

**BLACKWALL**  
PROPERTY TRUST

ANNUAL REPORT | JUNE 2016

## Financial Statements

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**Key Details**

- A final distribution of 4 cents per unit to be paid on 9 November 2016 – 100% tax-deferred.
- 26% total return for the 12 months ended 30 June 2016.
- Gross assets up 16% to \$139 million.

|                  |                          |
|------------------|--------------------------|
| Units on Issue   | 57.8 million             |
| Income Portfolio | \$88 million             |
| Growth Portfolio | \$48 million             |
| Gross Assets     | \$139 million            |
| Debt             | 45% LVR                  |
| NTA              | \$73 million - \$1.27 pu |
| EPU              | 19 cpu                   |

**About BWR**

BlackWall Property Trust is a **total-return real estate investment trust**. It generates and distributes income returns from assets held in its **Income Portfolio** and takes on special situations or development properties to generate above average NTA gains - the **Growth Portfolio**. Once assets in the Growth Portfolio stabilise or mature, they move to the Income Portfolio to grow distributions. The Trust either purchases real estate directly or holds positions in property joint ventures (PJV).

As at 30 June 2016 the Trust had \$15 million of carried forward revenue losses and approximately \$17 million of capital losses. As a consequence for a significant period all distributions will be 100% tax-deferred.

**Income Portfolio**

The Trust's Income Portfolio has a WALE of just under 5 years and is carried on a weighted average passing yield of 9%.

The Coolum and Toowoomba industrial assets are legacy investments which are small and not consistent with BlackWall's strategy for the Trust. Accordingly, they are being marketed for sale and will be sold if offers are received at a sufficient premium to the Trust's carrying cost. If the sale process is successful it could add over \$10 million of capacity to the balance sheet. These properties have been reclassified from investment properties to current assets in these financial statements.

**Revenue Contribution - By Tenant**

|                  |             |     |
|------------------|-------------|-----|
| News Corp *      | \$2,750,000 | 26% |
| Joyce Mayne      | \$750,000   | 7%  |
| AMF              | \$750,000   | 7%  |
| WOTSO            | \$750,000   | 7%  |
| Coral Homes      | \$700,000   | 7%  |
| 30 Other Tenants | \$4,800,000 | 46% |

\* Subject to regulatory approval to a purchase by News Corporation of the APN News and Media regional newspaper business.

| Income Contribution - By Asset | WALE |          |
|--------------------------------|------|----------|
| Yandina                        | 26%  | 10 years |
| Chancellor Homemaker Centre    | 22%  | 4 years  |
| Silver @ The Exchange          | 20%  | 3 years  |
| 3 Other Assets                 | 32%  | 2 years  |

| Property                                | Ownership | Type          | Asset Value    |
|-----------------------------------------|-----------|---------------|----------------|
| Chancellor Homemaker Centre, Queensland | Direct    | Retail        | \$26.2 million |
| Yandina, Queensland                     | Direct    | Industrial    | \$24.7 million |
| Silver @ The Exchange, Queensland       | Direct    | Commercial    | \$18.0 million |
| The Woods Action Centre *               | PJV       | Entertainment | \$16.5 million |
| Industrials (Coolum and Toowoomba)      | Direct    | Industrial    | \$9.9 million  |
| Canberra Eye Hospital, ACT              | Direct    | Commercial    | \$8.0 million  |

\* Director's valuation.

### Growth Portfolio

The Trust's growth investments include:

|                                          | Holding Value  | Asset Value   | Ownership |
|------------------------------------------|----------------|---------------|-----------|
| WOTSO House - ACT                        | \$25.0 million | \$25 million  | Direct    |
| The Bakehouse Quarter, North Strathfield | \$20.1 million | \$270 million | PJV       |
| 55 Pyrmont Bridge Road, Sydney           | \$2.8 million  | \$80 million  | PJV       |

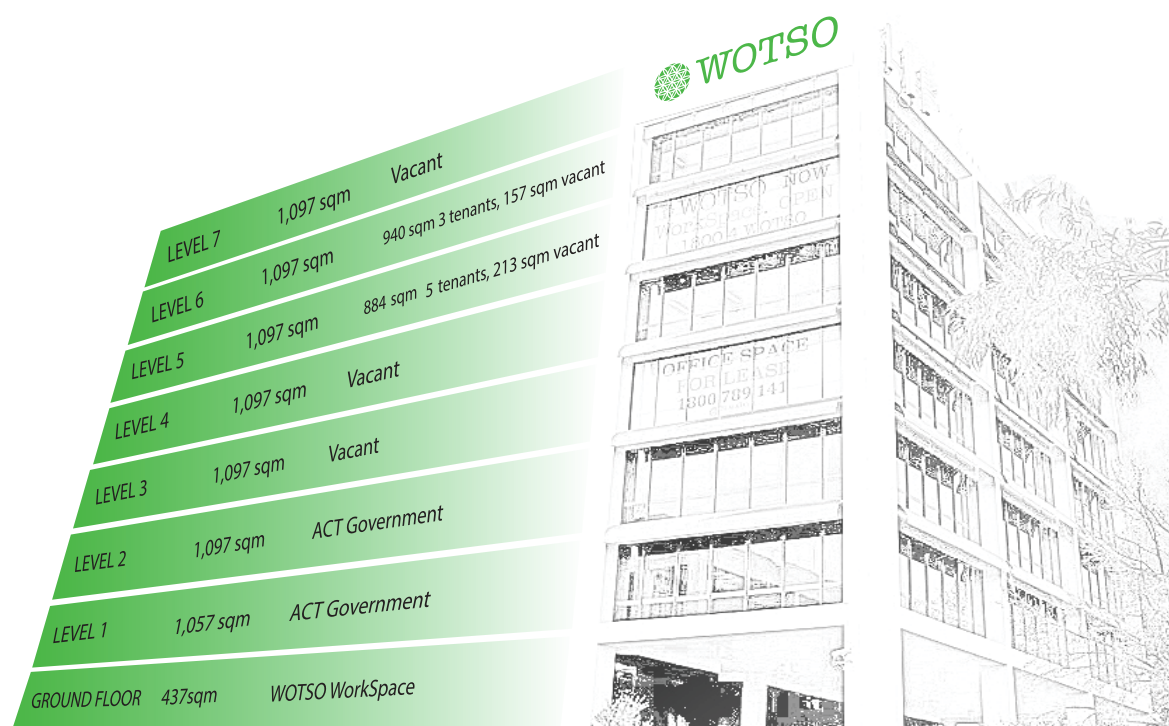
**WOTSO House** is a 7,000 sqm office building with 180 car spaces located on Northbourne Avenue in Dickson, ACT. The property is adjacent to the Dickson retail precinct and along the planned route of the Canberra Metro light rail.

Until recently the building was leased to Telstra Corporation Limited. Telstra vacated the building moving its staff to a new purpose built regional head office in Canberra.

With approximately three years remaining on the lease, Telstra sub-leased a total of 2,720 sqm to the ACT Government and Sensis. Recently, Telstra agreed to surrender its head lease and pay out the remainder of its lease commitment for \$5 million. The sub-leases remain in place and BlackWall is progressively leasing the vacant space. BlackWall has leased just over 1,250 sqm since July 2016.

BWR gained control of this property through a scrip for scrip takeover of an unlisted property investment structure in June 2016. As such the debt facility secured against WOTSO House is standalone and is not cross-collateralised with BWR's main debt facility. The majority of the proceeds from the Telstra lease payout was applied to debt repayment so that debt of \$12 million is secured against the carrying value of \$25 million.

BlackWall estimates that the vacant space will be filled over the coming 12 to 18 months. Fully let, the property will generate cash above debt, management and holding costs of just under \$2 million per annum or roughly 3 cents per unit. The repositioning of the asset should add as much as 12 cents per unit to BWR's NTA over the next 24 months.



**The Bakehouse Quarter** is a large-scale, mixed-use development in Sydney's Inner West with approximately 40,000 sqm of commercial, entertainment and retail premises generating significant cash flow. BWR holds 13% of the wholesale investment trust that owns the project. The property is held at a carrying value of \$270 million against which \$125 million of senior debt is secured.

