

ASX Release

29 February 2012

BlackWall Property Funds Limited (BWF) Interim Financial Report to 31 December 2011

Highlights

- BlackWall on track to generate a full year pre-tax profit of \$2.5 million.
- Property portfolio performing well with over 20,000 sqm of leasing and \$175 million of debt refinancing completed in 2011.
- BlackWall to put a proposal to its shareholders to undertake a return of capital by distributing in-specie its holding in the ASX listed P-REIT (PXT).
- BlackWall to undertake an on market share buy-back.
- BlackWall's unlisted income syndicates continue to perform showing strong income and capital growth.

About BlackWall

BlackWall listed on the ASX on 21 October 2011. We have been in operation for over 15 years earning fee income from the property and funds management of a real estate property portfolio currently valued at over \$450 million. We manage real estate investment funds on behalf of retail, high net worth and institutional investors generating income from commercial offices, industrial, entertainment, pubs, self-storage and retail properties.

Interim Financial Report

Attached to this ASX Release is BlackWall's Interim Financial Report for the half year to 31 December 2011 along with the Appendix 4D.

BlackWall achieved a profit before tax of \$426,000 for the half year to 31 December 2011. The Company's revenue is derived from the management and development of a \$450 million real estate portfolio. A proportion of our fee income is transactional in nature or only brought to account when earned, as a consequence the half year result is not reflective of the anticipated full year pre-tax profit of \$2.5 million.

Capital Initiatives

P-REIT in-specie distribution - Under the capital adequacy provisions of the Corporations Act BlackWall can manage up to \$1 billion of investment funds with \$5 million of net assets. Currently BlackWall has net assets of \$9 million (including \$5 million in Bakehouse Bonds and 17.2 million P-REIT units) and manages just over \$450 million of investment funds. As a consequence your board of directors considers that the company's investment in P-REIT is surplus to its operational needs and has resolved to put a proposal to shareholders that if passed will see them distributed in-specie to shareholders on a pro rata basis. If the proposal is carried shareholders will receive approximately 1 P-REIT unit for every 3 BlackWall shares held.

The board believes the proposal has the following benefits:

- Simplifies BlackWall's balance sheet allowing the market to better understand its earnings profile and business model.
- Improves BlackWall's capacity to grow through mergers and acquisition.
- Generates value in shareholders hands through a direct holding in P-REIT units and is not expected to have a negative impact on the price at which BlackWall's shares trade on the ASX.

Details of the proposal and its rationale will be set out in an Explanatory Memorandum to be dispatched in the coming weeks. More details on P-REIT can be found on the BlackWall website at www.blackwallfunds.com.au.

On market share buy-back - The board has also resolved to undertake an on market share buy-back under which BlackWall will buy-back up to 10% of its issued shares over the coming 12 months. The buy-back will be undertaken in accordance with the Corporations Act 2001. BlackWall has today given 14 days' notice to ASIC and the ASX of its intention to commence the buy-back.

Funds Management

BlackWall manages property investment funds on behalf of over 4,000 retail, high net worth and institutional investors.

Income Syndicates - These investment structures aim to generate stable income streams with defined exit strategies to crystallise capital gains. As shown in the table below our Income Syndicates have shown strong income growth throughout the past three years:

Annualised Cash Distributions	2009	2010	2011
BlackWall Storage Fund	11.0%	11.3%	11.5%
BlackWall Penrith Fund No. 2	8.75%	8.75%	8.75%
BlackWall Telstra House Trust	n/a*	11.1%	10.3%

* Not applicable - fund opened February 2010

Development Syndicates - BlackWall has a long track record in urban renewal development projects. We look for poorly configured or under utilised real estate aiming to generate value through the adaptive reuse of existing buildings to re-position tenancy profile or mix. Typically these assets are acquired in development syndicates capitalised by high net worth investors. Once the development process is substantially complete we restructure the ownership into an Income Syndicate.

BlackWall currently manages over \$200 million of real estate held in Development Syndicates. These properties have the potential to grow by over 100,000 sqm of net lettable area over the next 5 years. In executing this development pipeline BlackWall can generate recurring funds and property management fees as well as transactional fees in the nature of structured finance, leasing and development and project management.

