
Non-current - YuHu group Australia	6,000	-
Total	8,000	-

This deposit is a retention amount relating to the sale of the Bakehouse Quarter. An amount of \$2 million will be released each financial year provided WOTSO North Strathfield meets its rental obligations. The amount is held in a solicitor's Trust account and receives interest.

6. Loan Portfolio (\$'000)

BWR has made loans totaling \$17.2 million to related parties. The loans are documented and secured against real estate with a combined value of \$50.2 million. The loans are priced at a margin of 200 basis points above the RBA cash rate. Each loan is repayable on a call from BWR.

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

	2019	2018
Trade payables		
Related parties	2,998	116
Other parties	972	1,187
Tenant deposits	306	168
Total	4,276	1,471

8. Current Liabilities – Other Liabilities (\$'000)

	2019	2018
Rental income received in advance	572	713
Total	572	713

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

Borrowings (\$'000)

All facilities are priced off BBSY. The facilities have no undrawn balance. 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	Borrowings	Security Value	Expiry	Margin	Lender
Various	43% (65%)	50,000	115,240	10/19	2.10%	NAB
Villawood	36% (65%)	7,000	19,500	12/19	1.65%	NAB
Unencumbered Properties		-	181,830	-	-	-
Total June 2019	18%	57,000	316,570			

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				

The Pyrmont, Canberra North and Hobart borrowings totalling \$68.9 million were repaid during the year and those respective properties are now unencumbered.

Interest Rate Hedges

	Bank	\$'000	Type	Floor	Cap	Expiry	MTM Value \$'000
June 2019	NAB	20,000	Collar	2.72%	4.55%	07/19	(21)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(198)
	NAB	7,000	Swap	Fixed at 2.99%		12/19	(63)
Total		57,000				(282)	
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)	

The mark to market value of all interest rate hedges are calculated as at 30 June and shown above as a negative number if they are out of the money and a positive if they are in the money. The gain or loss from valuing the interest rate collar at fair value is recognised in profit or loss.

10. Property Acquisitions

On 24 May 2019 BlackWall Property Trust acquired 100% control of the units in Kirela Unit Trust. The transaction was undertaken by way of a scrip for scrip swap at respective net tangible asset (NTA) values. The NTA value of BlackWall Property Trust was \$1.48 per unit and the NTA value of Kirela was \$403 per unit. BlackWall issued 81,880,677 new units. Various holdings in other entities held directly by Kirela prior to the transaction taking place resulted in those entities joining the BlackWall Property Trust group. As part of this transaction all the units in Bakehouse Quarter Trust (BQT) were also acquired.

The above transaction resulted in three additional investment properties being added to the group. The properties are Villawood, Fortitude Valley and Flinders Street. These properties have been shown in the respective properties investment portfolio disclosures.

11. Distributions

A distribution of 3.5 cents per unit has been declared to be paid on 8 October 2019. Distributions paid before the balance date are listed below:

	2019	2019 \$'000	2018	2018 \$'000
Prior year final distribution	5.0 cpu	3,332	6.5 cpu	4,331
Current year interim distribution	5.0 cpu	3,332	5.0 cpu	3,332
Total		6,664		7,663

12. Lease Commitments Receivable (\$'000)

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

	2019	2018
Receivable within 1 year	20,414	16,306
Receivable within 2 – 5 years	53,313	33,517
Receivable for more than 5 years	24,870	24,795
Total	98,597	74,618

13. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 30 June 2019 (June 2018: Nil).

14. 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.

15. Controlled Entities

Name	Percentage Owned	
	2019	2018
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%
Flinders Street Unit Trust	100%	-
84 Brunswick Street Unit Trust	100%	-
Bakehouse Quarter Trust	100%	-
Pymont Bridge Property Pty Ltd*	41%	32%
Pymont Bridge Trust	68%	25%
WRV Unit Trust**	46%	-
Woods PIPES Fund	65%	-

Parent and controlled entities are all incorporated in Australia.

*Consolidated because BWR is the most significant shareholder and exercises management control.