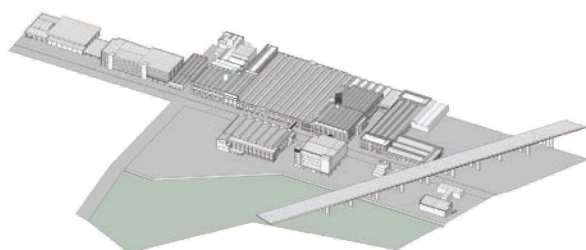
In addition to the income producing elements of the site, the Bakehouse Quarter has approximately 20,000 sqm of developable land. It is anticipated that this land would be suitable for substantial residential development. The site already offers significant social infrastructure through the existing restaurant, retail, entertainment and commercial office precinct. The Bakehouse Quarter benefits from the substantial State and Federal Government funded infrastructure projects in Sydney's Western suburbs such as Westconnex and the Parramatta Light Rail.

Consultants have been engaged to make an application for a rezoning to maximise the residential development potential of the site. With a successful rezoning the development sites will either be sold or developed in joint venture with suitable residential development partners.

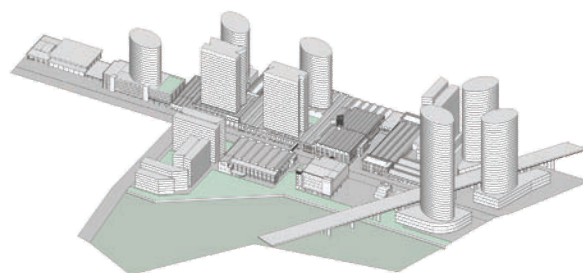
During the 2015 financial year the Bakehouse Quarter was formally marketed for sale as a result of a number of unsolicited approaches to purchase. Through the marketing process an offer of \$270 million was received but was rejected by the Directors. Subsequently an offer (from a different party) of \$300 million was declined as it was subject to unacceptable conditions.

Whilst a number of parties continue to engage with respect to a partial or complete purchase of the asset, in the absence of an offer equating to a significant premium to those put forward in 2015 the preferred position is to hold the asset for the long term.

#### ***Bakehouse Quarter Town Centre Evolution***



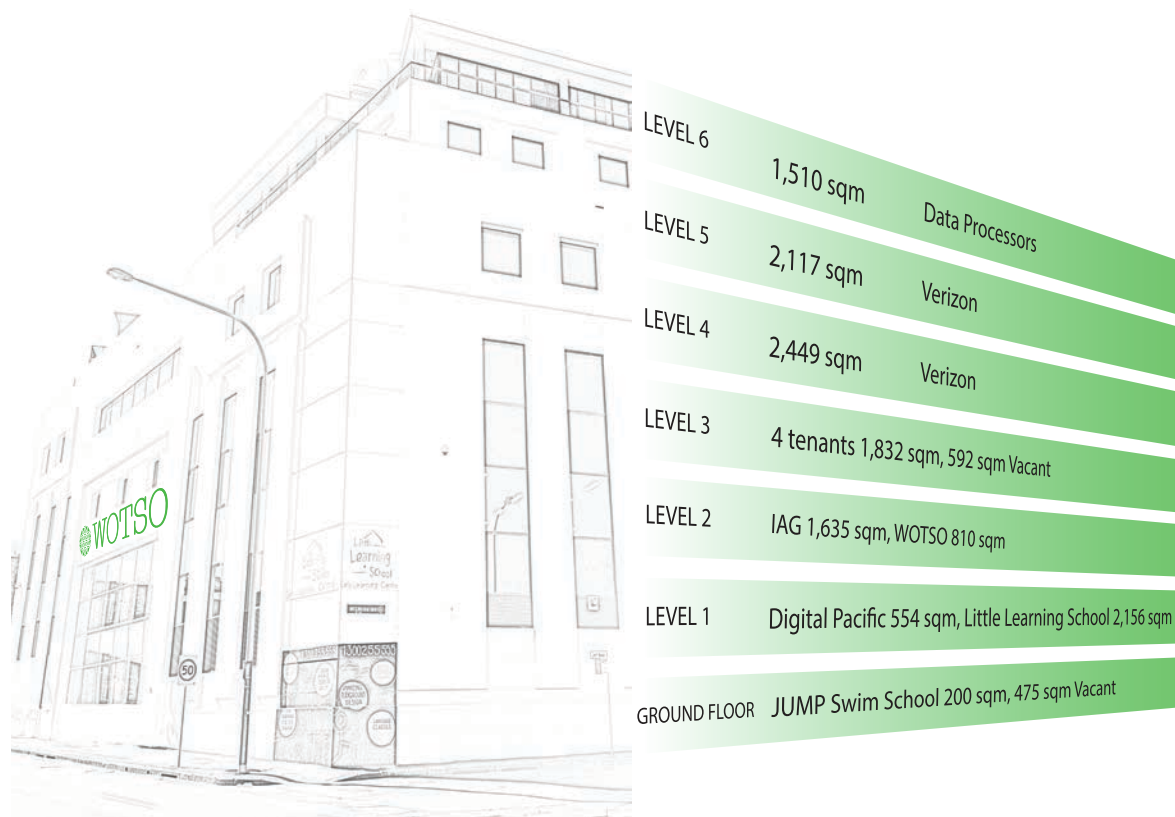
**Existing Bakehouse Quarter**



**Proposed Bakehouse Quarter Town Centre**

**55 Pyrmont Bridge Road** is a 15,000 sqm technology and media hub located in Pyrmont on the Western fringe of Sydney's CBD. The property houses a number of media and technology tenants including Verizon, Fairfax Media, Digital Pacific and BlackWall's short-term office and workspace business, WOTSO WorkSpace. The Trust's interest in the project was acquired through a scrip for scrip offer to the members of an unlisted managed investment scheme. Given the significant number of acceptances of this offer, the relevant trust (known as the BlackWall Opportunities Fund) has been consolidated onto the Trust's balance sheet. BWR intends to increase its exposure to 55 Pyrmont Bridge Road.

Like WOTSO House in the ACT, Pyrmont Bridge Road is being repositioned following its major tenants vacating over 6,000 sqm of space prior to BlackWall taking control. Over the past 18 months BlackWall has completed 5,000 sqm of leasing, the most recent of which was 1,600 sqm with an ASX 200 financial services business.



### ***Subsequent Events***

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances except for the comments above, that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Directors' Report (Part 2) continues on pages 28 to 31.

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

**Stuart Brown**  
Director  
Sydney, 24 August 2016

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

|                                                    | Note | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------------------------|------|----------------|----------------|
| <b>Revenue</b>                                     |      |                |                |
| Rental income                                      |      | 9,187          | 8,875          |
| Telstra lease payout                               |      | 5,000          | -              |
| Net unrealised gain on revaluation                 | 2(b) | 4,387          | 3,673          |
| Property joint ventures income                     |      | 695            | 1,316          |
| Interest income                                    |      | 113            | 248            |
| <b>Total Revenue</b>                               | 2(a) | <b>19,382</b>  | <b>14,112</b>  |
| <br>                                               |      |                |                |
| Property outgoings                                 | 3    | (2,126)        | (2,257)        |
| Depreciation expense                               |      | (2,138)        | (2,176)        |
| Finance costs                                      |      | (2,260)        | (2,390)        |
| Administration expenses                            | 3    | (1,103)        | (1,156)        |
| Transaction expenses                               |      | (700)          | -              |
| Loss on sale of investments                        |      | (90)           | (35)           |
| <b>Profit From Continuing Operations</b>           |      | <b>10,965</b>  | <b>6,098</b>   |
| Profit / (Loss) From Discontinued Operations       | 6    | (121)          | 393            |
| <b>Profit For The Year</b>                         |      | <b>10,844</b>  | <b>6,491</b>   |
| <br>                                               |      |                |                |
| <b>Total Comprehensive Income For the Year</b>     |      | <b>10,844</b>  | <b>6,491</b>   |
| <br>                                               |      |                |                |
| <b>Profit Attributable To:</b>                     |      |                |                |
| Owners of the Trust                                |      | 10,909         | 6,336          |
| Outside equity interests                           |      | (65)           | 155            |
|                                                    |      | <b>10,844</b>  | <b>6,491</b>   |
| <br>                                               |      |                |                |
| <b>Total Comprehensive Income Attributable To:</b> |      |                |                |
| Owners of the Trust                                |      | 10,909         | 6,336          |
| Outside equity interests                           |      | (65)           | 155            |
|                                                    |      | <b>10,844</b>  | <b>6,491</b>   |
| <br>                                               |      |                |                |
| <b>Earnings Per Unit</b>                           |      |                |                |
| Basic and diluted earnings per unit                | 15   | 23.4 cents     | 13.6 cents     |

The accompanying notes form part of these financial statements.

