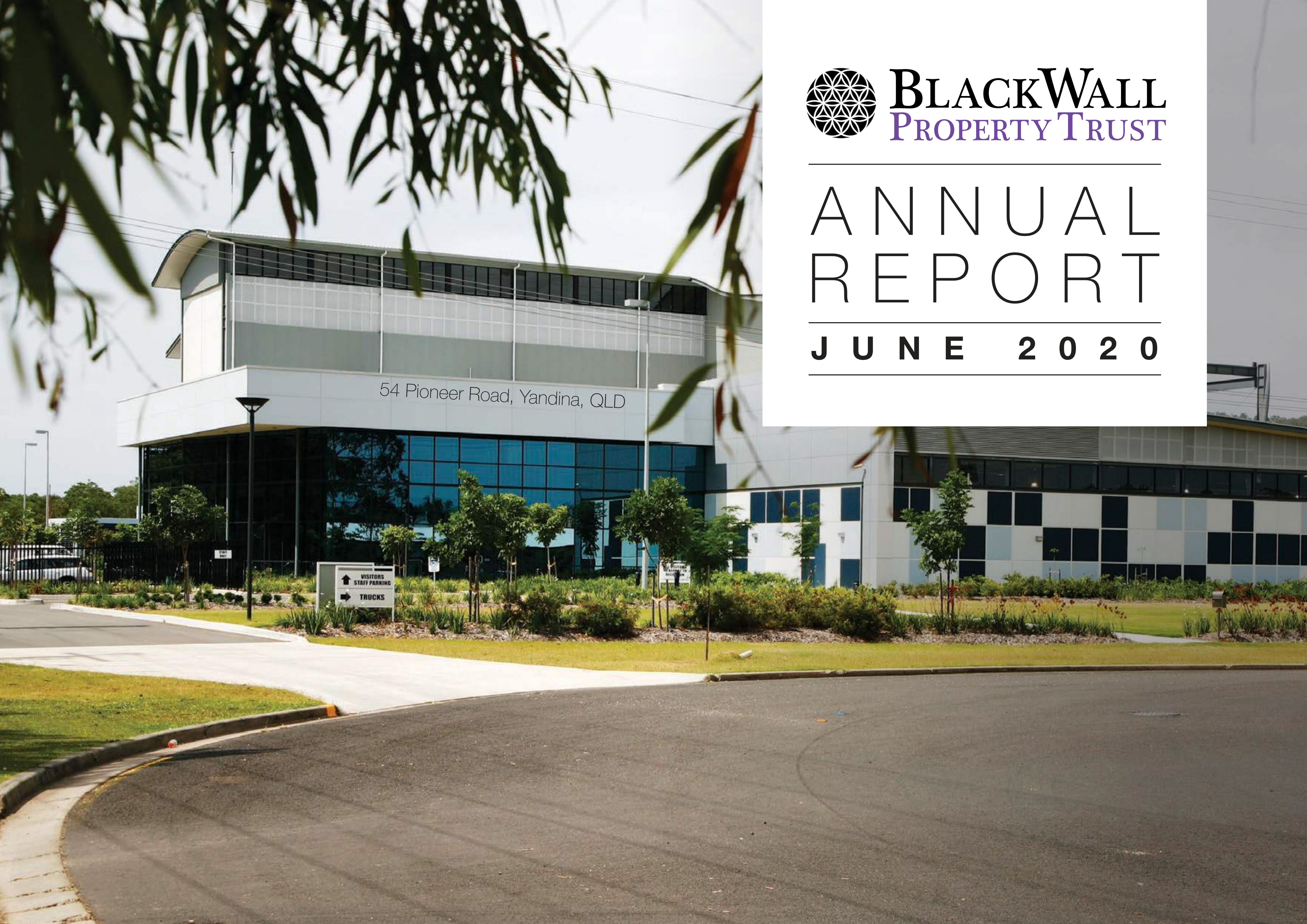
BlackWall Property Trust

ANNUAL REPORT

JUNE 2020



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Directors' Report

2020 Results

Gross Assets **$346 million**

Headline Gearing **25%**

Net Gearing **16%**

Distribution **3.5 cpu**

No. of Properties **11**

NTA (Net Tangible Assets) **$1.47**

Chairman's Perspective

Tim and Jess have asked me to say something meaningful about the opportunities and challenges that we should expect post the 2020 COVID-19 (COVID) crisis. Their thinking was that I have first-hand experience going through the crash of '87 and the GFC in 2008 so I must have learned something.

The crash of '87 lead to a personally challenging corporate collapse but the experience did mean that the GFC in 2008 did not come as a surprise. The warning signs were flashing red in 2007 and we started preparing our business to survive the coming storm. We were ready when it hit but we didn't have the capital that we would have liked to take advantage of the crisis. This time we are ready, but we are presented with a different type of crisis and the financial metrics are unlike any that we have experienced before.

Leading up to the October '87 crash, there was a lot of irrational and unsustainable business behaviour. Australian and NZ businesspeople were flying around the world buying up diverse assets that, in many cases, they knew little about. Money was freely available even though interest rates were 15-20% pa. It felt like a bubble and it was a bubble.

For me 2006/7 felt a lot like 1986/87. There was excessive confidence and once again money was freely available. This time it was toxic collateralised debt circling the globe and a much greater risk to the global financial system but, at a micro level, the consequences were the same. Banks held their breath for a bit and then started forcing property sales and driving up property yields. Many properties that are selling today on yields of 5-6% were sold in the GFC on double those yields or more.

Fast forward to 2020 and we are dealing with a health rather than a financial crisis and money is not so much freely available as simply "free".

Following '87 I was annoyed with myself for not seeing the crash coming and for not knowing how to respond when it did. In 2008 we didn't have the capital to take advantage of the irrational behaviour that followed but we did know how to respond and we came out ahead. In 2020 we have capital and we have strong positive cash flow, but we are presented with an entirely new set of issues.

A global health crisis, zero interest rates, zero inflation and rapidly changing technology combined with extraordinarily optimistic valuations for many tech companies is a combination that has not been seen before. We might be heading toward a V shaped recovery once a vaccine or treatment for COVID is developed but it seems likely that we will then run into some sort of tech wreck. Perhaps even a repeat of the 2000 dot-com bubble?

Fortunately, we believe that BlackWall has a path to follow that we think will be relevant in any market. We see our future as being providers of flexible real estate solutions. This goes beyond our WOTSO business as a provider of flexible workspace and extends to all forms of real estate usage.

Changes in technology have created many new businesses and created challenges for older industries. Many need to adapt and change and we would like BlackWall to be part of that process by providing flexible building solutions. At its core this means short term leases, but we want to extend this by providing a bespoke turnkey product that we can adapt and repurpose as tenant needs change.

Through WOTSO we already have a number of situations where we have provided tenants with fully fitted premises complete with furniture, printers and large screen TV monitors for their exclusive use.

We did not intend to have WOTSO back within the fold but with management changes we realised that WOTSO naturally integrates into the BlackWall Property Trust (BWR). With the WOTSO business being part of BWR we increase our flexibility and ability to respond to larger tenant needs. For WOTSO the larger capital base means that it can mature and grow without the need to raise further capital in a troubled market.

Growing BWR as a flexible workspace provider will have its challenges. Valuers and banks have a fixation on WALE (Weighted Average Lease Expiry) but we believe there is less risk with a greater number of tenants on flexible lease terms. Importantly there is a trade-off between term, rent and amenity that BlackWall can benefit from.

Seph Glew
Chairman

Review of Operations

Despite the effect of COVID BlackWall Property Trust (BWR or the Trust) will be maintaining its final distribution at 3.5 cents per unit. NTA per unit is $1.47 with gross assets of just under $350 million.

The 2020 financial year has been a tale of two halves. We spoke in our half year report of the strength of the property market in Australia and our reluctance to deploy capital into a market of, in our view, unsustainable yields and prices. We reported on rising property valuations in our portfolio and the market generally. Within a month of us releasing our half year results COVID had been declared a global pandemic.

