

# INTERIM FINANCIAL REPORT

HALF-YEAR ENDED  
DECEMBER 2019



**BLACKWALL**  
PROPERTY TRUST

55 PYRMONT BRIDGE RD, NSW

Merry Christmas  
Love  
WOTBO

WOTBO



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# Directors' Report

**BlackWall Property Trust (BWR) will be paying a distribution of 3.5c per unit on 13 March 2020. NTA per unit has grown to \$1.56 (June 19: \$1.48) with gross assets of just over \$350 million.**

## Review of Operations

Over the past six months we have been on the hunt for active investments and special situations where we believe we can create value independent of market conditions, and we are continuing to search for these opportunities. The market, in particular the east coast of Australia, continues to be transacting at yields which in our view are unsustainable and we are not in a rush to deploy capital at these yields. We have a strong balance sheet which will allow us to act quickly should these opportunities arise. Our largest asset, 55 Pyrmont Bridge Rd, has just been independently valued at \$153 million being a 21% increase above the June holding value. This is evidence of the strength of the market we are in.

With a lack of new investment opportunities during the past six months, we have continued to improve our existing portfolio. In the period we have:

- Redeveloped and extended the ground floor of our Varsity Lakes building with the addition of a child care centre (Lullaby Early Learning), and further expanded WOTSO on the top floor. We are happy with the result and feel it has repositioned this property.
- Started the integration of both the Adelaide and Fortitude Valley buildings where we have recently acquired the respective adjoining properties. These buildings are a work in progress but we are pleased with the interest and take-up of the vacant buildings, particularly in Adelaide.
- Completed the Flip Out trampolining tenancy at Villawood, consisting of just over 2,500sqm. This tenancy has filled the last remaining vacancy at the property resulting from the departure of the indoor go-kart business. An independent valuation was completed in early February resulting in a 14% increase in the value of the property to \$22.3 million.
- Fitted out the Dickson property for over 1,100 sqm of WOTSO tenancy, which continues to fill. At this site,

the WOTSO management agreement has been amended by the parties to a lease over 5,000 sqm of the building. We believe that the car park site at the rear of the property has development potential and we look forward to exploring a possible development here over the next 12 months.

- Reconfigured the Symonston lobby with a new café commencing operation.

The weighted average fully let yield on our portfolio is 7.3% and gearing is 20%, so we are well positioned to gain some valuation uplift from investing back into our portfolio. In the lead up to the end of the financial year we will be having the remainder of the portfolio independently valued.

## Capital Management

The BWR buy-back was reinstated in October as we took the view that buying back our stock at a discount to NTA is equivalent to buying real estate at a discount and is an efficient way to generate a value gain for our unitholders. By mid-February 2020 we had bought back just under 3 million units at an average price of \$1.32, being a 15% discount to the 31 December 2019 NTA of \$1.56. Whilst BWR units are trading at a sizeable discount to NTA, we intend to continue the buy-back.

Our investment loan book has moved around a little and we have established a new external debt facility secured against the Pyrmont property to provide some liquidity as required. We will look to do the same with other unencumbered assets so that we can move quickly on opportunities if they arise.

## The Future

As we have said in other releases, with yields at record lows we are unlikely to acquire passive investments in the near term and need to show patience in our search for active investments. We are confident that opportunities will arise and in the meantime we will continue to work our capital to drive further returns on our existing real estate.

**Tim Brown and Jessie Glew**  
Joint Managing Directors

**Gross assets**  
\$354 million

**3.5 cpu Distribution**  
to be paid on  
13 March  
2020

**Gearing**  
20%

**NTA**  
\$1.56

# Portfolio



## Fortitude Valley, QLD

76-84 Brunswick Street, Fortitude Valley

**Value: \$9,380,000**

**NLA: 2,400 sqm**

Prominent corner property with development potential now comprising two adjacent buildings after recent acquisition. Home to WOTSO and seeking service uses for the ground floor.