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Financial Position

As at 30 June 2016

|                                                 | Note | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                                   |      |                |                |
| <b>Current Assets</b>                           |      |                |                |
| Cash and cash equivalents                       | 4    | 2,154          | 316            |
| Trade and other receivables                     | 5    | 256            | 388            |
| Other assets                                    | 6    | 151            | 3,628          |
| Held for sale properties                        | 7    | 9,900          | -              |
| <b>Total Current Assets</b>                     |      | <b>12,461</b>  | <b>4,332</b>   |
| <b>Non-current Assets</b>                       |      |                |                |
| Investment properties                           | 8    | 101,900        | 83,850         |
| Property joint ventures                         | 9    | 24,397         | 31,764         |
| <b>Total Non-current Assets</b>                 |      | <b>126,297</b> | <b>115,614</b> |
| <b>TOTAL ASSETS</b>                             |      | <b>138,758</b> | <b>119,946</b> |
| <b>LIABILITIES</b>                              |      |                |                |
| <b>Current Liabilities</b>                      |      |                |                |
| Trade and other payables                        | 10   | 3,252          | 908            |
| Other liabilities                               | 11   | 248            | 1,968          |
| Borrowings                                      | 12   | 62,000         | 50,000         |
| Interest rate hedges                            | 13   | 47             | -              |
| <b>Total Current Liabilities</b>                |      | <b>65,547</b>  | <b>52,876</b>  |
| <b>Non-current Liabilities</b>                  |      |                |                |
| Interest rate hedges                            | 14   | 1,397          | 580            |
| <b>Total Non-current Liabilities</b>            |      | <b>1,397</b>   | <b>580</b>     |
| <b>TOTAL LIABILITIES (EXCLUDING NET ASSETS)</b> |      | <b>66,944</b>  | <b>53,456</b>  |
| <b>NET ASSETS</b>                               |      |                |                |
| Attributable to owners of the parent            |      | 71,174         | 63,457         |
| Outside equity interests                        | 20   | 640            | 3,033          |
| <b>TOTAL NET ASSETS</b>                         |      | <b>71,814</b>  | <b>66,490</b>  |
| <b>TOTAL LIABILITIES (INCLUDING NET ASSETS)</b> |      | <b>138,758</b> | <b>119,946</b> |

## BlackWall Property Trust

ARSN 109 684 773

### Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2016

|                                                        | Units<br>No.'000 | Units<br>\$'000 | Retained<br>Earnings /<br>(Accumulated<br>Losses)<br>\$'000 | Attributable<br>to Owners of<br>the Parent<br>\$'000 | Outside<br>Equity<br>Interests<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------------|------------------|-----------------|-------------------------------------------------------------|------------------------------------------------------|------------------------------------------|-----------------|
| <b>Restated balance at 1 July 2015 <sup>(1)</sup></b>  | <b>46,693</b>    | <b>113,364</b>  | <b>(49,255)</b>                                             | <b>64,109</b>                                        | <b>3,033</b>                             | <b>67,142</b>   |
| Issue of units <sup>(2)</sup>                          | 12,477           | 14,469          | (4,940)                                                     | 9,529                                                | (1,608)                                  | 7,921           |
| On-market buy-back                                     | (1,332)          | (1,617)         | -                                                           | (1,617)                                              | -                                        | (1,617)         |
| Profit for the year                                    | -                | -               | 10,909                                                      | 10,909                                               | (65)                                     | 10,844          |
| Distributions paid <sup>(3)</sup>                      | -                | -               | (11,756)                                                    | (11,756)                                             | -                                        | (11,756)        |
| Disposal of Bald Rock Fund                             | -                | -               | -                                                           | -                                                    | (720)                                    | (720)           |
| <b>Balance at 30 June 2016</b>                         | <b>57,838</b>    | <b>126,216</b>  | <b>(55,042)</b>                                             | <b>71,174</b>                                        | <b>640</b>                               | <b>71,814</b>   |
| Buy-back since 30 June                                 | (9)              | (11)            | -                                                           | -                                                    | -                                        | -               |
| <b>Balance at signing date</b>                         | <b>57,829</b>    | <b>126,205</b>  |                                                             |                                                      |                                          |                 |
| <b>Restated balance at 1 July 2014 <sup>(4)</sup></b>  | <b>46,693</b>    | <b>113,364</b>  | <b>(51,389)</b>                                             | <b>61,975</b>                                        | <b>814</b>                               | <b>62,789</b>   |
| Profit for the year                                    | -                | -               | 6,336                                                       | 6,336                                                | 155                                      | 6,491           |
| Distributions paid                                     | -                | -               | (4,202)                                                     | (4,202)                                              | (43)                                     | (4,245)         |
| Consolidation of BOF                                   | -                | -               | -                                                           | -                                                    | 2,107                                    | 2,107           |
| <b>Restated balance at 30 June 2015 <sup>(1)</sup></b> | <b>46,693</b>    | <b>113,364</b>  | <b>(49,255)</b>                                             | <b>64,109</b>                                        | <b>3,033</b>                             | <b>67,142</b>   |

<sup>(1)</sup> 2015 balances were restated to include 716,057 BWR holdings in itself (cost \$652,000) as they were exchanged with BOF unitholders during the period (see <sup>2</sup>). The balances reconciled to the balance sheet as at 30 June 2015 are as follows:

|                                                  | Units on issue<br>No.'000 | Issued Units<br>\$'000 | Retained Earnings<br>/ (Accumulated<br>Losses)<br>\$'000 | Attributable to<br>Owners of the<br>Parent<br>\$'000 |
|--------------------------------------------------|---------------------------|------------------------|----------------------------------------------------------|------------------------------------------------------|
| Balance at 30 June 2015                          | 45,977                    | 112,712                | (49,255)                                                 | 63,457                                               |
| BWR Holdings in itself issued to BOF unitholders | 716                       | 652                    | -                                                        | 652                                                  |
| <b>Restated Balance 30 June 2015</b>             | <b>46,693</b>             | <b>113,364</b>         | <b>(49,255)</b>                                          | <b>64,109</b>                                        |

<sup>(2)</sup> The Trust made the following offers during the year:

- BOF - the Trust transferred 716,057 BWR units it held in itself and issued an additional 190,106 new BWR units to BOF unitholders. Refer to the Controlled Entities note for details.
- BTHT - the Trust issued 7.4 million new BWR units to BTHT unitholders. BTHT has now been consolidated onto the Trust's accounts. Refer to the Property Joint Venture note for details.
- Pub Group - the Trust issued 4.8 million new BWR units to BlackWall and Pelorus in exchange for their Pub Group units.

<sup>(3)</sup> Apart from two distribution payments paid by the Trust during the year, the Trust has also completed an in-specie distribution of 2.48 Pub Group units for each BWR unit held. Refer to the Distributions note for details.

<sup>(4)</sup> 2014 balances were restated based on a 10 to 1 unit consolidation in March 2015.