The property market has been characterised by very few completed transactions and fewer properties have come to market than normal. Valuers have had the difficult job of putting values on properties in an uncertain market. With it being difficult to see the road ahead, as Seph alludes to, our investment criteria has tightened and we have not found any suitable purchases. However, with uncertainty there will be opportunity and with our net gearing at 16% and over $15 million of cash on hand we are well placed to move quickly when it does. In the meantime we have and will continue to focus on improving our existing business, including our:

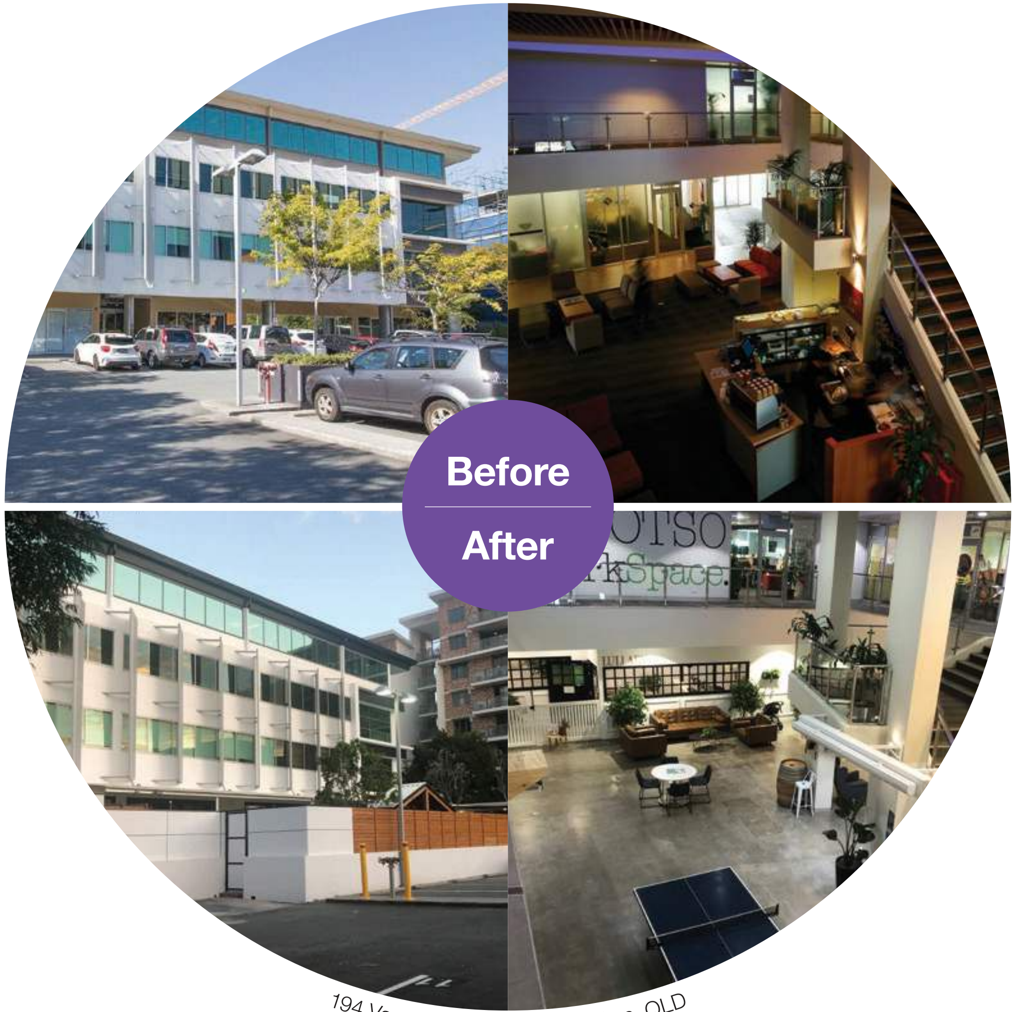
- reported buy-back resulting in us purchasing 6.3 million units at an average price of $1.26, a 14% discount to June 2020 NTA. We think this is a good use of capital in the current market; and
- intention to acquire WOTSO through a stapling transaction which will position BWR well to cater for flexible real estate solutions in our portfolio.

Property Improvements and Valuations

Adjacent are some before and after photos of improvements we have made to our Varsity Lakes property on the Gold Coast. In the last year it has seen a child care centre constructed on the site, the lobby turned into a dynamic space with an event area and improvements to the exterior which we think has completely repositioned the asset. It is a good example of what we mean by a flexible real estate solution. When we first took over the management of this 5,000sqm building it was leased to two major tenants being Gold Coast City Council (GCCC) and IBM, two covenants that valuers loved. Fast forward 5 years and both GCCC and IBM have moved on and WOTSO has been established in over 2,400sqm with 350 members from over 70 different businesses. The building also now houses a gym, child care centre, expanded café, and event space, which provides amenity to a traditional lease tenant, Coral Homes. Coral Homes are housed in 1,500sqm and we are able to offer the added benefit of the ability to change their size through the offering of WOTSO.

We are undertaking similar repositioning strategies at a number of assets in our portfolio including Dickson and Symonston in Canberra, and our Adelaide and Brisbane properties where we purchased the vacant adjoining buildings and are now completing their integration to our original assets.

The valuation uplift created by improving our properties can take time and valuers and banks are yet to recognise the added value of diversified risk that flexible property provides; but we believe this will come. In any case, generally we are not sellers of assets and the cash flow increase from improving our properties is demonstrable and results in better cash flow for the Trust immediately.



194 Varsity Parade, Varsity Lakes, QLD

We have had independent valuations undertaken for the whole portfolio for these accounts (excepting Villawood which is dated February 2020). The overall movement for the full year is an uplift of $19 million. The major increase has been in our largest asset at Pyrmont in Sydney with a $21 million movement since 2019. This is beginning to reflect the improvements we have made to the property over the last 5 years. Varsity Lakes has also seen a $1.3 million increase from its last independent valuation in 2018.

There has been a valuation effect of COVID with valuers reporting some movement in yields and rents and as a result our valuations are down around 5% compared to our December half year accounts. If the valuers are right and a correction is occurring we will be ready to deploy our capital in a more favourable environment.

Effect of COVID

In addition to the valuation effect described above the pandemic has reduced the Trust's revenue for the year by around $700,000 from what was otherwise expected. The Government issued a mandatory code of conduct between landlords and qualifying tenants for commercial properties and the Trust has complied with that code. The code calls for rent relief to be provided to tenants in proportion to their turnover decline with at least half of this relief to be given in the form of a rent waiver and the remainder as a deferral of rent. As a result, the Trust waived $713,000 of rent from March to June. Since June the waiver has diminished as tenants' turnover recovers. The deferred rent of $531,000 has been recorded as a receivable and is expected to be recovered over the term of the lease or 2 years (whichever is greater). We have not had any tenants permanently vacate any of our properties due to COVID.

Proposed Stapling Transaction and the Future

We announced in July our plan for BWR to acquire WOTSO along with certain real estate assets held by Pelorus Private Equity Limited including the BlackWall managed properties at 120 Mulgoa Rd, Penrith, NSW and 850 Woodville Rd, Villawood, NSW. Subject to an independent expert report and various securityholder approvals BWR will be restructured to form a stapled security. The acquisition of the WOTSO business is to be undertaken as a scheme of arrangement, which requires both shareholder and court approval, and will likely be finalised in early 2021.

WOTSO is BWR's largest tenant providing flexible office space solutions to over 3,000 members in 17 locations, 8 of which are BWR properties. For many of our existing WOTSO members there is a difficult period ahead as they look to rebuild their businesses. Some businesses will want to downsize, some will continue working from home (WFH), some may not survive while others will recover quickly. The stapled structure will be well positioned to provide solutions for these members. The integration of WOTSO will have a number of benefits for BWR. It provides an immediate tenant for potential acquisitions of vacant property and the flexibility WOTSO brings will continue to attract new members including businesses reflecting on their property needs following their experience of WFH.

217-225 Flinders Street, Adelaide, SA

Having a ready made tenant solution for potential acquisitions gives BWR clear direction and will allow BWR securityholders to participate in the higher rates achievable through providing flexible space solutions. With lease and space flexibility becoming increasingly important with rapidly changing business requirements the commercial property market is being redefined and plays directly into our narrative.

WOTSO is proving to work in different types of property. It is now housed successfully in bulky goods centres, ex industrial, shopping centres, residential developments as well as traditional office space. This means that BWR can continue to target a variety of opportunistic property types as it has done in the past. We are on the lookout for well located properties in suburban areas, close to amenities and transport.