Distressed Property Funds - With continued negative market sentiment in the property funds management space we continue to identify opportunities to grow funds under management at the asset level (through our listed trust P-REIT or in unlisted structures) and at the corporate level (through the acquisition of funds management businesses or funds management contracts).

Some of these transactions will be distressed and BlackWall will manage the stabilisation of the financial structures and repositioning of their assets. Our experience over the past three years shows that such opportunities can generate significant growth in assets under management.

The demand for retail property fund investments has contracted over the last three years, however we expect that investment strategies going forward will include a prudent allocation to property. There has also been a reduction in the number of boutique property fund managers competing for capital in property investment. These factors combine to make the fundamentals of the retail property funds management model compelling.

Dividends

As previously advised to the market BlackWall aims to pay its maiden dividend for the full year to 30 June 2012.

More Information

Contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on +612 9033 8611.

APPENDIX 4D

HALF YEAR REPORT

Name of entity: BlackWall Property Funds Limited

1. Details of the reporting period

Current Period:	1 July 2011 – 31 December 2011
Previous Corresponding Period:	N/A. The group commenced trading on 1 January 2011

2. Results for announcement to the market

	\$'000
2.1 Revenue from continuing operations	2,964
2.2 Profit from continuing operations after tax for the period	328
2.3 Net profit for the period attributable to owners of the company	323

2.4 Dividends	Amount per share	Franked amount per share
Current Period: Interim and final dividend	\$0	Not applicable
Previous Corresponding Period: Interim and final dividend	\$0	Not applicable

2.5 Record date for determining entitlements to dividends	Not applicable
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2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

The group commenced trading on 1 January 2011 therefore there was no comparative information for the previous corresponding period. Refer to the attached Interim Financial Report for the half year ended 31 December 2011 for further information.

3. Net asset backing per security

	Current period (As at 31 December 2011)	Previous corresponding period (As at 31 December 2010)
Net tangible assets per share *	\$0.17	Not applicable

** Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e., all liabilities, preference shares, outside equity interests etc). The NTA reflects the fair value of BlackWall Property Funds Limited's portfolio of assets.*

4. Control gained or lost over entities during the period

4.1 Name of entity (or group of entities) over which control was gained	None
4.2 Date control was gained	Not applicable
4.3 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	Not applicable
4.4 Name of entity (or group of entities) over which control was lost	None
4.5 Date control was lost	Not applicable
4.6 Consolidated profit (loss) from continuing activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	Not applicable
4.7 Profit (loss) from continuing activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the previous corresponding period	Not applicable

5. Details of dividends/distributions

No dividends were paid or declared during the period.

6. Details of dividend/distribution reinvestment plan

There was no dividend reinvestment plan in operation during the period.

7. Details of associates and joint venture entities

Name of joint venture / associates	Reporting entity's percentage holding	
	Current period	Previous corresponding period
APG Asset Management Pty Limited (Joint Venture)	50%	Not applicable
Pelathon Management Group Pty Limited (Associate)	40%	Not applicable

8. Details of controlled entities

Name of subsidiaries
BlackWall Management Services Pty Limited WTSO Pty Limited Capital Storage Services Pty Limited BlackWall Management (NZ) Limited TFML Limited

9. Accounting standards used by foreign entities

Australian equivalent to International Financial Reporting Standards (AIFRS)
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10. Audit / review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (*tick one*):

☒	The accounts have been audited (refer attached financial report).	☐	The accounts have been subject to review (refer attached financial report).
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

11. Qualification of audit / review

Refer to the attached Interim Financial Report for the review report.

12. Attachments

The Interim Financial Report of BlackWall Property Funds Limited for the half year ended 31 December 2011 is attached.



BLACKWALL PROPERTY FUNDS LIMITED

& Controlled Entities

ACN 146 935 131 ABN 37 146 935 131



Interim Financial Report

Half-Year Ended 31 December 2011

CONTENTS

Financial Statements

Directors' Report	3
Auditor's Independence Declaration	5
Directors' Declaration	6
Condensed Consolidated Statement of Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Independent Auditor's Review Report	20

The Directors of BlackWall Property Funds Limited and its controlled entities ("the Company") present their report for the half year ended 31 December 2011.