# BlackWall Property Trust

ARSN 109 684 773

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

|                                                                  | Note | 2016<br>\$'000  | 2015<br>\$'000 |
|------------------------------------------------------------------|------|-----------------|----------------|
| <b>Cash Flows From Operating Activities</b>                      |      |                 |                |
| Receipts from tenants                                            |      | 9,991           | 9,136          |
| Receipts from Telstra lease payout                               |      | 5,500           | -              |
| Payments to suppliers                                            |      | (5,452)         | (4,677)        |
| Property joint ventures distributions received                   |      | 1,002           | 1,331          |
| Interest received                                                |      | 113             | 196            |
| Interest paid                                                    |      | (2,294)         | (2,498)        |
| <b>Net Cash Flows From Operating Activities</b>                  | 18   | <b>8,860</b>    | <b>3,488</b>   |
| <b>Cash Flows From Investing Activities</b>                      |      |                 |                |
| Net proceeds from redemption of Bakehouse Bonds (CPI indexation) |      | 1,680           | -              |
| Net proceeds from sale of Bald Rock Hotel                        |      | 855             | 150            |
| Proceeds from disposal of related property joint ventures        |      | 1,409           | 1,711          |
| Proceeds from disposal of other property joint ventures          |      | 300             | 1,173          |
| Returns of capital from property joint ventures                  |      | 627             | 177            |
| Payment for related property joint ventures                      |      | (331)           | (1,751)        |
| Payment for capital expenditure                                  |      | (160)           | (645)          |
| <b>Net Cash Flows From Investing Activities</b>                  |      | <b>4,380</b>    | <b>815</b>     |
| <b>Cash Flows From Financing Activities</b>                      |      |                 |                |
| Repayment of BTHT borrowings                                     |      | (4,200)         | -              |
| Payment for buy-back of units                                    |      | (1,611)         | -              |
| Distributions paid                                               |      | (5,591)         | (4,202)        |
| Net borrowings to related parties                                |      | -               | (15)           |
| <b>Net Cash Flows Used in Financing Activities</b>               |      | <b>(11,402)</b> | <b>(4,217)</b> |
| <b>Net Increase in Cash Held</b>                                 |      | <b>1,838</b>    | <b>86</b>      |
| Cash and cash equivalents at the beginning of the year           |      | 316             | 230            |
| <b>Cash and Cash Equivalents at End of the Year</b>              | 4    | <b>2,154</b>    | <b>316</b>     |

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 1. Segment Information

The Trust currently operates in one business segment being property investments in Australia.

### 2. Revenue

|                                               |             | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------------------------|-------------|----------------|----------------|
| <b>(a) Revenue</b>                            | <b>Note</b> |                |                |
| Rent:                                         |             |                |                |
| - Rental income                               |             | 8,884          | 8,538          |
| - Straight-line rental income                 |             | 303            | 337            |
|                                               |             | <u>9,187</u>   | <u>8,875</u>   |
| Telstra lease payout                          |             | 5,000          | -              |
| Investment income:                            |             |                |                |
| - Property joint ventures distribution income |             | 695            | 1,316          |
| - Interest income                             |             | 113            | 248            |
|                                               |             | <u>808</u>     | <u>1,564</u>   |
| Net unrealised gain on revaluation            | 2(b)        | 4,387          | 3,673          |
| <b>Total revenue</b>                          |             | <b>19,382</b>  | <b>14,112</b>  |

Telstra lease payout represents \$5 million prepayment of Telstra's remaining lease at the newly acquired WOTSO House.

|                                               |                        |                        |
|-----------------------------------------------|------------------------|------------------------|
| <b>(b) Net unrealised gain on revaluation</b> | <b>2016<br/>\$'000</b> | <b>2015<br/>\$'000</b> |
| Unrealised gain on property joint ventures    | 580                    | 625                    |
| Unrealised gain on investment properties      | 4,625                  | 3,581                  |
| Unrealised loss on interest rate hedges       | (818)                  | (533)                  |
| <b>Net unrealised gain</b>                    | <b>4,387</b>           | <b>3,673</b>           |

### 3. Expenses

|                                                            |                        |                        |
|------------------------------------------------------------|------------------------|------------------------|
|                                                            | <b>2016<br/>\$'000</b> | <b>2015<br/>\$'000</b> |
| Property outgoings:                                        |                        |                        |
| - Leasing and valuation fees                               | 151                    | 230                    |
| - Property outgoings                                       | <u>1,975</u>           | <u>2,027</u>           |
|                                                            | 2,126                  | 2,257                  |
| Transaction fees:                                          |                        |                        |
| - Telstra acquisition and in-specie pub units distribution | 700                    | -                      |
| Administration expenses:                                   |                        |                        |
| - Responsible entity fees                                  | 775                    | 765                    |
| - Compliance expenses (listing, registry etc)              | 159                    | 226                    |
| - Other fund expenses                                      | <u>169</u>             | <u>165</u>             |
|                                                            | 1,103                  | 1,156                  |

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 4. Current Assets - Cash and Cash Equivalents

|              | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------|----------------|----------------|
| Cash at bank | 2,154          | 316            |
| <b>Total</b> | <b>2,154</b>   | <b>316</b>     |

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

### 5. Current Assets - Trade and Other Receivables

|                             | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------|----------------|----------------|
| Trade and other receivables |                |                |
| - Related parties           | 51             | 381            |
| - Other parties             | 205            | 7              |
| <b>Total</b>                | <b>256</b>     | <b>388</b>     |

Further information on receivables from related parties is set out in the Related Party Transactions note. None of the debtors have been provided for as at 30 June 2016 (2015: \$43,000).

### 6. Current Assets - Other Assets

|                 | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------|----------------|----------------|
| Prepayments     | 151            | 128            |
| Bald Rock Hotel | -              | 3,500          |
| <b>Total</b>    | <b>151</b>     | <b>3,628</b>   |

The Bald Rock Hotel was sold in September 2015 for \$3.5 million.

### 7. Current Assets - Held for Sale Properties

|                          | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------|----------------|----------------|
| Held for sale properties | 9,900          | -              |
| <b>Total</b>             | <b>9,900</b>   | <b>-</b>       |

The Trust holds two legacy industrial assets which are small and not consistent with BlackWall's strategy for the Trust. Accordingly they are being marketed for sale and will be sold if offers are received at a sufficient premium to the Trust's carrying cost. These properties have been reclassified from Investment Properties to Current Assets in these financial statements.

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 8. Non-current Assets - Investment Properties

|                                                 | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Balance at the beginning of the financial year  | 83,850         | 83,950         |
| WOTSO House acquisition                         | 25,000         | -              |
| Revaluation of investment properties            | 4,625          | 3,981          |
| Straight-line rental income                     | 303            | 337            |
| Capital improvements                            | 160            | 646            |
| Depreciation                                    | (2,138)        | (2,176)        |
| Reclassify to held for sale properties          | (9,900)        | -              |
| Lease incentives                                | -              | 612            |
| Reclassify Bald Rock Hotel to other assets      | -              | (3,500)        |
| <b>Balance at the end of the financial year</b> | <b>101,900</b> | <b>83,850</b>  |
| Chancellor Homemaker Centre                     | 26,200         | 22,000         |
| WOTSO House                                     | 25,000         | -              |
| Yandina                                         | 24,700         | 24,750         |
| Silver @ The Exchange                           | 18,000         | 18,500         |
| Canberra Eye Hospital                           | 8,000          | 8,500          |
| Small Industrials                               | -              | 10,100         |
| <b>Total</b>                                    | <b>101,900</b> | <b>83,850</b>  |

Two industrial properties are reclassified as Current Assets. Refer to the Held for Sale Properties note for details. In June 2016, the Trust obtained new independent valuations for all properties, except for WOTSO House, which was based on the Directors' assessment. The current holding values generate the following capitalisation rates:

|                             | Value \$'000 | Passing<br>Yield | Market<br>Yield | Valuation   |
|-----------------------------|--------------|------------------|-----------------|-------------|
| Chancellor Homemaker Centre | 26,200       | 8.00%            | 8.50%           | Independent |
| WOTSO House                 | 25,000       | 5.25%            | 9.00%           | Directors   |
| Yandina                     | 24,700       | 10.20%           | 7.75%           | Independent |
| Silver @ The Exchange       | 18,000       | 7.75%            | 8.50%           | Independent |
| Canberra Eye Hospital       | 8,000        | 8.90%            | 8.50%           | Independent |

### 9. Non-current Assets - Property Joint Ventures

The Trust owns interests in various property joint venture structures which own the following properties:

|                                       | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Bakehouse Quarter                     | 20,100         | -              |
| 55 Pyrmont Bridge Road                | 2,800          | 2,800          |
| The Woods Action Centre               | 1,497          | 1,400          |
| Pelathon Pub Group                    | -              | 2,878          |
| Bakehouse Bonds                       | -              | 21,670         |
| WOTSO House                           | -              | 4              |
| Penrith                               | -              | 2,441          |
|                                       | 24,397         | 31,193         |
| Investment in unlisted other entities | -              | 571            |
| <b>Total</b>                          | <b>24,397</b>  | <b>31,764</b>  |

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2016

### Bakehouse Quarter (Kirela Development Unit Trust / Bakehouse Bonds)

In December 2015 the Trust's \$20m of Bakehouse Bonds (debt instruments) were redeemed in exchange for equity in the Kirela Development Unit Trust, which owns the Bakehouse Quarter. A further \$1.68 million was paid in cash being the CPI indexation accrued to the date of redemption. The Trust now holds 13% of the ordinary equity of the Bakehouse Quarter. The Bakehouse Quarter is valued at \$270 million.