**Consolidated due to the contractual arrangement with the Woods Pipes Fund which gives control to Woods Pipes Fund .

16. 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)		\$'000 Distribution	
	2019	2018	2019	2018
Kirela Development Unit Trust	-	82	1,650	742
Pymont Bridge Trust	-	-	-	2,280
Bakehouse Quarter Trust	-	-	-	1
			1,650	3,023

For further details refer to the Reconciliation of Property Investment Portfolio table. Income received from Kirela was in the form of discounted capital gains. Pymont Bridge Trust and Bakehouse Quarter Trust are now consolidated in these financial statements. As a result the Trust's holdings above are eliminated and shown as nil.

(c) Loans to related parties

As at year end the Trust has made loans to the following director related entities:

	2019	2018
Planloc Pty Ltd	11,150	-
Alerik Pty Ltd as trustee for Alerik Unit Trust	4,525	-
GyMEA Bay Pty Ltd as trustee for GyMEA Bay Unit Trust	1,505	-
Total	17,180	-

(d) 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.

The major transaction fee was paid in relation to the Kirela transaction as described in note 10.

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:

	2019 \$'000	2018 \$000
Revenue		
WOTSO WorkSpace rent, outgoings and utilities	2,472	1,219
Interest income	63	-
Total revenue	2,535	1,219
Expenses		
Remuneration paid to Responsible Entity	1,709	1,335
Property and project management, leasing and accounting fees	2,011	582
Transaction fees	2,449	-
Total expenses	6,169	1,917

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

(e) Terms and Conditions

Recovery of the \$8 million financial asset referred to in note 5 is dependent upon a related party (WOTSO North Strathfield) meeting its rental obligations for the next four years.

17. 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.

	2019 \$'000	2018 \$000
Profit (loss) for the year	(290)	9,302
Total comprehensive income (loss) for the year	(290)	9,302
Financial position:		
Current assets	18,395	661
Non-current assets	257,832	153,908
Total assets	276,227	154,569
Current liabilities	(62,369)	(50,606)
Non-current liabilities	-	(1,975)
Total liabilities	(62,369)	(52,581)
Net assets	213,858	101,988

The parent entity had no contingencies at 30 June 2019 (2018: Nil). The parent entity has not entered into any capital commitments as at 30 June 2019 (2018: Nil).

18. Financial Risk Management

(a) Financial risk management

The main risks the Trust is exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Trust's principal financial instruments are 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:

	2019 \$'000	2018 \$000
Financial assets		
Property investment structures	-	36,133
Loan portfolio	17,180	-
Financial liabilities		
Borrowings	57,000	118,882

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

(b) Sensitivity analysis

The Group is exposed to interest rate and credit risk. The loan portfolio has been made to related parties with property as security and thus management consider this to be a low credit risk.

In relation to interest rate risk, if interest rates were to increase by 1% profit after tax would be reduced by \$400,000.

(c) 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.

(d) Liquidity risk

The major liquidity risk faced by the Trust is its ability to realise assets. The Trust has borrowings of \$57 million and total gross assets of \$317 million, of which \$281 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 2019				
Financial liabilities				
Trade and other payables	3,970	306	-	4,276
Other liabilities	572	-	-	572
Borrowings	57,000	-	-	57,000
Interest rate hedges	282	-	-	282
	61,824	306	-	62,130
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

(e) Fair value measurements

(i) Fair value hierarchy

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

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

The 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. The 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 2019 (\$'000)				
Loan portfolio	-	-	17,180	17,180
Interest rate hedges	-	(282)	-	(282)
At 30 June 2018 (\$'000)				
Property investment portfolio	-	-	36,133	36,133
Interest rate hedges	-	(312)	-	(312)

(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.

Significant unobservable inputs associated with the valuations of investment properties 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 (%)	2.6 – 13.0	Decrease	Increase
Net market rent (\$ per sqm)	116 – 1,043	Increase	Decrease

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

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

At 30 June 2019

Balance at the beginning of the year	36,133
Return of capital	(1,650)
Disposal of Kirela	(34,483)
Loan portfolio advanced	17,180
Balance at the end of the year	17,180

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

19. 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 7. Passing yield in this table represents the rate that is derived by dividing the passing net income by the property value. Fully Let Yield represents the rental income assuming 100% occupancy at prevailing market rents. 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.

20. Changes in liabilities arising from financing activities (\$'000)

	Borrowings	Total
Total liabilities from financing activities as at 1 July 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)
Net cash from/(used in) financing activities	-	-
Repayment of NAB borrowings	68,882	68,882
Acquisition of Villawood	(7,000)	(7,000)
Total liabilities from financing activities as at 30 June 2019	(57,000)	(57,000)

21. 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 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 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 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 than 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.