Directors

The names of the Directors in office at any time during or since the end of the year are set out below.

Richard Hill
Joseph (Seph) Glew
Robin Tedder
Stuart Brown

Company Secretary

Don Bayly is the Company Secretary.

Principal Activities

The Company is a vertically integrated property funds management business earning fee income from a full range of property related activities.

Review of Operations

The net result for the Company for the financial period ended 31 December 2011 was a profit after tax of \$328,000 (31 December 2010: nil as the Company commenced operating on 1 January 2011).

The Company holds an investment in P-REIT which was listed on the Australian Securities Exchange (ASX) on 28 October 2011. Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) per unit of \$0.31 and was \$0.09 at 31 December 2011. The stock is very thinly traded with less than 1% of units on issue trading since listing. Accounting standards require the fair value of P-REIT units to be based on quoted market prices at the end of the reporting period. This results in an unrealised revaluation downward of \$3,606,433 of the P-REIT units. The Directors still consider the realisable value of P-REIT units to be close to its NTA of \$0.31.

Further commentary on the operations and the results are set out in the ASX announcement accompanying the financial report.

Significant Changes in Affairs

The Company was listed on the ASX on 21 October 2011.

Dividends

There were no dividends paid or declared in the half year ended 31 December 2011.

Events Subsequent to Reporting Date and Likely Developments

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

Going Concern

This financial report has 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.

The Company's profit for the period was \$328,000. The Company has a net current asset deficiency of \$133,000, due to the borrowings of \$450,000 being classified as a current liability that is due within the next 12 months. The Directors believe that through the ability of the Company to generate sufficient future operating cashflows and the Company raising funds through asset sales if necessary it is appropriate the financial report be prepared on a going concern basis.

Auditor's Independence Declaration

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

Rounding off of Amounts

The Company is a Group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Director's Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.



Stuart Brown
Director
Sydney, 28 February 2012



chartered
accountants

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

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2011, there have been:

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

Dated at Sydney the 28th day of February 2012

A handwritten signature in cursive script that reads 'ESV Chartered Accountants'.

ESV Chartered Accountants

A handwritten signature in cursive script that reads 'S.' followed by a long horizontal flourish.

Chris Kirkwood
Partner

The Directors declare that:

- (a) The financial statements and notes set out of pages 7 to 19 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of directors.



Stuart Brown
Director
Sydney, 28 February 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2011



		6 months to 31 December 2011	20 October 2010 to 31 December 2010
	Notes	\$'000	\$'000
Fund and asset management income		1,190	-
Structuring and performance fee		22	-
Property management fee		938	-
Serviced office income		384	-
Investment income		202	-
Debenture fund management fee		191	-
Other income		26	-
Gain on exchange differences		11	-
Total Revenue		2,964	-
Business operating expenses		(2,482)	-
Finance costs		(28)	-
Loss on disposal of assets		(21)	-
Other expenses		(7)	-
Profit Before Income Tax		426	-
Income tax expense	3	(98)	-
Profit For the Period		328	-
Other Comprehensive Income / (Loss)			
Foreign currency translation		(9)	-
Unrealised gain on available for sale investments taken to equity		16	-
Unrealised loss on investments in P-REIT	4	(3,606)	-
Other Comprehensive Loss For the Period		(3,599)	-
Total Comprehensive Loss For the Period		(3,271)	-
Profit Attributable To:			
Owners of the Company		323	-
Non-controlling interest		5	-
		328	
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Company		(3,276)	-
Non-controlling interest		5	-
		(3,271)	-
Earnings Per Share			
Continuing operations:			
Basic and diluted earnings per share	7	\$0.0070	\$ -

BlackWall Property Funds Limited was incorporated on 20 October 2010, however it did not commence operating until 1 January 2011.