### 55 Pyrmont Bridge Road (Pyrmont Bridge Trust)

PBT controls an office, media and technology hub on the Western fringe of Sydney's CBD known as 55 Pyrmont Bridge Road, Pyrmont. The Trust holds 18% of PBT.

### The Woods Action Centre (WRV Unit Trust)

WRV Unit Trust is a unit trust that owns The Woods Action Centre, Villawood in Sydney. The Trust now holds 37% of the property.

### WOTSO House

In June 2016 the Trust completed the acquisition of the BlackWall Telstra House Trust therefore it was consolidated onto the Trust's accounts and is now disclosed as an Investment Property.

Refer to the Statement of Significant Accounting Policies note on definition of property joint ventures. Further information relating to related party investments is set out in the Related Party Transactions note.

## 10. Current Liabilities - Trade and Other Payables

|                                                          | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------------------------------|----------------|----------------|
| Trade payables:                                          |                |                |
| - Related parties                                        | 165            | 41             |
| - Other parties                                          | 2,890          | 562            |
|                                                          | 3,055          | 603            |
| Tenant deposits (2015: \$150,000 Bald Rock sale deposit) | 197            | 305            |
| <b>Total</b>                                             | <b>3,252</b>   | <b>908</b>     |

Other liabilities included \$1.9 million payable in relation to the acquisition of BTHT which has been paid. Further information relating to related parties is set out in the Related Party Transactions note.

## 11. Current Liabilities - Other Liabilities

|                                       | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Rental income received in advance     | 248            | 262            |
| Bald Rock facility                    | -              | 1,256          |
| Loan from BlackWall to Bald Rock Fund | -              | 450            |
| <b>Total</b>                          | <b>248</b>     | <b>1,968</b>   |

## 12. Current and Non-current Liabilities - Borrowings

|                     | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------|----------------|----------------|
| <b>Current</b>      |                |                |
| NAB bill facilities | 62,000         | 50,000         |
| <b>Total</b>        | <b>62,000</b>  | <b>50,000</b>  |

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The facilities are secured by registered first mortgages over the freehold land and buildings (\$12 million over WOTSO House and \$50 million over other BWR properties). Management is currently in discussion with the bank to renew the facilities and has no reason to believe they will not be renewed. Given the banking market it is likely that on renewal the bank margin could increase but up to 25 basis points not withstanding that the loan to value ratio has decreased. Interest rate details are as follows:

- \$50 million is subject to a margin of 1.95% p.a. (June 2015: 1.95% p.a.) over BBSY;
- \$12 million is subject to a margin of 1.85% p.a. over BBSY.

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

### 13. Current and Non-current Liabilities – Interest Rate Hedges

|                      | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------|----------------|----------------|
| <b>Current</b>       |                |                |
| Interest rate hedges | 47             | -              |
| <b>Non-current</b>   |                |                |
| Interest rate hedges | 1,397          | 580            |
| <b>Total</b>         | <b>1,444</b>   | <b>580</b>     |

Details of the terms are as follows:

- \$9.5 million (WOTSO House) swap at 4.97% which has expired.
- \$20 million collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a. The collar will expire in July 2019.
- \$30 million collar with a floor rate of 2.24% p.a. and a cap rate of 3.24% p.a. The collar will expire in January 2020.

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

If interest rates were to increase or decrease by 1%, interest expense on \$12 million borrowings would move by \$120,000. There is no material impact on the \$50 million borrowings based on 1% movement in interest rates.

### 14. Distributions

|                                                                           | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------------------------------------------|----------------|----------------|
| 2015 final distribution 6 cents paid in November 2015 (2014: 3.5 cents *) | 2,749          | 1,634          |
| 2016 interim distribution 6 cents paid in April 2016 (2015: 5.5 cents)    | 2,790          | 2,568          |
| 2016 in-specie distribution of Pelathon Pub Group units in June 2016 **   | 6,217          | -              |
| <b>Total</b>                                                              | <b>11,756</b>  | <b>4,202</b>   |

In addition, the Board has declared a final distribution of 4 cents per unit to be paid on 9 November 2016.

\* In March 2015, units on issue were consolidated on a 10 to 1 basis. Pre-consolidation distributions have been restated on this basis.

\*\* Refer to the Consolidated Statement of Changes in Net Assets Attributable to Unitholders for details.

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For the Year Ended 30 June 2016

### 15. Earnings Per Unit

|                                          | 2016         | 2015        |
|------------------------------------------|--------------|-------------|
| Basic and diluted EPU                    | 23.4 cents   | 13.6 cents  |
| Calculated as follows:                   |              |             |
| Profit for the year                      | \$10,909,000 | \$6,336,000 |
| Weighted average number of units for EPU | 46,590,966   | 46,693,330  |

### 16. Auditor's Remuneration

|                                | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------|----------------|----------------|
| Remuneration of ESV for:       |                |                |
| - Audit and assurance services | 55             | 43             |
| - Taxation services            | 12             | 12             |
| <b>Total</b>                   | <b>67</b>      | <b>55</b>      |

BOF was consolidated onto the Trust's balance sheet in June 2015, therefore its audit fees were not included in the 2015 balance.

### 17. Commitments and Contingencies

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

|                                  | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------|----------------|----------------|
| Receivable within 1 year         | 8,590          | 7,559          |
| Receivable within 2 – 5 years    | 27,473         | 24,371         |
| Receivable for more than 5 years | 15,644         | 18,998         |
| <b>Total</b>                     | <b>51,707</b>  | <b>50,928</b>  |

There were no operating leases, capital commitments or contingencies as at 30 June 2016 (2015: Nil).

### 18. Reconciliation of Operating Cash Flows

|                                                      | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------------------------------------|----------------|----------------|
| Profit for the year                                  | 10,844         | 6,491          |
| Non-cash flows in profit:                            |                |                |
| - Unrealised gain on revaluation                     | (4,387)        | (4,073)        |
| - Depreciation                                       | 2,138          | 2,176          |
| - Straight-line rental income                        | (303)          | (337)          |
| - Loss on sale of property joint ventures            | 90             | 35             |
| Changes in assets and liabilities:                   |                |                |
| (Increase) / decrease in trade and other receivables | 131            | (154)          |
| Increase in other assets                             | (23)           | (581)          |
| Increase / (decrease) in trade and other payables    | 499            | (329)          |
| Increase / (decrease) in other liabilities           | (129)          | 260            |
| <b>Net cash flows from operating activities</b>      | <b>8,860</b>   | <b>3,488</b>   |

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## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 19. 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.

### 20. Controlled Entities

| Name                                       | Country of incorporation | Percentage Owned |        |
|--------------------------------------------|--------------------------|------------------|--------|
|                                            |                          | 2016             | 2015   |
| <b>Parent entity:</b>                      |                          |                  |        |
| BlackWall Property Trust                   | Australia                | 100%             | 100%   |
| <b>Controlled entity of parent entity:</b> |                          |                  |        |
| Yandina Sub-trust                          | Australia                | 100%             | 100%   |
| BlackWall Telstra House Trust              | Australia                | 100%             | 0.03%  |
| BlackWall Opportunities Fund               | Australia                | 76.59%           | 29.79% |
| Bald Rock Fund                             | Australia                | -                | 39%    |

During the year, the Trust acquired a further 14.6 million units in BOF increasing its interest to 23,863,365 units (2015: 9,280,528 BOF units). In June 2016, the Trust acquired 100% ownership in BTHT (2015: 3,555 BTHT units).