## Toowoomba, QLD

52 Industrial Avenue, Toowoomba

**Value: \$4,000,000**

**NLA: 4,200 sqm**

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



## Varsity Lakes, QLD

194 Varsity Parade, Varsity Lakes

**Value: \$19,700,000**

**NLA: 5,000 sqm**

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



## Adelaide, SA

217-221 Flinders Street, Adelaide

**Value: \$7,900,000**

**NLA: 4,300 sqm**

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



## Hobart, TAS

162 Macquarie Street, Hobart

**Value: \$9,300,000**

**NLA: 3,500 sqm**

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

## Yandina, QLD

54 Pioneer Rd, Yandina

**Value: \$20,450,000**

**NLA: 9,100 sqm**

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



## Sippy Downs, QLD

30 Chancellor Village Blvd, Sippy Downs

**Value: \$27,500,000**

**NLA: 9,500 sqm**

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



## Pymont, NSW

55 Pymont Bridge Rd, Pymont

**Value: \$153,000,000**

**NLA: 15,000 sqm**

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



## Villawood, NSW

850 Woodville Rd, Villawood

**Value: \$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 filled businesses.



## Dickson, ACT

490 Northbourne Ave, Dickson

**Value: \$31,400,000**

**NLA: 8,000 sqm**

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



## Symonston, ACT

10-14 Wormald Street, Symonston

**Value: \$8,700,000**

**NLA: 2,700 sqm**

Former Canberra Eye Hospital now occupied by WOTSO and others.



# Financial Statements

Balance Sheet at 31 December 2019

	Note	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,369	9,719
Trade and other receivables	3	1,898	559
Financial assets	4	2,000	2,000
Property plant and equipment		62	-
Borrowing costs		45	32
Loan portfolio	5	28,255	17,180
<b>Total Current Assets</b>		<b>34,629</b>	<b>29,490</b>
<b>Non-current Assets</b>			
Financial assets	4	6,000	6,000
Property investment portfolio*	2	313,630	281,080
<b>Total Non-current Assets</b>		<b>319,630</b>	<b>287,080</b>
<b>TOTAL ASSETS</b>		<b>354,259</b>	<b>316,570</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	1,482	4,276
Other liabilities	7	452	572
Borrowings	8	57,000	57,000
Interest rate hedges	8	34	282
<b>Total Current Liabilities</b>		<b>58,968</b>	<b>62,130</b>
<b>Non-current Liabilities</b>			
Borrowings	8	15,000	-
<b>Total Non-current Liabilities</b>		<b>15,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>73,968</b>	<b>62,130</b>
<b>NET ASSETS</b>		<b>280,291</b>	<b>254,440</b>
<b>EQUITY</b>			
Issued capital		250,939	254,710
Retained earnings / (accumulated losses)		(23,186)	(35,311)
<b>Attributable to owners of the Trust</b>		<b>227,753</b>	<b>219,399</b>
Non Controlling Interests		52,538	35,041
<b>TOTAL EQUITY</b>		<b>280,291</b>	<b>254,440</b>
Net tangible assets		227,753	219,399
Number of units on issue		145,750,000	148,516,055
NTA per unit		\$1.56	\$1.48

\* Refer to note opposite.

## Property Investment Portfolio

	Ownership	Passing Yield	Fully Let Yield	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<b>Commercial</b>					
Dickson, ACT	100%	6.0%	8.6%	31,400	30,700
Varsity Lakes, QLD	100%	5.6%	8.9%	19,700	18,500
Pymont, NSW	43%	4.6%	5.6%	153,000	126,300
Hobart, TAS	100%	4.1%	6.5%	9,300	9,250
Symonston, ACT	100%	5.8%	9.2%	8,700	8,500
Adelaide, SA	100%	2.9%	11.4%	7,900	6,900
Fortitude Valley, QLD	100%	1.1%	8.2%	9,380	8,680
<b>Mixed Use</b>					
Sippy Downs, QLD	100%	6.2%	7.2%	27,500	27,300
Villawood, NSW	46%	6.5%	6.5%	22,300	19,500
<b>Industrial</b>					
Yandina, QLD	100%	14.3%	14.3%	20,450	20,450
Toowoomba, QLD	100%	n/a	14.4%	4,000	5,000
<b>Total property investment portfolio</b>				<b>313,630</b>	<b>281,080</b>