Tim Brown and Jessie Glew
Joint Managing Directors

Portfolio

Fortitude Valley, QLD

76-84 Brunswick Street

Value: $8,200,000

NLA: 2,100 sqm

Prominent corner property with development potential. Home to WOTSO and we are seeking service uses for the ground floor.

Toowoomba, QLD

50 Industrial Avenue

Value: $3,800,000

Site Area: 10,400 sqm

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

Varsity Lakes, QLD

194 Varsity Parade

Value: $19,500,000

NLA: 5,500 sqm

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

Adelaide, SA

217-221 Flinders Street

Value: $6,700,000

NLA: 3,700 sqm

Two adjacent buildings on the fringe of the Adelaide CBD. 217 established home to WOTSO, 221 recently acquired and is being converted for commercial space.

Hobart, TAS

162 Macquarie Street

Value: $8,000,000

NLA: 3,600 sqm

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

Yandina, QLD

54 Pioneer Road

Value: $20,300,000

Site Area: 23,000 sqm

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

Sippy Downs, QLD

30 Chancellor Village Boulevard

Value: $23,000,000

NLA: 9,500 sqm

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

Pyrmont, NSW

55 Pyrmont Bridge Road

Value: $147,000,000

NLA: 14,300 sqm

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

Villawood, NSW

850 Woodville Road

Value: $22,300,000

NLA: 9,400 sqm

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

Dickson, ACT

490 Northbourne Avenue

Value: $31,100,000

NLA: 7,900 sqm

Prominent seven storey building, majority leased to WOTSO with an F45 opening soon on the ground floor. Home to over 100 SMEs.

Symonston, ACT

10-14 Wormald Street

Value: $8,200,000

NLA: 2,700 sqm

Former Canberra Eye Hospital now occupied by WOTSO and others.

Financial Statements

Balance Sheet at 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		16,192	9,719
Trade and other receivables	4	921	559
Financial asset	5	2,000	2,000
Prepayments		97	-
Borrowing costs		42	32
Property plant and equipment		62	-
Loan portfolio	6	22,383	17,180
Total Current Assets		**41,697**	**29,490**
Non-current Assets			
Deferred rent receivable	4	531	-
Financial asset	5	6,000	6,000
Property investment portfolio	*	298,100	281,080
Total Non-current Assets		**304,631**	**287,080**
TOTAL ASSETS		**346,328**	**316,570**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	1,756	4,276
Other liabilities	8	351	572
Borrowings	9	47,000	57,000
Interest rate hedges		-	282
Total Current Liabilities		**49,107**	**62,130**
Non-current Liabilities			
Borrowings	9	40,000	-
Total Non-current Liabilities		**40,000**	**-**
TOTAL LIABILITIES		**89,107**	**62,130**
NET ASSETS		**257,221**	**254,440**
EQUITY			
Issued capital		246,576	254,710
Retained earnings / (accumulated losses)		(37,521)	(35,311)
Attributable to Owners of the Trust		**209,055**	**219,399**
Non Controlling Interests		48,166	35,041
TOTAL EQUITY		**257,221**	**254,440**
Net Tangible Assets		209,055	219,399
Number of units on issue		142,150,000	148,516,055
NTA per unit		$1.47	$1.48

*Refer to note adjacent.

Property Investment Portfolio

	Ownership	Passing Yield	Independent Valuer Yield	2020 $'000	2019 $'000
Commercial					
Dickson, ACT	100%	4.4%	6.6%	31,100	30,700
Varsity Lakes, QLD	100%	5.5%	7.4%	19,500	18,500
Pyrmont, NSW	46%	4.8%	5.9%	147,000	126,300
Hobart, TAS	100%	4.5%	7.8%	8,000	9,250
Symonston, ACT	100%	6.1%	7.3%	8,200	8,500
Adelaide, SA	100%	2.3%	7.5%	6,700	6,900
Fortitude Valley, QLD	100%	2.2%	6.8%	8,200	8,680
Mixed Use					
Sippy Downs, QLD	100%	7.1%	7.4%	23,000	27,300
Villawood, NSW	46%	7.4%	6.5%	22,300	19,500
Industrial					
Yandina, QLD	100%	14.3%	n/a[1]	20,300	20,450
Toowoomba, QLD	100%	n/a	7.2%	3,800	5,000
Total Property Investment Portfolio				**298,100**	**281,080**

[1]The Yandina property was valued on a discounted cashflow rather than yield basis.

All properties have had independent valuations undertaken at 30 June 2020 with the exception of Villawood that was valued in February 2020.

Pyrmont, the largest asset in the portfolio, is now valued at $147 million, this is an increase of $21 million (17%) over the June 2019 value and $6 million lower than the valuation that was performed pre-COVID in February 2020. This increase was driven by an increase in market rents and improvements to the asset. Excluding Pyrmont, the balance of the portfolio has seen an overall small decline of just 2% compared to June 2019 values. There has been some investment into the assets throughout the year and we are yet to see this investment flow through to valuations but expect it to come in due course.

Passing yield in this table represents the rate that is derived by dividing the passing net income by the property value. Independent Valuer Yield represents the market rent divided by the property value.

A map and key details of the properties can be found on page 6 of this report.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue			
Property income		24,020	25,143
Net gain / (loss) on assets	*	19,313	10,816
Interest income		648	375
Total Revenue		**43,981**	**36,334**
Expenses			
Property outgoings		(7,194)	(9,472)
Depreciation expense		(6,857)	(5,259)
Finance costs		(2,615)	(5,026)
Administration expenses	2	(3,355)	(2,677)
Amortisation of lease incentive		(104)	(116)
Gain / (loss) on sale of assets		4	(807)
Total Expenses		**(20,121)**	**(23,357)**
Profit for the Year		**23,860**	**12,977**
Other comprehensive income		-	-
Profit and Other Comprehensive Income		**23,860**	**12,977**
Profit and Other Comprehensive Income Attributable to:			
Owners of the Trust		7,397	4,393
Non-controlling interests		16,463	8,584
		23,860	**12,977**
Earnings Per Unit			
Basic earnings per unit		5.1 cents	5.9 cents
Calculated as Follows:			
Profit for the year		7,397	4,393
Weighted average number of units for EPU		145,935,194	74,935,611

*Refer to note adjacent.

Net Gain / (Loss) on Assets

	2020 $'000	2019 $'000
Pyrmont, NSW	22,703	9,818
Villawood, NSW	3,114	265
Varsity Lakes, QLD	509	583
Dickson, ACT	143	1,152
Yandina, QLD	18	545
Symonston, ACT	(119)	(374)
Hobart, TAS	(608)	43
Adelaide, SA	(927)	84
Toowoomba, QLD	(997)	(1,390)
Fortitude Valley, QLD	(1,130)	51
Sippy Downs, QLD	(3,675)	9
Total Net Gain / (Loss) on Fair Value of Property Investment Portfolio	**19,031**	**10,786**
Net gain / (loss) on fair value of interest rate hedges	282	30
Total Net Gain / (Loss) on Fair Value of Assets	**19,313**	**10,816**

Impact of COVID

Revenue

The COVID pandemic has had an impact on the Trust's revenue for the year. As yet we have not had any tenants permanently vacate any of our properties as a result of COVID.

In April the Government issued a mandatory code of conduct between landlords and tenants (that qualified for JobKeeper and had turnover of less than $50 million) for commercial properties and the Trust has complied with that code. The code calls for rent relief to be provided to tenants in proportion to their turnover decline with at least half of this relief to be given in the form of rent waiver and the remainder as a deferral of rent. The Trust has complied with the code as a minimum and in some cases has offered more relief than required in particular for our smaller tenants such as cafes and gyms. As a result the Trust waived $713,000 of rent from March to June which represents a reduction of 15% in rent for that period. Since June the waiver has diminished to only 8% of rental income as tenants' turnover recovers. It is expected that by November this relief will cease. Deferred rent of $531,000 has been recorded as a receivable and is expected to be recovered over the term of the lease or 2 years whichever is the greater. Since June to the date of this report a further amount of $113,000 has been deferred. A detailed assessment has been made of the likely recovery of the deferred amounts with reference to how our tenants are reporting a recovery in their revenue and through the payments they are making in relation to rent. Given the time available for the repayment of the deferred rent, the Trust does not consider at this time much of this balance as doubtful. $24,000 has been raised as a provision for credit loss.