The accompanying notes form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Half-Year Ended 31 December 2011



	Note	December 2011 \$'000	June 2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		773	675
Trade and other receivables		493	804
Other assets		30	7
Total Current Assets		1,296	1,486
Non-Current Assets			
Equity accounted investments		105	105
Financial assets	4	7,954	11,475
Property, plant and equipment		720	677
Deferred tax assets		25	38
Intangible assets		411	411
Total Non-Current Assets		9,215	12,706
TOTAL ASSETS		10,511	14,192
LIABILITIES			
Current Liabilities			
Trade and other payables		742	993
Current tax payable		89	338
Borrowings	5	450	-
Provisions		148	148
Total Current Liabilities		1,429	1,479
Non-Current Liabilities			
Other payables		71	68
Borrowings	5	-	450
Provisions		8	8
Total Non-Current Liabilities		79	526
TOTAL LIABILITIES		1,508	2,005
NET ASSETS		9,003	12,187
EQUITY			
Share capital	6	11,373	11,286
Reserves	4	(3,657)	(58)
Retained earnings		1,182	859
Parent Interest		8,898	12,087
Non-controlling interest		105	100
TOTAL EQUITY		9,003	12,187

The accompanying notes form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2011

	Ordinary Shares \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	Amounts recognised in equity relating to assets classified as available for sale \$'000	Attributable to owners of the parent \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 31 December 2010	-	-	-	-	-	-	-
Balance at 1 July 2011	11,286	859	1	(59)	12,087	100	12,187
Profit for the period	-	323	-	-	323	5	328
Other comprehensive income/(loss) (1)	-	-	(9)	(3,590)	(3,599)	-	(3,599)
Issue of shares	195	-	-	-	195	-	195
Cost of issuing shares	(108)	-	-	-	(108)	-	(108)
Balance at 31 December 2011	11,373	1,182	(8)	(3,649)	8,898	105	9,003

(1) Other comprehensive income/(loss) includes \$3,606,433 unrealised loss on investment in P-REIT. Refer to note 4 for further details.

The accompanying notes form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2011



	6 months to 31 December 2011 \$'000	20 October 2010 to 31 December 2010 \$'000
Cash Flows From Operating Activities		
Receipts from customers	3,504	-
Payments to suppliers and employees	(3,270)	-
Dividends and distributions received	123	-
Interest paid	(28)	-
Interest received	11	-
Income tax paid	(41)	-
Net Cash From Operating Activities	299	-
Cash Flows From Investing Activities		
Proceeds from sale of investments	447	-
Acquisition of property, plant and equipment	(206)	-
Proceeds from sale of property, plant and equipment	20	-
Acquisition of other investments	(167)	-
Loans to related parties	(1,397)	-
Loan repayments received from related parties	1,031	-
Net Cash Used in Investing Activities	(272)	-
Cash Flows From Financing Activities		
Proceeds from issue of shares	195	-
Transaction costs for issue of shares	(115)	-
Net Cash From Financing Activities	80	-
Net Increase in Cash Held	107	-
Cash and cash equivalent at the beginning of the period	675	-
Effect of exchange rates on cash holdings	(9)	-
Cash and Cash Equivalent at End of the Period	773	-

BlackWall Property Funds Limited was incorporated on 20 October 2010, however it did not commence operating until 1 January 2011.

The accompanying notes form part of these condensed consolidated financial statements.

1. Statement of Significant Accounting Policies

Statement of Compliance

The condensed consolidated half-year financial report for the half-year period ended 31 December 2011 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The condensed consolidated half-year financial report does not include full disclosure of the type normally included in an annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The consolidated interim financial report was authorized for issue by the Directors on 28 February 2012.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All Amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the change in accounting policy and Standards and Interpretations described below.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The financial report has been prepared on a going concern basis notwithstanding that the Company has a net current asset deficiency of \$133,000. This is due to the borrowings of \$450,000 being classified as a current liability that is due within the next 12 months (refer note 5).

Notwithstanding the above, this financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlements of liabilities in the ordinary course of business.

The accompanying notes form part of these condensed consolidated financial statements.

1. Statement of Significant Accounting Policies (continued)

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Company. A discussion of these new and revised requirements that are relevant to the Company is provided below:

– **AASB 124: Related Party Disclosures (December 2009)**

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
 - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Company.

– **AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]**

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;

The accompanying notes form part of these condensed consolidated financial statements.