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 \$5 million of carried forward revenue tax 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. Diluted EPU is the same as basic EPU.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have come into effect for the current reporting period. 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)

AASB 15 is a new Standard introduced by AASB to replace AASB 118. The Trust has applied AASB 15 for the first time in the current period. AASB 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or services is transferred, rather than on transfer of risks and rewards. The Directors have reviewed and assessed the Trust's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and concluded that the application of AASB 15 has had no material impact on the recognition or measurement of the revenue for the Trust in the current reporting period and prior reporting period.

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

There will be no impact to the group upon adopting AASB 16.

Directors' Report

Continued

Subsequent Events

To the best of the Directors' knowledge, since the end of the financial half 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
Pyrmont Bridge Road	55 Pyrmont Bridge Rd, Pyrmont NSW 2009
Canberra North	490 Northbourne Ave, Dickson ACT 2602
Sippy Downs	30 Chancellor Village Blvd, Sippy Downs QLD 4556
Yandina	54 Pioneer Rd, Yandina QLD 4561
Villawood	850 Woodville Rd, Villawood NSW 2163
Varsity Lakes	194 Varsity Pde, Varsity Lakes QLD 4227
Hobart	162 Macquarie St, Hobart TAS 7000
Fortitude Valley	76 & 84 Brunswick St, Fortitude Valley QLD 4006
Canberra South	10-14 Wormald St, Symonston ACT 2609
Adelaide	217 & 221 Flinders St, Adelaide SA 5000
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 16 August 2018.

1. Unitholders

The Trust's top 20 largest unitholdings were:

	Investor	Units(No.)	Units(%)
1	Jagar Holdings Pty Ltd	18,000,000	12.12
2	Hollia Pty Limited	13,814,865	9.30
3	SAO Investments Pty Ltd	11,875,000	8.00
4	BlackWall Fund Services Limited	10,919,554	7.35
5	Pelorus Private Equity Limited	10,750,000	7.24
6	Vintage Capital Pty Limited	10,116,032	6.81
7	Seno Management Pty Ltd	5,030,700	3.39
8	Castle Bay Pty Ltd	3,846,869	2.59
9	Mr Archibald Geoffrey Loudon	3,707,894	2.50
10	Mr Richard Hill & Mrs Evelyn Hill	3,309,871	2.23
11	PRSC Pty Ltd	3,000,000	2.02
12	Tampopo Pty Ltd	2,858,747	1.92
13	Ms Gia Ravazzotti	2,700,000	1.35
14	Alerik Pty Limited	2,000,000	1.35
15	Koonta Pty Ltd	1,899,383	1.28
16	Lymkeesh Pty Ltd	1,857,512	1.25
17	Mr Peter John Gray	1,723,370	1.16
18	Rigi Investments Pty Limited	1,550,552	1.04
19	Methuselah Capital Management Pty Ltd	1,126,756	0.76
20	Mr Peter Joy	1,000,000	0.67

2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

Category	No. of Holders
1 – 1,000	301
1,001 – 5,000	600
5,001 – 10,000	241
10,001 – 100,000	421
100,001 and over	101
Total number of unitholders	1,664

The Trust has 148,516,055 units on issue. 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(%)
Seph Glew	50,745,311	34.17
Paul Tressider	42,209,620	28.42
Robin Tedder	11,847,407	7.98
BlackWall Limited	10,919,554	7.35
Pelorus Private Equity Limited	10,750,000	7.24

4. 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.

Name (Position)	10 August 2018	Net Change	16 August 2019
Seph Glew (non-executive director)	8,734,100	42,011,211	50,745,311
Timothy Brown (joint MD and CFO)	349,758	149,998	499,756
Jessie Glew (joint MD and COO)	294,868	-	294,868
Stuart Brown (non-executive director)	977,104	50,222	1,027,326
Richard Hill (non-executive director)	663,039	5,505,579	6,168,618
Robin Tedder (non-executive director)	5,398,034	6,449,373	11,847,407
Total	16,416,903	54,166,383	70,583,286

Information on Officeholders of the Responsible Entity

The Responsible Entity is a wholly-owned subsidiary of BlackWall Limited. BlackWall Limited's directors comprise the board of the Responsible Entity.