Property Valuations

There is a level of uncertainty regarding the ultimate impact of COVID on the Trust's property valuations. Independent Valuations were performed at 30 June and valuers have noted this uncertainty. The effects of COVID were reflected in various assumptions by the valuers including yield, discount rates and market rent. The overall result was a decline from Dec 19 reported values of around 5%.

Statement of Cash Flows for the year ended 30 June 2020

	2020 $'000	2019 $'000
Cash Flows From Operating Activities		
Receipts from tenants	24,081	25,766
Interest received	648	375
Payments to suppliers	(15,759)	(13,749)
Interest paid	(2,615)	(5,162)
Net Cash Flows From/(Used in) Operating Activities	**6,355**	**7,230**
Cash Flows From Investing Activities		
Proceeds on disposal of capital improvements	2,044	-
Payment for capital improvements	(5,582)	(4,542)
Loans advanced on Loan Book	(5,203)	(17,180)
Payment for additional Pyrmont investment	(1,783)	(17,436)
Payment for Property, plant and equipment	(62)	-
Cash inflow on Kirela acquisition	-	205,309
Distributions from Kirela	-	3,865
Payment for Kirela units	-	(73,809)
Net cash outflow on Kirela disposal	-	(10,122)
Purchase of property - Fortitude Valley	-	(3,875)
Net acquisition of Fortitude Valley subsidiary	-	(2,674)
Loan advance made - BWF and others	-	(1,045)
Net Cash Flows From/(Used in) Investing Activities	**(10,586)**	**78,491**
Cash Flows From Financing Activities		
Proceeds from NAB borrowings	30,000	-
Distributions paid by BWR	(10,290)	(6,664)
Payment for buy-back of BWR units including transaction costs	(8,134)	-
Distributions paid by Pyrmont Trust to non-controlling interests	(732)	(1,454)
Distributions paid by Woods PIPES to non-controlling interests	(140)	-
Repayment of bank borrowings	-	(68,882)
Payment for capital raising costs	-	(85)
Net Cash Flows From/(Used in) Financing Activities	**10,704**	**(77,085)**
Net Increase / (Decrease) in Cash Held	**6,473**	**8,636**
Cash and cash equivalents at the beginning of the year	9,719	1,083
Cash and Cash Equivalents at End of the Period	**16,192**	**9,719**

Reconciliation of Operating Cash Flows

	2020 $'000	2019 $'000
Profit for the year	23,860	12,977
Non-cash Flows in Profit:		
Depreciation	6,857	5,259
Amortisation of lease incentive	104	116
Net gain on assets	(19,313)	(10,009)
Straight-line rental income	(1,412)	(1,068)
Changes in Operating Assets and Liabilities:		
(Increase) / decrease in trade and other receivables	(896)	(464)
(Increase) / decrease in other assets	(10)	1
Increase / (decrease) in trade and other payables	(2,617)	568
Increase / (decrease) in other liabilities	(218)	(150)
Net Cash Flows From Operating Activities	**6,355**	**7,230**

Changes in Liabilities Arising from Financing Activities

	Borrowings $'000	Total $'000
Total Liabilities From Financing Activities as at 1 July 2019	**(57,000)**	**(57,000)**
Net cash from/(used in) financing activities	-	-
Repayment of NAB borrowings	10,000	10,000
Additional Pyrmont loan	(40,000)	(40,000)
Total Liabilities From Financing Activities as at 30 June 2020	**(87,000)**	**(87,000)**
Total Liabilities From Financing Activities as at 1 July 2018	**(118,882)**	**(118,882)**
Net cash from/(used in) financing activities	-	-
Repayment of NAB borrowings	68,882	68,882
Acquisition of Villawood	(7,000)	(7,000)
Total Liabilities From Financing Activities as at 30 June 2019	**(57,000)**	**(57,000)**

Statement of Changes in Equity

	No. of Units On Issue	Issued Capital $'000	Retained Earnings/ (Accumulated Losses) $'000	Attributable to Owners of the Parent $'000	Non-controlling Interests $'000	Total Equity $'000
Balance at 1 July 2019	**148,516,055**	**254,710**	**(35,311)**	**219,399**	**35,041**	**254,440**
Profit for the year	-	-	7,397	7,397	16,463	23,860
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**7,397**	**7,397**	**16,463**	**23,860**
Transactions with Owners in Their Capacity as Owners:						
Distributions paid	-	-	(10,290)	(10,290)	(872)	(11,162)
On market buy-back of BWR units	(6,366,055)	(8,010)	-	(8,010)	-	(8,010)
Transaction costs	-	(124)	-	(124)	-	(124)
Purchase of additional NCI shares	-	-	683	683	(2,466)	(1,783)
	(6,366,055)	**(8,134)**	**(9,607)**	**(17,741)**	**(3,338)**	**(21,079)**
Balance at 30 June 2020	**142,150,000**	**246,576**	**(37,521)**	**209,055**	**48,166**	**257,221**
On market buy-back since 30 June	-					
Balance at Signing Date	**142,150,000**					
Balance at 1 July 2018	**66,635,378**	**136,036**	**(33,040)**	**102,996**	**48,438**	**151,434**
Profit for the year	-	-	4,393	4,393	8,584	12,977
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**4,393**	**4,393**	**8,584**	**12,977**
Transactions with Owners in Their Capacity as Owners:						
Distributions paid	-	-	(6,664)	(6,664)	(2,026)	(8,690)
Issue of units	81,880,677	121,183	-	121,183	-	121,183
Transaction costs on units	-	(2,509)	-	(2,509)	-	(2,509)
Non-controlling interests on acquisition of Villawood					5,159	5,159
Purchase of additional Pyrmont units					(25,114)	(25,114)
	81,880,677	**118,674**	**(6,664)**	**112,010**	**(21,981)**	**90,029**
Balance at 30 June 2019	**148,516,055**	**254,710**	**(35,311)**	**219,399**	**35,041**	**254,440**

Notes to the Financial Statements

1. Segment Reporting

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

2. Administration Expenses ($'000)

	2020	2019
Responsible entity fees	2,372	1,709
Compliance expenses (listing, registry etc)	983	968
Total	**3,355**	**2,677**

3. Reconciliation of Property Investment Portfolio ($'000)

	2020	2019
Opening Balance	281,080	271,483
Revaluation of Pyrmont	22,703	9,817
Revaluation of all other properties	(3,672)	981
Capital improvements	5,582	4,328
Straight-line rental income	1,412	1,068
Depreciation	(6,961)	(5,387)
Disposal of Capital Expenditure	(2,044)	-
Acquisition of Villawood	-	19,452
Acquisition of Fortitude Valley	-	8,655
Acquisition of Adelaide	-	6,816
Bakehouse Quarter disposal	-	(34,483)
Distributions from Kirela (prior to acquisition)	-	(1,650)
Closing Balance	**298,100**	**281,080**
Disclosed as Follows:		
Property investment portfolio – non-current asset	298,100	281,080
Total	**298,100**	**281,080**

4. Current and Non-current Assets – Trade and Other Receivables ($'000)

	2020	2019
Current - Trade and Other Receivables		
Trade receivables	627	559
Related parties	294	-
Total Current	**921**	**559**
Non-current - Trade Receivables		
Deferred rent receivable	555	-
Less: Expected credit loss provision	(24)	-
Total Non-current	**531**	**-**

Deferred rent has been provided to tenants under the mandatory code of conduct between tenants and landlords under COVID legislation. It will be repaid over the greater of 2 years or the term of individual leases and as a result is shown as a non-current receivable.

An amount of $24,000 has been provided for as a credit loss as at 30 June 2020 (2019: $Nil).

5. Financial Asset ($'000)

	2020	2019
Current – Yuhu Group Australia	2,000	2,000
Non-current – Yuhu Group Australia	6,000	6,000
Total	**8,000**	**8,000**

This financial asset is a retention amount relating to the sale of the Bakehouse Quarter. An amount of $2 million will be released each financial year provided WOTSO North Strathfield meets its rental obligations. The amount is held in a solicitor's Trust account and receives interest. It is expected that the first $2 million will be released before December 2020.