1. Statement of Significant Accounting Policies (continued)

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period (continued)

- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010-4 did not have a significant impact on the financial statements of the Company.

- AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5,

AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards. Application of AASB 1054 did not have a significant impact on the financial statements of the Company.

New accounting standards and interpretations that have been issued or amended but are not yet effective

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 31 December 2011. The impact of these new or amended standards (to the extent relevant to the Company) and interpretations are set out below:

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

This amendment requires deferred tax to be determined on the basis that the asset is disposed of, rather than the asset being retained and tax recognised through the continued use of the asset. The final amount of tax actually paid on the disposal of any of the Company's assets may be different, depending on the circumstances of the disposal. The Company is currently assessing the impact of this amended standard.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

This standard broadens the situations where an entity is likely to be considered to control another entity and includes new guidance for determining control of an entity. The Company is currently working through the structure in order to establish which entities / assets may be consolidated.

The accompanying notes form part of these condensed consolidated financial statements.

1. Statement of Significant Accounting Policies (continued)

New accounting standards and interpretations that have been issued or amended but are not yet effective (continued)

IFRS 11 Joint Arrangements (effective from 1 January 2013)

This standard uses the principle of control in IFRS 10 to define joint control and removes the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

This standard introduces new disclosures about judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Company is currently assessing the impact of this standard.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

This standard establishes a single source of guidance for determining the fair value of assets and liabilities. The Company is currently assessing the impact of this standard.

2. Segment Information

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

The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company management and internal reporting structure. There is only one geographical segment being Australasia.

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

The Company has adopted three reporting segments, Fund & Property Management, Investments and Corporate. Following the acquisition of funds management operations, the Company's fee earning activities are primarily derived from property assets held within funds or held on balance sheet. As such the Groups operations and reporting lines are better represented by consolidating all of the fee earning operating property businesses within the Fund and Property Management segment and returns derived by holding investments in property securities under the segment referred to as Investments.

The accompanying notes form part of these condensed consolidated financial statements.

2. Segment Information (continued)

The Fund & Property management segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Management treats these operations as one “fee earning” operating segment.

The Investment segment includes interests in property related investments such as units in related party unlisted unit trusts, loans and cash. It generates income from dividends, distributions, and interest.

Transfer prices between business segments are set at an arms length basis.

The segment information for the half-year ended 31 December 2011 is as follows:

	Fund / Property Management	Investments	Corporate	Total
31 December 2011	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	2,750	214	-	2,964
Inter-segment sales	541	-	-	541
Total segment revenue	3,291	214	-	3,505
Inter-segment eliminations	(541)	-	-	(541)
Total consolidated revenue	2,750	214	-	2,964
Business operating expenses	(1,965)	(45)	(476)	(2,486)
Finance costs	(28)	-	-	(28)
Loss on sale of investments	-	(21)	-	(21)
Other expenses	(5)	-	2	(3)
Inter-segment expenses	(541)	-	-	(541)
Total segment expenses	(2,539)	(66)	(474)	(3,079)
Inter-segment eliminations	541	-	-	541
Total consolidated expenses	(1,998)	(66)	(474)	(2,538)
Profit / (loss_ before income tax	752	148	(474)	426
Other comprehensive income / (loss)				
Foreign currency translation	(9)	-	-	(9)
Net loss on available-for-sale financial assets	-	(3,590)	-	(3,590)
Total comprehensive income / (loss) for the period before income tax	743	(3,442)	(474)	(3,173)

As the company did not commence operating until 1 January 2011, there is no comparative for the period 20 October 2010 to 31 December 2010.

31 December 2011				
Segment assets	2,557	7,954	-	10,511
Segment liabilities	1,449	59	-	1,508
30 June 2011				
Segment assets	2,716	11,476	-	14,192
Segment liabilities	1,902	103	-	2,005

The accompanying notes form part of these condensed consolidated financial statements.