### 21. Related Party Transactions

#### (a) Related Entities

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

#### (b) Interests in Related Parties

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

| Unlisted Funds / Entities     | Holdings (No.'000) |        | Distribution / ROC Received (\$'000) |              |
|-------------------------------|--------------------|--------|--------------------------------------|--------------|
|                               | 2016               | 2015   | 2016                                 | 2015         |
| Kirela Unit Trust             | 74                 | -      | 112                                  | -            |
| Pymont Bridge Trust           | 2,800              | 2,800  | -                                    | -            |
| WRV Unit Trust                | 1,497              | 1,400  | 140                                  | 52           |
| Bakehouse Bonds               | -                  | 20,000 | 550                                  | 1,100        |
| Pelathon Pub Group            | -                  | 39,975 | -                                    | -            |
| Woods PIPES Fund              | -                  | -      | 80                                   | -            |
| BlackWall Telstra House Trust | -                  | 4      | 1                                    | -            |
| Planloc Preference Shares     | -                  | 1,900  | 92                                   | 199          |
| BlackWall Penrith Fund No. 3  | -                  | 541    | 24                                   | 55           |
|                               |                    |        | <b>999</b>                           | <b>1,406</b> |

For further details refer to the Property Joint Ventures note. Income received from Kirela and WRV were in the form of returns of capital.

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## Notes to the Financial Statements

For the Year Ended 30 June 2016

### (c) Related Entity Transactions

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

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

|                                                       | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>Expenses</b>                                       |                |                |
| Remuneration paid to Responsible Entity               | 867            | 785            |
| Property management, leasing fees and accounting fees | 508            | 411            |
| Transaction fees                                      | 691            | -              |
| Interest paid                                         | -              | 25             |
|                                                       | <b>2,066</b>   | <b>1,221</b>   |

BOF was consolidated onto the Trust's accounts in June 2015, therefore related party fees were not included in the 2015 balance.

Refer to Directors' Report for KMP's relevant interests in the Trust.

|                                                  | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------------------------|----------------|----------------|
| <b>Outstanding Balances with Related Parties</b> |                |                |
| Receivables from related parties - current       | 51             | 381            |
| Payables to related parties - current            | 165            | 41             |
| Loan from related parties -current               | -              | 450            |

### 22. 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.

|                                                | 2016<br>\$'000  | 2015<br>\$'000  |
|------------------------------------------------|-----------------|-----------------|
| Profit for the year                            | 11,141          | 6,479           |
| <b>Total comprehensive income for the year</b> | <b>11,141</b>   | <b>6,479</b>    |
| <b>Financial position:</b>                     |                 |                 |
| Current assets                                 | 2,321           | 779             |
| Non-current assets                             | 120,472         | 115,052         |
| <b>Total assets</b>                            | <b>122,793</b>  | <b>115,831</b>  |
| Current liabilities                            | (48,610)        | (50,345)        |
| Non-current liabilities                        | (1,397)         | (580)           |
| <b>Total liabilities</b>                       | <b>(50,007)</b> | <b>(50,925)</b> |
| <b>Net assets</b>                              | <b>72,786</b>   | <b>64,906</b>   |

The parent entity had no contingencies at 30 June 2016 (2015: Nil). The parent entity has not entered into any capital commitments as at 30 June 2016 (2015: Nil).

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## Notes to the Financial Statements

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### 23. 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 joint ventures and borrowings (including interest rate swaps). Additionally, the Trust has various other financial instruments such as cash, trade debtors and trade creditors, which arise directly from its operations.

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

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and 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:

|                              | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Financial assets</b>      |                |                |
| Property joint ventures      | 24,397         | 31,764         |
| <b>Financial liabilities</b> |                |                |
| Borrowings                   | 62,000         | 50,000         |

#### (b) Sensitivity analysis

The Trust is not exposed to any material price or credit risks. For interest rate risk, \$50 million borrowings (out of \$62 million) are hedged as follows:

- a \$20 million collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a.; and
- a \$30 million collar with a floor rate of 2.24% p.a. and a cap rate of 3.24% p.a.

The \$50 million hedges will expire in late 2019. See the Interest Rate Hedges note for sensitivity analysis.

#### (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. The Trust complies with the current loans to values ratio (65%).

#### (d) Liquidity risk

The major liquidity risk faced by the Trust is its ability to realise assets. The Trust has borrowings of \$62 million and total gross assets of \$139 million, of which \$112 million are income producing real estate

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## Notes to the Financial Statements

### For the Year Ended 30 June 2016

assets for which there is a deep and active market. At the end of the reporting period, the Trust held the following financial arrangements:

|                              | Maturing<br>within 1 year<br>\$'000 | Maturing<br>2 – 5 years<br>\$'000 | Maturing<br>over 5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|-------------------------------------|-----------------------------------|------------------------------------|-----------------|
| <b>At 30 June 2016</b>       |                                     |                                   |                                    |                 |
| <b>Financial assets</b>      |                                     |                                   |                                    |                 |
| Cash and cash equivalents    | 2,154                               | -                                 | -                                  | 2,154           |
| Trade and other receivables  | 256                                 | -                                 | -                                  | 256             |
| Property joint ventures      | -                                   | 24,397                            | -                                  | 24,397          |
|                              | <b>2,410</b>                        | <b>24,397</b>                     | <b>-</b>                           | <b>26,807</b>   |
| <b>Financial liabilities</b> |                                     |                                   |                                    |                 |
| Trade and other payables     | 3,252                               | -                                 | -                                  | 3,252           |
| Other liabilities            | 248                                 | -                                 | -                                  | 248             |
| Borrowings                   | 62,000                              | -                                 | -                                  | 62,000          |
| Interest rate hedges         | 47                                  | 1,397                             | -                                  | 1,444           |
|                              | <b>65,547</b>                       | <b>1,397</b>                      | <b>-</b>                           | <b>66,944</b>   |
| <b>At 30 June 2015</b>       |                                     |                                   |                                    |                 |
| <b>Financial assets</b>      |                                     |                                   |                                    |                 |
| Cash and cash equivalents    | 316                                 | -                                 | -                                  | 316             |
| Trade and other receivables  | 388                                 | -                                 | -                                  | 388             |
| Property joint ventures      | -                                   | 31,764                            | -                                  | 31,764          |
|                              | <b>704</b>                          | <b>31,764</b>                     | <b>-</b>                           | <b>32,468</b>   |
| <b>Financial liabilities</b> |                                     |                                   |                                    |                 |
| Trade and other payables     | 908                                 | -                                 | -                                  | 908             |
| Other liabilities            | 1,968                               | -                                 | -                                  | 1,968           |
| Borrowings                   | 50,000                              | -                                 | -                                  | 50,000          |
| Interest rate hedges         | -                                   | 457                               | 123                                | 580             |
|                              | <b>52,876</b>                       | <b>457</b>                        | <b>123</b>                         | <b>53,456</b>   |

### (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 property joint ventures 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 property joint ventures and financial liabilities measured at fair value as at 30 June. Refer to the Critical Accounting Estimates and Judgment note for further details of

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### For the Year Ended 30 June 2016

assumptions used and how fair values are measured.

|                         | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>At 30 June 2016</b>  |                   |                   |                   |                 |
| Property joint ventures | -                 | -                 | 24,397            | 24,397          |
| Interest rate hedges    | -                 | (1,444)           | -                 | (1,444)         |
| <b>At 30 June 2015</b>  |                   |                   |                   |                 |
| Property joint ventures |                   |                   |                   |                 |
| - Equities              | -                 | -                 | 10,174            | 10,174          |
| - Debt instruments      | -                 | -                 | 21,590            | 21,590          |
|                         | -                 | -                 | 31,764            | 31,764          |
| Interest rate hedges    | -                 | (580)             | -                 | (580)           |

#### (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.

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

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

|                                             | \$'000        |
|---------------------------------------------|---------------|
| <b>At 30 June 2016</b>                      |               |
| Balance at the beginning of the year        | 31,764        |
| Purchases                                   | 22,332        |
| Disposals/returns of capital                | (30,506)      |
| Fair value movement                         | 807           |
| Balance at the end of the year              | <b>24,397</b> |
| <b>At 30 June 2015</b>                      |               |
| Balance at the beginning of the year        | 29,404        |
| Purchases                                   | 4,626         |
| Disposals/returns of capital                | (1,706)       |
| Fair value movement                         | 625           |
| Consolidation of BOF (eliminate investment) | (1,185)       |
| Balance at the end of the year              | <b>31,764</b> |

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

## 24. 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.

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## Notes to the Financial Statements

### For the Year Ended 30 June 2016

#### *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 – property joint ventures*

All financial assets at FVTPL have been classified as property joint ventures, which have the same meaning as financial assets at FVTPL with gains and losses recognised as 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 Investment Properties note. If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment properties may differ and may need to be re-estimated.