6. Loan Portfolio ($'000)

BWR has made loans totalling $22.4 million mostly to related parties (refer note 16(c)). The loans are documented and secured as detailed below. Each loan is repayable on a call from BWR. The details are as follows:

Name	Margin Above RBA Cash Rate	Loan Amount	Security Amount	Details
Loan - Alerik	200	7,900	10,000	Building L carpark Bakehouse
Loan - Planloc	200	10,000	10,000	Penrith property and WRV units
Loan - SAO	300	2,500	13,952	Investments in Pyrmont
Loan - Gymea	200	1,800	2,800	Two residential townhouses
Loan - Flipout	n/a	183	250	Fit-out
Total		**22,383**	**37,002**	

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

	2020	2019
Trade payables	913	972
Related parties	245	2,998
Tenant incentive	290	-
Tenant deposits	308	306
Total	**1,756**	**4,276**

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

	2020	2019
Rental income received in advance	351	572
Total	**351**	**572**

From time to time tenants choose to pay their rent early. In these cases the prepaid rent is held as a current liability until the first day of the month in which it is due.

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

Borrowings ($'000)

All facilities are priced off BBSY. The facilities have no undrawn balance. The loan to value ratio (LVR) shown below is calculated against the carrying value in these financial statements with the facility LVR covenant shown in parenthesis.

Security	LVR	Borrowings	Security Value	Expiry	Margin	Lender
Various	53% (65%)	40,000	74,800	02/21	2.10%	NAB
Villawood	31% (65%)	7,000	22,300	02/21	1.65%	NAB
Current Borrowings		**47,000**	**97,100**			
Pyrmont Total	27% (50%)	40,000	147,000	09/22	2.10%	NAB
Non-current Borrowings		**40,000**	**147,000**			
Unencumbered assets		-	102,228	-	-	-
Total June 2020	**25%**	**87,000**	**346,328**			
June 2019 (All Current Borrowings)						
Various	63% (65%)	50,000	79,750	10/19	2.10%	NAB
Villawood	36% (65%)	7,000	19,500	12/19	1.65%	NAB
Unencumbered assets		-	217,320	-	-	-
Total June 2019	**18%**	**57,000**	**316,570**			

The borrowings are currently unhedged.

Interest Rate Hedges

	Bank	$'000	Type	Floor	Cap	Expiry	MTM Value $'000
June 2020	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
June 2019	NAB	20,000	Collar	2.72%	4.55%	07/19	(21)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(198)
	NAB	7,000	Swap	Fixed at 2.99%		12/19	(63)
Total		**57,000**					**(282)**

10. Property Acquisitions - Prior Year Summary of Transactions

During 2019 (the prior year) financial year BWR undertook transactions that resulted in a number of entities and properties being added to the group. The detail of these transactions is disclosed below.

On 24 May 2019 BWR acquired 100% control of the units in Kirela Unit Trust together with associated transactions, collectively referred to as the "Kirela transaction". Details surrounding the Kirela transaction were set out in the Notice of General Meeting, Explanatory Statement and Independent Experts Report sent to unitholders on 8 April 2019. All resolutions put to the meeting held on 10 May 2019 were approved by the unitholders. The various elements of the transaction are set out in more detail below.

Kirela Transaction

Kirela Unit Trust (Kirela) was a privately owned investment unit trust that primarily held an asset known as the Bakehouse Quarter, which was sold prior to the transaction. At the time of the transaction Kirela was no longer trading, and its assets consisted of cash balances (received from the earlier property sale) and investments in Pyrmont, Flinders St, and Villawood. The NTA value for each unit of Kirela at the date of the transaction was $403 per unit. The NTA value of each BWR unit at the date of the transaction was $1.48 per unit. Note that BWR already owned 82,496 Kirela units at the time of the transaction (these were acquired in previous years).

On 24 May 2019 BWR acquired the Kirela units based on an NTA for NTA basis. BWR acquired 437,698 further units in Kirela for total consideration of $73,809,450 cash and 69,312,731 new BWR units (valued at $102,582,840). The Kirela transaction was accounted for as an acquisition of an entity with the assets and liabilities recorded at fair value at the date of acquisition.

Bakehouse Quarter Trust (BQT) Transaction

BQT was a registered managed investment scheme with its only asset comprising 53,779 units in Kirela. The NTA of each BQT unit at the date of the transaction was $10.60 per unit. Prior to the transaction BWR already owned 375,392 units in BQT. BWR made an offer to acquire all the remaining 1,754,745 BQT units from its unitholders in exchange for BWR scrip on an NTA for NTA basis. The offer was accepted and BWR acquired the remaining BQT units in exchange for 12,567,946 new BWR units. BQT was consolidated with the acquisition of assets and liabilities recorded at fair value.

On completion of the BQT and Kirela transactions BWR gained 100% control of Kirela. Kirela was subsequently disposed.

Pyrmont Transaction

BWR already owned a controlling stake in Pyrmont Bridge Property Pty Ltd (PBP) and Pyrmont Bridge Trust (PBT) as at June 2018, and both those entities were consolidated in BWR. The Pyrmont transaction involved BWR increasing its holdings in both entities as follows:

- BWR purchased a further 5,555,000 PBT units from BlackWall Limited at a price of $1.60 per PBT unit, being the PBT NTA. The transaction was completed on 10 May 2019 for total cash consideration of $8.89 million.
- BWR acquired the investments that Kirela held in Pyrmont. At the date of the transaction Kirela held 2,750,000 shares in PBP and 4,278,600 units in PBT. PBP shares were acquired at $0.30 per share and PBT units were acquired at $1.60 per unit. Total consideration was $7.67 million.

The transactions outlined above together with other purchases of Pyrmont units directly from Pyrmont holders resulted in BWR increasing its holding in PBP to 41% and its holding in PBT to 68%. The Pyrmont entities were already controlled by BWR and consolidated, with the property being accounted for as an investment property applying AASB 140.

2020 Acquisitions of Pyrmont shares – During the 2020 financial year BWR acquired a further 3,475,010 shares in Pyrmont Bridge Property Pty Ltd increasing BWR's holding to 46%

Fortitude Valley Transaction

At the date of the transaction the Brunswick Street Unit Trust owned one asset, being the real property at 84 Brunswick Street, Fortitude Valley, Queensland. The Brunswick Trust was owned 100% by BlackWall Limited. On 31 May 2019 BWR acquired all of the units in the Brunswick Street Unit Trust for a total cash consideration of $2.68 million. The transaction was priced at NTA based on the independent value of the property.

Separate to the details above, BWR acquired the adjacent property at 76 Brunswick Street on 28 June 2019 for a cash consideration of $3.88 million. The vendor of 76 Brunswick Street was not related to any BlackWall entity. At 30 June 2019 reporting date the Brunswick Street Unit Trust was owned 100% by BWR and owned two properties, with the property accounted for as an investment property applying AASB 140.

Flinders Street Transaction

At the date of the transaction Kirela owned all of the units in the Flinders Street Unit Trust. The Flinders Street Unit Trust owned two adjacent properties located at 217 and 221 Finders Street, Adelaide, South Australia. The property at 217 Flinders St was independently valued and the property at 221 Flinders St was newly acquired in March 2019, with both properties having a combined value of $6.85 million.

BWR acquired 100% of the units in the Flinders Street Unit Trust from Kirela for $1.16 million which represents the combined property value of $6.85 million less the related property loans. At 30 June 2019 the Flinders Street Unit Trust was consolidated as a result of gaining a controlling interest and the properties accounted for as an investment property applying AASB 140.

Villawood Transaction

At the date of the transaction Kirela owned 1,825,000 units in WRV Unit Trust (representing 46% of total units on issue) and 2,172,000 units in Woods PIPES Fund (representing 43% of total units on issue). WRV Unit Trust owns the property known as The Woods. The Woods is a family entertainment centre in Western Sydney, located at 850 Woodville Rd, Villawood, New South Wales. Woods PIPES Fund is a hybrid property investment vehicle with a $5 million interest in The Woods property secured by a second mortgage. BWR acquired the units at their respective NTA values which were $1.49 per unit for WRV Unit Trust and $1.13 per unit for Woods PIPES Fund. The total consideration was $5.17 million.

In a separate transaction, BWR acquired a further 1,082,900 units in Woods PIPES Fund (representing 22% of total units on issue) from Pelorus Private Equity Limited for a cash consideration of $1.25 million. Together with the units acquired from Kirela, BWR acquired 65% of Woods PIPES Fund and gained a controlling interest. The contractual arrangements between WRV Unit Trust and Woods PIPES Fund give effective management control of WRV Unit Trust to Woods PIPES Fund and this results in WRV Unit Trust being consolidated into BWR. The Villawood property has been accounted for as an investment property applying AASB 140.