3. Income Tax Expense

	31 December 2011 \$'000	20 October 2010 to 31 December 2010 \$'000
Current tax	126	-
Overprovision of prior year tax	(28)	-
Total income tax expense	98	-

4. Financial Assets

	Note	December 2011 \$'000	June 2011 \$'000
Loans and receivables	4(a)	390	742
Available for sale assets	4(b)	7,564	10,733
Total non current financial assets		7,954	11,475

(a) Loans and receivables

Loans and receivables to related parties	389	741
Loans and receivables to non-related parties	1	1
Total loans and receivables	390	742

(b) Available for sale assets

Bakehouse Bonds	5,000	5,000
P-REIT Units	1,546	4,372
BlackWall Storage Fund Units	440	783
BlackWall Telstra House Trust Units	520	520
BlackWall Pub Fund Units	58	58
Total available for sale assets	7,564	10,733

The accompanying notes form part of these condensed consolidated financial statements.

4. Financial Assets (continued)

The Bakehouse Bonds are CPI linked debt instruments secured against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The bond's face value of \$5 million is indexed to CPI and matures on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears from 1 July 2011.

All other available for sale assets are investments in various managed investment schemes that members of the Company act as responsible entity or investment manager for.

P-REIT was listed on the Australian Securities Exchange (ASX) on 28 October 2011 (ASX code: PXT). Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) per unit of \$0.31 and was \$0.09 at 31 December 2011. The stock is very thinly traded with less than 1% of shares on issue trading since listing. Accounting standards require the fair value of P-REIT units to be based on quoted market prices at the end of the reporting period. This results in an unrealised revaluation downward of \$3,606,433 of the PREIT units. The Directors still consider the realisable value of PREIT units to be close to its NTA of \$0.31.

5. Borrowings

	December 2011	June 2011
	\$'000	\$'000
Current	450	-
Non-current	-	450
	450	450

The borrowings that are due on 30 November 2012 have now been classified as current liabilities. The Directors are confident that the borrowings will be extended after its expiry date.

6. Issued Capital

a. Summary Table

	December 2011	June 2011
	\$'000	\$'000
51,326,021 (30 June 2011: 44,358,535) Ordinary	11,373	11,286
Total issued capital	11,373	11,286

The accompanying notes form part of these condensed consolidated financial statements.

6. Issued Capital (continued)

b. Movement in shares on issue

	December 2011 No.	June 2011 No.
At the beginning of reporting period	44,358,535	-
Shares issued during the period	6,967,486	44,358,535
At reporting date	51,326,021	44,358,535

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All shares are fully paid and have no par value.

7. Earnings Per Share

	December 2011	June 2011
Basic and diluted earnings per share	\$0.0070	\$-
Reconciliation of earnings used in calculating earnings per share:		
Profit attributable to the owners of the Company	\$323,000	\$-
Weighted average number of shares for basic and diluted earnings per share	46,017,138	-

8. Capital Commitments

No capital commitments were in existence as at 31 December 2011 (2010: Nil).

9. Contingent Liabilities and Contingent Assets

The Company had no contingencies as at 31 December 2011 (2010: Nil).

The accompanying notes form part of these condensed consolidated financial statements.

10. Subsequent Events

To the best knowledge of the directors, there have been no other matters or circumstances that have arisen since the end of the half-year that have materially affected or may materially affect the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

11. Group Details

Principal place of business

The principal place of business of the Company is:
BlackWall Property Funds Limited
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

The accompanying notes form part of these condensed consolidated financial statements.

Independent Review Report to the Investors of Blackwall Property Funds Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Property Funds Limited and Controlled Entities ("the Group"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackwall Property Funds Limited and Controlled Entities, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Blackwall Property Funds Limited and Controlled Entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

Independent Review Report to the Investors of Blackwall Property Funds Ltd and Consolidated Entities

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackwall Property Funds Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Current net asset deficiency

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the Group has a net current asset deficiency of \$133,000. This is due to the borrowings of \$450,000 being classified as a current liability, as the facility expires within the next 12 months. Notwithstanding the net current deficiency, the Group has prepared the financial report on a going concern basis as the Group has operating profits and cash flows. It is the opinion of the Directors that the bank bill facility will be renewed upon expiry.

Dated at Sydney the 29th day of February 2012

ESV Chartered Accountants
ESV Chartered Accountants

S. Kirkwood

Chris Kirkwood
Partner



BLACKWALL
PROPERTY FUNDS LIMITED
& Controlled Entities

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