As a result of a reorganisation of the BlackWall Limited management structure, there have been some changes in the BlackWall board and as a result there have been changes to the board of the Responsible Entity. Richard Hill has stepped down as Chairman and is replaced by Joseph (Seph) Glew. Richard will remain on the board as a non-executive director. Jessica (Jessie) Glew will join the board and will be appointed as joint managing director together with Tim Brown. Stuart Brown has resigned as CEO of BlackWall and will remain on the board in a non-executive capacity. All of these changes are effective as at the date of these financial statements.

The names of the Officeholders during or since the end of the year are set out below.

Joseph (Seph) Glew

Non-Executive Director and Chairman

Seph has worked in the commercial property industry in New Zealand, the USA and Australia and 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.

Timothy Brown

Joint Managing Director and CFO

Tim is Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. Tim joined the Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He has a Bachelor of Commerce from the University of New South Wales and is a member of the Institute of Chartered Accountants of Australia. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boys' Preparatory School.

Jessica (Jessie) Glew

Joint Managing Director and COO

Jessie is Joint Managing Director and Chief Operating Officer for the BlackWall Group and its funds. Jessie has been with BlackWall since early 2011. Prior to her appointment as Joint Managing Director, Jessie was COO at BlackWall. She has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney.

Stuart Brown

Non-Executive Director

Stuart has been involved in property investment for over 20 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value.

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

Richard Hill

Non-Executive Director

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.

Robin Tedder

Non-Executive Director

Robin began his career on the dealing desk of a merchant bank in 1976. In 1981 he founded Hatmax Capital Markets which grew rapidly through organic development and merger with Australian Gilt Securities in 1988, such that by the time he departed after 14 years as CEO in 1995, over 80 people were employed across debt capital markets, both the Sydney Futures Exchange and ASX, in asset management and corporate finance. In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare and logistics. He has been an investor in Blackwall projects since 1997, is a former member of ASX, and has served on various boards of both listed and private companies since 1984. He is the Chairman of Blackwall's Board Audit Committee.

Sophie Gowland

Company Secretary

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

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Seph Glew	10	10
Timothy Brown	10	10
Jessie Glew (appointed after 30 June 2019)	n/a	n/a
Stuart Brown	10	10
Richard Hill	10	10
Robin Tedder	10	10

Options

There were no options granted during the year ended 30 June 2019. There are no options on issue as at the date of this report.

Responsible Entity and Custodian Remuneration

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

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

Interests in the Trust

At the date of this report, the Trust has 148,516,055 units on issue (June 2018: 66,635,377 units on issue). The Responsible Entity and its associates held 10.9 million units in the Trust.

Value of the Trust's Assets

At 30 June 2019, 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 willful 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

\$60,000 and \$12,000 was paid to the auditor for audit and non-audit services respectively during the year (2018: \$50,000 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.



Tim Brown

Director
Sydney, 26 August 2019



Jessie Glew

Director
Sydney, 26 August 2019

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 2019 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.



Tim Brown

Director
Sydney, 26 August 2019



Jessie Glew

Director
Sydney, 26 August 2019

Auditors Independence Declaration and Audit Report

ACCOUNTING AND
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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 2019, 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 26th day of August 2019.

ESV

ESV Accounting and Business Advisors



Tim Valtwies
Partner

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ACCOUNTING AND
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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 statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on pages 7,8,9 and 10, notes including a summary of significant accounting policies on pages 11-19, 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 2019 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</p> <p>As at 30 June 2019, the total property investment portfolio of the group is valued at \$281 million (2018: \$235 million) which is significant to the balance sheet. 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 make recommendations to the board about the carrying value of investment property.</p>	<p>Our procedures covering investment property included, but were not limited to for :</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>We have also reviewed the details of option agreements to director valuations.</p>
<p>Related Party Transactions</p> <p>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 16.</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 on normal commercial terms and conditions.</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 16 to the consolidated financial statements.</p>

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 2019. 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 4-6 and 20-23) 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 26th day of August 2019.



ESV Accounting and Business Advisors



Tim Valtwies
Partner



BLACKWALL PROPERTY TRUST

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COMPANY INFORMATION