Further details on the respective properties are contained in the Property Investment Portfolio note next to the Balance Sheet.

11. Distributions

A distribution of 3.5 cents per unit has been declared to be paid on 25 September 2020. Distributions paid before the balance date are listed below:

	2020	2020 $'000	2019	2019 $'000
Prior year final distribution	3.5 cpu	5,198	5.0 cpu	3,332
Current year interim distribution	3.5 cpu	5,092	5.0 cpu	3,332
Total		**10,290**		**6,664**

12. Lease Commitments Receivable ($'000)

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

	2020	2019
Receivable within 1 year	22,088	20,414
Receivable within 2 – 5 years	55,061	53,313
Receivable for more than 5 years	20,452	24,870
Total	**97,601**	**98,597**

13. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 30 June 2020 (June 2019: Nil).

14. Subsequent Events

On 24 July 2020 the BlackWall directors released an announcement to the ASX outlining a proposal for BWR to acquire the WOTSO WorkSpace business and certain real estate assets currently held by Pelorus Private Equity Limited. This will take the form of a stapled security structure. The transaction will require various shareholder and court approvals and is expected to complete early in the new calendar year.

The Board has declared a final distribution of 3.5 cents per unit to be paid on 25 September 2020.

Apart from subsequent events disclosed above as well as in the Directors' Report, to the best of the Directors' knowledge, since the end of the financial year there have been no other matters or circumstances that have materially affected the Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

15. Controlled Entities

	Percentage owned	
Name	**2020**	**2019**
Parent Entity:		
BlackWall Property Trust	100%	100%
Controlled Entity of Parent Entity:		
Yandina Sub-Trust	100%	100%
BlackWall Telstra House Trust	100%	100%
BlackWall Hobart Unit Trust	100%	100%
Flinders Street Unit Trust	100%	100%
84 Brunswick Street Unit Trust	100%	100%
Bakehouse Quarter Trust	100%	100%
Pyrmont Bridge Property*	46%	41%
Pyrmont Bridge Trust	69%	68%
WRV Unit Trust**	46%	46%
Woods PIPES Fund	65%	65%

Parent and controlled entities are all incorporated in Australia.
*Consolidated because BWR is the most significant shareholder and exercises management control.
**Consolidated due to the contractual arrangement with the Woods PIPES Fund which gives control to Woods PIPES Fund.

16. Related Party Transactions

(a) Related Parties

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 fund. The fund and the Trust have a common Responsible Entity or are related parties of BlackWall:

	Holdings (No.'000)		Distribution ($'000)	
Unlisted Funds / Entities	**2020**	**2019**	**2020**	**2019**
Kirela Development Unit Trust	-	-	-	1,650
			-	**1,650**

Income received from Kirela was in the form of discounted capital gains.

(c) Loans to Related Parties

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

	2020 $'000	2019 $'000
Planloc Pty Ltd	10,000	11,150
Alerik Pty Ltd as trustee for Alerik Unit Trust	7,900	4,525
SAO Investments Pty Ltd	2,500	-
Gymea Bay Pty Ltd as trustee for Gymea Bay Unit Trust	1,800	1,505
Total	**22,200**	**17,180**

Further details can be found in Note 6.

(d) Related Party Transactions ($'000)

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

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

	2020	2019
Revenue:		
WOTSO WorkSpace rent, outgoings and utilities	5,768	2,472
Interest income	469	63
Total Revenue	**6,237**	**2,535**
Expenses:		
Remuneration paid to Responsible Entity	2,479	1,709
Property management, leasing fees and accounting fees	907	2,011
Transaction fees	28	2,449
Total Expenses	**3,414**	**6,169**
Outstanding Balances:		
Trade and other receivables – current	294	-
Trade and other payables – current	245	2,998

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

(e) Terms and Conditions

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

17. Parent Entity Disclosures ($'000)

The following summarises the financial information of the parent entity, BlackWall Property Trust, as at and for the year ended 30 June.

	2020	2019
Profit (loss) for the year	(1,581)	(290)
Total Comprehensive Income (Loss) for the Year	**(1,581)**	**(290)**
Financial Position:		
Current assets	24,682	18,395
Non-current assets	239,401	257,832
Total Assets	**264,083**	**276,227**
Current liabilities	(51,094)	(62,369)
Non-current liabilities	-	-
Total Liabilities	**(51,094)**	**(62,369)**
Net Assets	**212,989**	**213,858**

The parent entity had no contingencies at 30 June 2020 (2019: Nil). The parent entity has not entered into any capital commitments as at 30 June 2020 (2019: Nil).

18. Financial Risk Management

(a) Financial Risk Management

The main risks the Trust is exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Trust's principal financial instruments are property investment structures and borrowings (including interest rate hedges). Additionally, the Trust has various other financial instruments such as cash, trade debtors and trade creditors, which arise directly from its operations.

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

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and overseeing of the risk management framework. The Board monitors the Trust's risk exposure by regularly reviewing finance and property markets. Major financial instruments held by the Trust which are subject to financial risk analysis are as follows:

	2020 $'000	2019 $'000
Financial Assets		
Loan portfolio	22,383	17,180
Deferred rent receivable (net of expected credit loss)	531	-
Financial Liabilities		
Borrowings	87,000	57,000

(b) Sensitivity Analysis

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

In relation to interest rate risk, if interest rates on borrowings were to increase by 1% profit after tax would be reduced by $870,000.

(c) Capital Management

The Trust's objectives when managing capital are to:

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

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

(d) Liquidity Risk

The major liquidity risk faced by the Trust is its ability to realise assets. The Trust has borrowings of $87 million and total gross assets of $346 million, of which $298 million are income producing real estate assets for which there is a deep and active market. At the end of the reporting period, the Trust held the following financial arrangements:

$'000	Maturing Within 1 Year	Maturing 2-5 Years	Maturing Over 5 Years	Total
At 30 June 2020				
Financial Liabilities				
Trade and other payables	1,448	308	-	1,756
Borrowings	47,000	40,000	-	87,000
	48,448	**40,308**	**-**	**88,756**
At 30 June 2019				
Financial Liabilities				
Trade and other payables	3,970	306	-	4,276
Other liabilities	572	-	-	572
Borrowings	57,000	-	-	57,000
Interest rate hedges	282	-	-	282
	61,824	**306**	**-**	**62,130**

(e) Credit Risk

Credit risk is the risk that a counter party will default on its contractual obligations. The Trust is exposed to credit risk in the financial assets cash, rent receivables and loan receivables. Counter parties are assessed for credit worthiness and loans and receivables are monitored for any change in risk. The maximum exposure to credit risk is the carrying amount of these assets.

(f) Fair Value Measurements

(i) Fair Value Hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making measurements. The fair value hierarchy has the following levels:

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

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

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

The following table presents the Trust's assets and liabilities measured at fair value as at 30 June 2020. Refer to the Critical Accounting Estimates and Judgment note 19 for further details of assumptions used and how fair values are measured.

$'000	Level 1	Level 2	Level 3	Total
At 30 June 2020				
Property investment portfolio	-	-	298,100	298,100
Loan portfolio	-	-	22,383	22,383
Financial assets	-	-	8,000	8,000
At 30 June 2019				
Property investment portfolio	-	-	281,080	281,080
Loan portfolio	-	-	17,180	17,180
Financial assets	-	-	8,000	8,000
Interest rate hedges	-	(282)	-	(282)

(ii) Valuation Techniques Used to Derive Level 3 Fair Values

The carrying amounts of the loan portfolio and the financial assets approximates the fair values as they are short term receivables.