## 25. Statement of Significant Accounting Policies

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

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

### **Basis of Preparation**

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

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

The Trust is a group of the kind referred to in ASIC Class Order 2016/191 and, in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

### **New and amended standards adopted**

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

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## Notes to the Financial Statements

For the Year Ended 30 June 2016

### Going concern

The Trust has a current asset deficiency as at 30 June 2016 as bank borrowings were classified as current liabilities. Given the Trust generates normalised operating cashflow of around \$3.4 million per annum, the Directors do not consider there to be a going concern issue. These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

### Comparative figures

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

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

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

The Trust has adopted one reporting segment, Property Investments. The Property Investments segment includes the ownership and leasing out of commercial, industrial and retail properties in the Australian Capital Territory, New South Wales and Queensland. Income is derived from rent, property revaluations and property joint ventures distributions.

### 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.

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 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 joint ventures), 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

# BlackWall Property Trust

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## Notes to the Financial Statements

### For the Year Ended 30 June 2016

accounted for at trade date, i.e. the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

#### Loans and receivables

Loans and receivables including loans to related entities. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### Fair value

For investments in unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of each of the investments.

#### Impairment

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

#### Financial liabilities

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

#### Property joint ventures

All financial assets at FVTPL have been classified as property joint ventures in these financial statements, which have the same meaning as financial assets at FVTPL with gains and losses 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.

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

The Bakehouse Bonds were classified as a debt investment at fair value through profit or loss. The Bonds were redeemed during the year.

#### (ii) Equity investments

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

#### Measurement

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

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

# BlackWall Property Trust

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## Notes to the Financial Statements

For the Year Ended 30 June 2016

### Held for Sale Properties

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

### Investment Properties

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

### Cash and Cash Equivalents

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

### Trade and Other Receivables

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

### Trade and Other Payables

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

### Interest Bearing Borrowings

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

### Revenue

#### Rent

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

#### Lease incentives

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

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

# BlackWall Property Trust

ARSN 109 684 773

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### Investment income

Interest income is recognised as interest accrues using the effective interest method. Property joint ventures 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 \$15 million of carried forward revenue tax losses and approximately \$17 million in capital losses.

### GST

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

### EPU

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

### New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below.

#### *AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)*

The Trust has adopted AASB 9 early on 1 January 2013 except for the new hedging rules which should not have any material effects to the Trust's financial statements.

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

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

This Part 2 continues from Directors' Report (Part 1) from pages 3 to 6.

### Information on Officeholders of the Responsible Entity

The Responsible Entity is a wholly owned subsidiary of BlackWall Limited. BlackWall's Officeholders comprise the board of the Responsible Entity. The Officeholders of the Responsible Entity during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year.

| Name and Position                                                  | Special Experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Richard Hill<br>Non-Executive Director and<br>Independent Chairman | Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Sirtex Medical Limited (listed on the ASX). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research.                                                                                                                        |
| Joseph (Seph) Glew<br>Non-Executive Director                       | <p>Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>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.</p> |
| Robin Tedder<br>Non-Executive Director                             | Robin has worked in finance and investment since 1976 during which time he has served as the CEO of an investment bank and as non executive director on the boards of public and private companies in banking, insurance, funds management, property, healthcare, retail and wine. He was a member of ASX for many years. He is the Chairman of investment company Vintage Capital and has been an investor in BlackWall Group projects since 1997. Robin is also the Chairman of the BlackWall Board Audit Committee.                                                                                                                                                                                                                                                            |

|                                                                   |                                                                                                                                                                                                                  |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stuart Brown<br>Executive Director and Chief<br>Executive Officer | Stuart has been involved in property investment for over 18 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value. |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Caroline Raw<br>Company Secretary | Caroline Raw joined the BlackWall team in 2013 and is responsible for executing corporate and fund transactions across the BlackWall Group. Caroline has been practising as a solicitor in NSW since 2005 and has worked predominantly on IPOs, public and private capital raisings, funds management, corporate advisory, takeovers and mergers and acquisitions. Caroline holds a Bachelor of Commerce, Bachelor of Laws and Graduate Diploma in Applied Corporate Governance. Caroline is also a Chartered Secretary and Associate Member of the Governance Institute of Australia. |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Meeting Attendances

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

### Key Management Personnel's Relevant Interests

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

|              | 12 August 2015    | Net change         | 15 August 2016   |
|--------------|-------------------|--------------------|------------------|
| Richard Hill | 394,215           | 123,600            | 517,815          |
| Seph Glew    | 4,134,503         | 1,768,932          | 5,903,435        |
| Robin Tedder | 5,140,965         | (3,519,505)        | 1,621,460        |
| Stuart Brown | 467,346           | 13,993             | 481,339          |
| Tim Brown    | 28,844            | 13,025             | 41,869           |
| <b>Total</b> | <b>10,165,873</b> | <b>(1,599,955)</b> | <b>8,565,918</b> |

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

### Options

There were no options granted during the year ended 30 June 2016. There are no options on issue as at the date of this report.

**Responsible Entity and Custodian Remuneration**

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

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

**Interests in the Trust**

At the date of this report, the Trust has 57,828,889 units on issue after 1,341,509 buy-back and issue of 12,477,068 new BWR units (June 2016: 57,837,613 units on issue). The Responsible Entity and its associates held 9.4 million units in the Trust.

**Value of the Trust's Assets**

At 30 June 2016, the Trust's assets value is set out in the Trust's Consolidated Statement of Financial Position. Refer to the Investment Properties and Property Joint Ventures notes for valuation details.

**Environmental Regulation**

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

**Indemnities of Officers**

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

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

**Corporate Governance Statement**

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

**Auditor and Non-audit Services**

\$12,000 was paid to the auditor for non-audit services during the year (2015: \$12,178) as detailed in the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

**Rounding of Amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



**Stuart Brown**

Director

Sydney, 24 August 2016



**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 2016, 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 23<sup>rd</sup> day of August 2016.

A stylized signature of the firm, consisting of the letters 'ESV' in a cursive, handwritten style.

**ESV Accounting and Business Advisors**

A handwritten signature in black ink, appearing to read 'Tim Valtwies'.

**Tim Valtwies**  
**Partner**

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 2016 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



**Stuart Brown**

Director

Sydney, 24 August 2016

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 15 August 2016.

## 1. Unitholders

The Trust's top 20 largest unitholdings were:

|    | <b>Investor</b>                                                 | <b>Units (No.)</b> | <b>Units (%)</b> |
|----|-----------------------------------------------------------------|--------------------|------------------|
| 1  | Pelorus Private Equity Limited                                  | 9,921,999          | 17.16            |
| 2  | BlackWall Limited                                               | 6,083,781          | 10.52            |
| 3  | Sandhurst Trustees Ltd <AIMS PSF A/C>                           | 5,847,669          | 10.11            |
| 4  | Australia Opportunity Fund 1                                    | 4,320,000          | 7.47             |
| 5  | Mr Archibald Geoffrey Loudon                                    | 3,688,205          | 6.38             |
| 6  | BlackWall Fund Services Limited                                 | 3,329,254          | 5.76             |
| 7  | Seno Management Pty Ltd <Taipa A/C>                             | 2,735,000          | 4.73             |
| 8  | Lymkeesh Pty Ltd <Employees Super Fund A/C>                     | 1,459,917          | 2.52             |
| 9  | Alerik Pty Limited <The Alerik Unit A/C>                        | 1,078,016          | 1.86             |
| 10 | Koonta Pty Ltd <Koonta Super Fund A/C>                          | 781,489            | 1.35             |
| 11 | Koonta Pty Ltd <The Tedder Family A/C>                          | 753,435            | 1.30             |
| 12 | Seno Management Pty Ltd <Seno Super Fund A/C>                   | 730,000            | 1.26             |
| 13 | Glenahilty Ltd                                                  | 579,065            | 1.00             |
| 14 | SAO Investments Pty Ltd                                         | 575,782            | 1.00             |
| 15 | Pinnatus Pty Ltd                                                | 476,501            | 0.82             |
| 16 | I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>           | 422,639            | 0.73             |
| 17 | Lymkeesh Pty Ltd                                                | 373,103            | 0.65             |
| 18 | Castle Bay Pty Limited                                          | 370,047            | 0.64             |
| 19 | Mr Richard Hill & Mrs Evelyn Hill <Richard Hill Super Fund A/C> | 335,184            | 0.58             |
| 20 | JPS Properties Pty Ltd                                          | 280,000            | 0.48             |

## 2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

| Category                           | No. of Holders |
|------------------------------------|----------------|
| 1-1,000                            | 227            |
| 1,001-5,000                        | 501            |
| 5,001-10,000                       | 181            |
| 10,001-100,000                     | 234            |
| 100,001 and over                   | 45             |
| <b>Total number of unitholders</b> | <b>1,188</b>   |

The Trust has 56 holders of less than a marketable parcel. The Trust has 57,828,889 units on issue after 1,341,509 buy-back and issue of 12,477,068 new BWR units. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX: BWR).