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

Significant unobservable inputs associated with the valuation of investment properties are as follows:

Significant Unobservable Inputs Used to Measure Fair Value	Change to Inputs	Impact of Increase in Input on Fair Value $'000	Impact of Decrease in Input on Fair Value $'000
Valuer yield	0.25%	(10,900)	11,900
Net market rent	5%	15,000	(15,000)

(iii) Fair Value Measurements Using Significant Observable Inputs (Level 3)

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

	$'000
At 30 June 2020	
Balance at the beginning of the year	17,180
Loans advanced	6,353
Loans repaid	(1,150)
Balance at 30 June 2020	**22,383**
At 30 June 2019	
Balance at the beginning of the year	36,133
Return of capital	(1,650)
Disposal of Kirela	(34,483)
Loan portfolio advanced	17,180
Balance at 30 June 2019	**17,180**

19. Critical Accounting Estimates and Judgments

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

Key Estimates – Fair Values of Investment Properties

The Trust carries its investment properties at fair value with changes in the fair values recognised in profit or loss. At the end of each reporting period, the Directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Property Investment Portfolio table. Independent Valuer Yield represents the market rent divided by the property value and the market yield the independent valuer has applied to arrive to the valuation. 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. For this report all properties are held at independent valuations carried out in the last six months.

20. Statement of Significant Accounting Policies

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

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

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of the Trust also comply with IFRS as issued by the International Accounting Standards Board.

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

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

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

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Trust's current liabilities are greater than its current assets by $7 million due to $47 million of the Trust's borrowings being classified as current. The Directors are confident that the borrowings will be renewed given the gearing of the Trust is 25%.

Comparative Figures

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

Segment Reporting

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

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

Presentation Currency

Both the functional and presentation currency of the Trust is Australian dollars.

Principles of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of the Trust (refer to the Controlled Entities note). The controlled entity has a June financial year end and uses consistent accounting policies. Investments in the controlled entity held by the parent entity are accounted for at cost less any impairment charges (refer to the Parent Entity Disclosures note).

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-entity Balances

All inter-entity balances and transactions between entities in the Trust, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Impairment of Assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at amortised cost, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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.

Recognition

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are recognised if the Trust's contractual rights to the cash flow from the financial assets expire or if the Trust transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Loans and Receivables

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

Fair Value

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

Impairment

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

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

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

Financial Liabilities

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

Financial Assets (Property Investment Portfolio)

The property investment portfolio contains a portion of financial assets being property investment structures at FVTPL. All gains and losses in relation to financial assets are recognised in profit or loss. The Trust classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows.

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

Measurement

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

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

Investment Properties

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

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

Interest Bearing Borrowings

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

Revenue

Rent

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

Lease Incentives

Rent free incentives granted are recognised as an integral part of total rental income and are amortised on a straight-line over useful life.

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

Rent Waivers

Waivers granted to tenants proportionate to the decrease in their sales during the pandemic period are recognised immediately as a reduction of revenue.

Investment Income

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

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

Income Tax

Under current income tax legislation the Trust is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Trust. The Trust has over $5 million of carried forward revenue tax losses.

GST

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

EPU

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

New Accounting Standards and Interpretations

The Trust has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The only new standard adopted in the current period is AASB 16 Leases, and there is no impact to the group upon adopting this standard.

Directors' Report

Continued

Subsequent Events

On 24 July 2020 the BlackWall directors released an announcement to the ASX outlining a proposal for BWR to acquire the WOTSO WorkSpace business and certain real estate assets currently held by Pelorus Private Equity Limited. This will take the form of a stapled security structure. The transaction will require various shareholder and court approvals and is expected to complete early in the new calendar year.

The Board has declared a final distribution of 3.5 cents per unit to be paid on 25 September 2020.

Apart from subsequent events disclosed above as well as 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.

Directory of Properties

Property	Property address
Queensland:	
Fortitude Valley	76-84 Brunswick St, Fortitude Valley QLD 4006
Varsity Lakes	194 Varsity Pde, Varsity Lakes QLD 4227
Sippy Downs	30 Chancellor Village Blvd, Sippy Downs QLD 4556
Yandina	54 Pioneer Rd, Yandina QLD 4561
Toowoomba	50 Industrial Ave, Toowoomba QLD 4350
New South Wales:	
Pyrmont	55 Pyrmont Bridge Rd, Pyrmont NSW 2009
Villawood	850 Woodville Rd, Villawood NSW 2163
Australian Capital Territory:	
Dickson	490 Northbourne Ave, Dickson ACT 2602
Symonston	10-14 Wormald St, Symonston ACT 2609
South Australia:	
Adelaide	217-221 Flinders St, Adelaide SA 5000
Tasmania:	
Hobart	162 Macquarie St, Hobart TAS 7000

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The unitholder information set out below was current as at 14 August 2020.

1. Unitholders

The Trust's top 20 largest unit holdings were:

	Investor	Units (No.)	Units (%)
1	Jagar Holdings Pty Ltd	19,025,000	13.38
2	SAO Investments Pty Ltd	14,990,000	10.55
3	Hollia Pty Limited	13,814,865	9.72
4	Pelorus Private Equity Limited	11,000,000	7.74
5	BlackWall Fund Services Limited	10,919,554	7.68
6	Vintage Capital Pty Limited	9,711,458	6.83
7	Seno Management Pty Ltd	5,617,500	3.95
8	Castle Bay Pty Limited	3,846,869	2.71
9	Mr Archibald Geoffrey Loudon	3,707,894	2.61
10	Mr Richard Hill and Mrs Evelyn Hill	3,309,871	2.33
11	Alerik Pty Limited	3,000,000	2.11
12	PRSC Pty Ltd	3,000,000	2.11
13	Tampopo Pty Ltd	2,858,747	2.01
14	Ms Gia Ravazzotti	2,700,000	1.90
15	Koonta Pty Ltd	1,939,383	1.36
16	Lymkeesh Pty Ltd	1,857,512	1.31
17	Mr Peter John Gray	1,723,370	1.21
18	Oyama Pty Limited	1,226,522	0.86
19	Methuselah Capital Management Pty Ltd	1,126,756	0.79
20	Mr Peter Joy	1,000,000	0.70

2. Distribution of Unitholders

The distribution of unitholders by size of holding was:

Category (Units Held)	No. of Holders
1 – 1,000	309
1,001 – 5,000	524
5,001 – 10,000	197
10,001 – 100,000	309
100,001 and over	81
Total Number of Unitholders	**1,420**

The Trust has 142,150,000 units on issue. All units carry one vote per unit without restrictions. All units are quoted on the Australian Securities Exchange (ASX: BWR).

3. Substantial Unitholders

The Trust's substantial unitholders are set out below:

Investor	Units (No.)	Units (%)
Seph Glew	56,752,811	39.92
Paul Tressider	47,662,377	33.53
Robin Tedder	12,143,876	8.54
Pelorus Private Equity Limited	11,000,000	7.74
BlackWall Limited	10,919,554	7.68

4. Key Management Personnel's Relevant Interests

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

Name (Position)	16 August 2019	Net Change	14 August 2020
Seph Glew (non-executive director)	50,745,311	6,007,500	56,752,811
Timothy Brown (joint MD and CFO)	499,756	-	499,756
Jessie Glew (joint MD and COO)	294,868	20,006	314,874
Richard Hill (non-executive director)	6,168,618	-	6,168,618
Robin Tedder (non-executive director)	11,847,407	296,469	12,143,876
Stuart Brown (non-executive director) - resigned 24 January 2020	1,027,326	8,000	1,035,326
Total	**70,583,286**	**6,331,975**	**76,915,261**

Information on Officeholders of the Responsible Entity

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

The names of the Officeholders 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.

Joseph (Seph) Glew

Non-Executive Director and Chairman

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turn around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown

Joint Managing Director and CFO

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

Jessie Glew

Joint Managing Director and COO

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

Richard Hill

Non-Executive Director

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young and 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 and Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formerly listed on ASX.

Robin Tedder

Non-Executive Director

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

Alex Whitelum - Appointed 23 April 2020

Company Secretary

Alex joined BlackWall in April 2020 and executes all aspects of BlackWall's corporate and fund transactions, is responsible for BlackWall's corporate governance functions and oversees investor relations. Previously, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Stuart Brown - Resigned 24 January 2020

Executive Director

Stuart Brown was a member of the BlackWall family for the last 20 years and resigned from the Group in January. Stuart has been an integral part of the business. He helped drive the establishment of BlackWall and later WOTSO. More recently, Stuart identified and negotiated the acquisition of 55 Pyrmont Bridge Road, Pyrmont.

Sophie Gowland - Resigned 27 March 2020

Company Secretary

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Seph Glew	10	10
Timothy Brown	10	10
Jessie Glew	10	10
Richard Hill	10	10
Robin Tedder	10	10
Stuart Brown - resigned 24 January 2020	5	5

Options

There were no options granted during the year ended 30 June 2020. There are no options on issue as at the date of this report.