## 3. Substantial Unitholders

The Trust's substantial unitholders are set out below:

| Investor                              | Units (No.) | Units (%) |
|---------------------------------------|-------------|-----------|
| Pelorus Private Equity Limited        | 9,921,999   | 17.16     |
| BlackWall Limited                     | 9,413,035   | 16.28     |
| Seph Glew                             | 5,903,435   | 10.21     |
| Sandhurst Trustees Ltd <AIMS PSF A/C> | 5,847,669   | 10.11     |
| Australia Opportunity Fund 1          | 4,320,000   | 7.47      |
| Archibald Geoffrey Loudon             | 4,267,270   | 7.38      |
| Paul Tresidder                        | 3,991,455   | 6.90      |

## TRUST DETAILS

The Responsible Entity's details are as follows:

|                                                   |                                                                                                                                                                                          |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registered office and principal place of business | BlackWall Fund Services Limited<br>Level 1, 50 Yeo Street<br>Neutral Bay NSW 2089                                                                                                        |
| Telephone                                         | +612 9033 8611                                                                                                                                                                           |
| Fax                                               | +612 9033 8600                                                                                                                                                                           |
| Website                                           | <a href="http://www.blackwall.com.au">www.blackwall.com.au</a>                                                                                                                           |
| Registry                                          | Computershare Investor Services Pty Limited<br>GPO Box 2975<br>Melbourne VIC 3001<br><a href="http://www.computershare.com.au">www.computershare.com.au</a><br>Telephone: +613 9415 4329 |

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES***Report on the Financial Report*

We have audited the accompanying financial report of Blackwall Property Trust and Controlled Entities ("the Trust"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in net assets attributable to unit holders and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Trust and the entities it controlled at 30 June 2016 year end.

*Directors' Responsibility for the Financial Report*

The directors of Blackwall Fund Services Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 25, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

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

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

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

*Independence*

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



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

We have given the directors of the Responsible Entity an Auditor's Independence Declaration, a copy which is included in the financial report.

*Opinion*

In our opinion:

- (a) the financial report of Blackwall Property Trust and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 25.

Dated at Sydney the 24th day of August 2016.

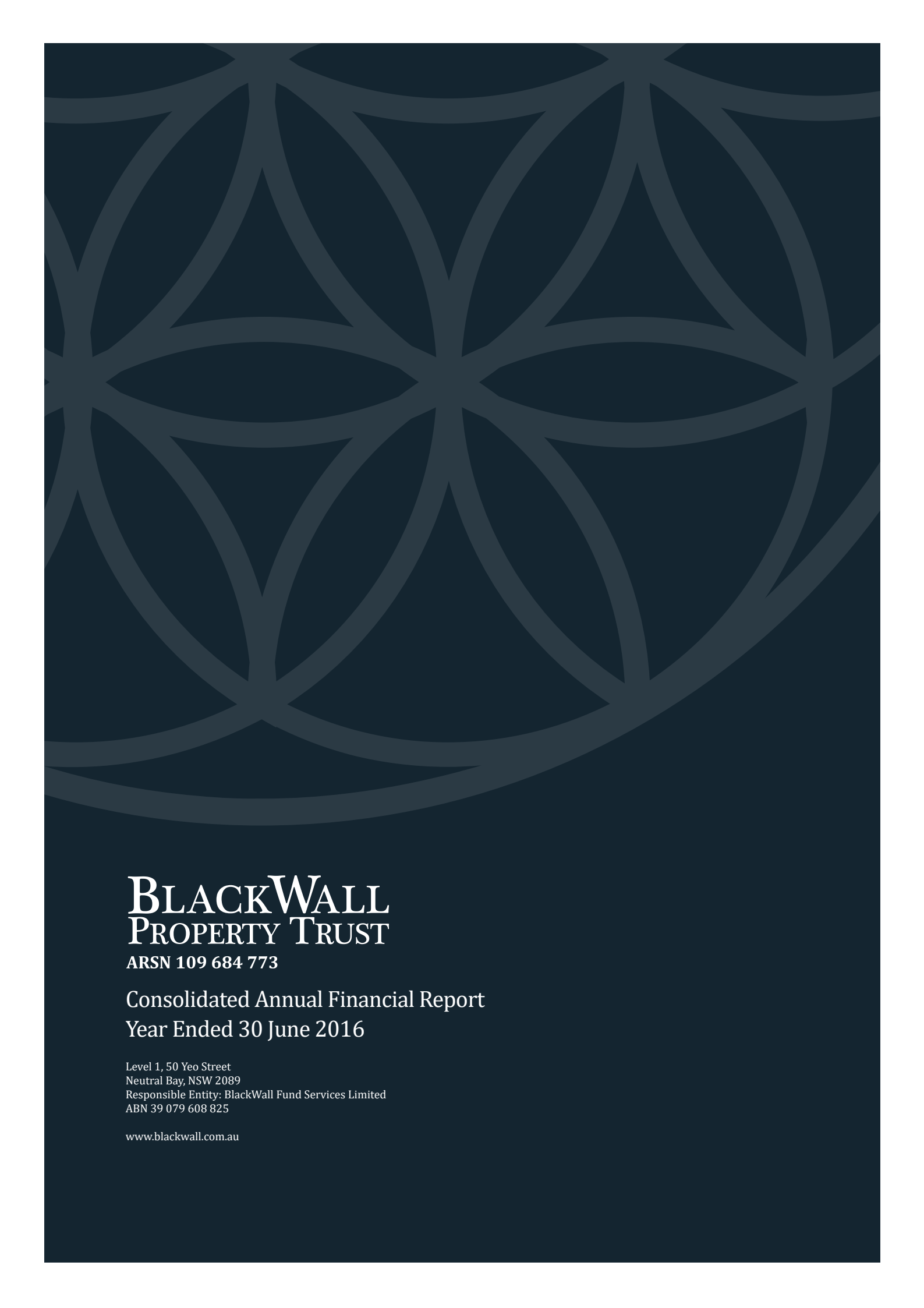
**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**

## Notes to the Financial Statements

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|                                      |                                                                                                                                                            |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BWR / Trust                          | BlackWall Property Trust                                                                                                                                   |
| BlackWall                            | BlackWall Limited (formerly known as BlackWall Property Funds Limited) and, where applicable, its subsidiaries (including BlackWall Fund Services Limited) |
| BOF                                  | BlackWall Opportunities Fund                                                                                                                               |
| BTHT                                 | BlackWall Telstra House Trust                                                                                                                              |
| Consolidated annual financial report | Financial statements                                                                                                                                       |
| Custodian                            | The Trust Company Limited                                                                                                                                  |
| EPU                                  | Earnings per unit                                                                                                                                          |
| FVTPL                                | Fair value through profit and loss                                                                                                                         |
| GST                                  | Goods and services tax                                                                                                                                     |
| IFRS                                 | International Financial Reporting Standards                                                                                                                |
| KMP                                  | Key management personnel                                                                                                                                   |
| Outside equity interests             | Non-controlling interests                                                                                                                                  |
| p.a.                                 | Per annum                                                                                                                                                  |
| PBT                                  | Pymont Bridge Trust                                                                                                                                        |
| Property joint ventures              | Financial assets at FVTPL                                                                                                                                  |
| Pub Group                            | Pelathon Pub Group                                                                                                                                         |
| Responsible Entity                   | BlackWall Fund Services Limited                                                                                                                            |
| ROC                                  | Returns of Capital                                                                                                                                         |
| WOTSO House                          | Formerly known as Telstra House                                                                                                                            |



# BLACKWALL PROPERTY TRUST

ARSN 109 684 773

## Consolidated Annual Financial Report Year Ended 30 June 2016

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

[www.blackwall.com.au](http://www.blackwall.com.au)