Responsible Entity and Custodian Remuneration

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

The Custodian is Perpetual Limited. The custody fee is calculated at the greater of $15,000 pa or 0.025% pa 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 142,150,000 units on issue (June 2019: 148,516,055 units on issue). The Responsible Entity and its associates held 10.9 million units in the Trust.

Value of the Trust's Assets

At 30 June 2020, the Trust's assets value is set out in the Trust's Consolidated Balance Sheet. Refer to the Property Investment Portfolio table for valuation details.

Environmental Regulation

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

Indemnities of Officers

During the financial year, the Responsible Entity has paid premiums to insure each of the Directors named in 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 accessed at blackwall.com.au.

Auditor and Non-audit Services

$60,000 and $12,000 was paid to the auditor for audit and non-audit services respectively during the year (2019: $60,000 and $12,000). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

Rounding of Amounts

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

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

Tim Brown
Director
Sydney, 26 August 2020

Jessie Glew
Director
Sydney, 26 August 2020

Directors' Declaration

In the opinion of the Directors of BlackWall Fund Services Limited, the Responsible Entity of BlackWall Property Trust:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Trust's financial position as at 30 June 2020 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 Joint Managing Directors and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Tim Brown
Director
Sydney, 26 August 2020

Jessie Glew
Director
Sydney, 26 August 2020

BlackWall Property Trust - June 2020 24

Auditors Independence Declaration and Audit Report

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of Blackwall Property Trust and its Controlled Entities for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 26th day of August 2020.

ESV

ESV Business advice and accounting

Tim Valtwies

Tim Valtwies
Partner

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Business advice
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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Property Trust and its controlled entities ('the Group'), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on pages 7 to 10, notes including a summary of significant accounting policies on pages 11 to 19, and the directors' declaration of the Group.

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

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the Independence declaration required by the Corporations Act 2001, which has been given to the directors of Blackwall Fund Services Limited, the Responsible Entity of the Group, would be in the same terms if given to the directors at the time of this auditor's report.

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

Key Audit Matters

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

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esvgroup.com.au
A member of TIAG®, a worldwide alliance of independent accounting firms, a division of TAG Alliances.
Liability limited by a scheme approved under Professional Standards Legislation.

Key Audit Matter	How the scope of our audit responded to the risk
Valuation of Property Investment Portfolio As at 30 June 2020, the total property investment portfolio of the group is valued at $298 million (2019: $281 million) which is significant to the balance sheet. The property investment portfolio is recorded at fair value. The external valuations and internal valuations make a number of property specific key estimates and assumptions; in particular, assumptions in relation to market comparable yields, discount rates and estimates in relation to future rental income increases or decreases and other inputs. The COVID-19 pandemic has resulted in economic uncertainty and a reduction in market transaction evidence. Management has addressed the higher risk by using external valuation experts to value the majority of the investment properties. The audit approach considered how COVID-19 is likely to effect property values and inputs into valuation models and included assessing lease expiry, rent waivers, growth rates and let up timeframes. The valuation of the property investment portfolio held is the key driver of the net assets value and total return. Incorrect valuation could have significant impact on the investment valuation and, therefore, the return generated for unitholders.	Our procedures included, but were not limited to: • We assessed the management's procedures in respect of property valuation for external and internal valuations. • We assessed the independence and competence of the external valuers as experts and examined the engagement correspondence for any scope limitations or anything which may indicate that their objectivity may be impaired. • For the valuations on a sample basis, we assessed the reasonableness of the significant judgements and assumptions applied to the valuation model, including occupancy rates, lease incentives, let up periods, rental waivers, lease terms and passing yields. We agreed the actual key inputs to underlying lease contracts and historical property performance. • We compared the yield, capitalisation rates and discount rates to published material for external market trends and discussed with management anomalies, movements and property specific matters impacting valuations. • An assessment was made of the disclosures in the financial report in respect of fair value and sensitivity of the value of investment property to changes in key inputs.

Other Information

Other information is financial and non-financial information in the Group's annual report which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2020. The directors of the Responsible Entity ('the directors') are responsible for the other information. The other information comprises the information included in the Directors' report (pages 3-6 and 20-23) which we obtained prior to the date of this auditor's report but does not include the financial report and our auditor's report thereon.

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

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

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and accounting

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

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney the 26th day of August 2020.

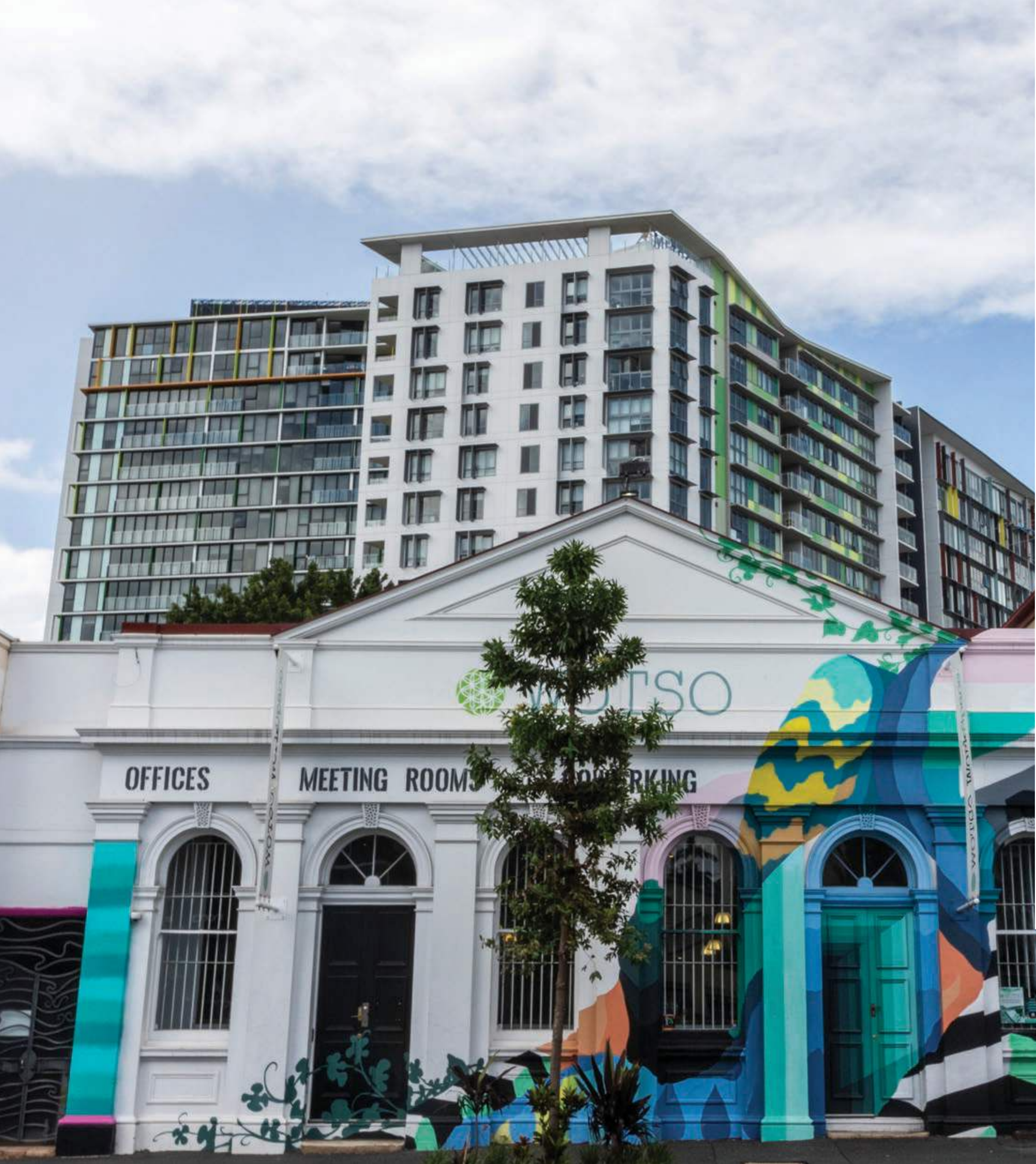
ESV

ESV Business advice and accounting

Tim Valtwies

Tim Valtwies
Partner

Notes



BlackWall Property Trust

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