Pymont and Villawood had independent valuations issued in February 2020 and these values are adopted in this report. There were no material movements in assumptions from 31 December 2019 to the date of issue of the valuations.

The Pymont valuation increased by \$27 million to \$153 million reflecting a market cap rate of 5.6%. This was driven by an increase in market rents, as displayed in the table below.

Date of Independent Valuation	Value	Market Rent	Market Yield
November 2018	\$126,000,000	\$628/sqm	5.60%
February 2020	\$153,000,000	\$766/sqm	5.60%

The Villawood valuation increased to \$22.3 million at a cap rate of 6.5%.

All other properties are carried at the fair values determined by the Directors. The value of properties has been adjusted to include any capital expenditure that has occurred since the date of the most recent independent valuation. These adjustments don't assume any value margin but simply add the amount of capital spent.

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

A map and key details of the properties can be found on page 4 of this report.

# Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<b>Revenue</b>			
Property income		12,418	12,422
Net gain / (loss) on assets	*	32,801	7,779
Interest income		371	2
<b>Total Revenue</b>		<b>45,590</b>	<b>20,203</b>
<b>Expenses</b>			
Property outgoings		(3,676)	(4,543)
Depreciation expense		(2,658)	(2,355)
Finance costs		(1,392)	(2,689)
Administration expenses	*	(1,725)	(1,251)
Amortisation of lease incentive		-	(58)
<b>Total Expenses</b>		<b>(9,451)</b>	<b>(10,896)</b>
Profit for the year		36,139	9,307
Other comprehensive income		-	-
<b>Profit and other comprehensive income</b>		<b>36,139</b>	<b>9,307</b>
<b>Profit and other comprehensive income attributable to:</b>			
<b>Owners of the Trust</b>		<b>17,323</b>	<b>2,059</b>
Non Controlling Interests		18,816	7,248
<b>Total Profit</b>		<b>36,139</b>	<b>9,307</b>
<b>Earnings Per Unit</b>			
Basic earnings per unit		11.7 cents	3.1 cents
Diluted earnings per unit		11.7 cents	3.1 cents
<b>Calculated as follows:</b>			
Profit for the year		17,323	2,059
Weighted average number of units for EPU		148,002,143	66,635,378

\* Refer to notes opposite.

## Net gain / (loss) on assets

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Pymont, NSW	28,440	9,148
Villawood, NSW	2,981	-
Hobart, TAS	559	(106)
Sippy Downs, QLD	513	(479)
Dickson, ACT	330	776
Varsity Lakes, QLD	289	290
Symonston, ACT	148	(558)
Adelaide, SA	99	-
Fortitude Valley, QLD	42	-
Yandina, QLD	36	433
Toowoomba, QLD	(884)	(1,512)
Bakehouse Quarter, NSW	-	(330)
<b>Total net gain / (loss) on fair value of property investment portfolio</b>	<b>32,553</b>	<b>7,662</b>
Net gain / (loss) on fair value of interest rate hedges	248	117
<b>Total net gain / (loss) on fair value of assets</b>	<b>32,801</b>	<b>7,779</b>

The gains on Pymont and Villawood are as a result of independent valuations issued in February 2020.

## Administration expenses

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Responsible entity fees	1,151	793
Compliance expenses (listing, registry etc)	574	458
<b>Total</b>	<b>1,725</b>	<b>1,251</b>

## Statement of Cash Flows for the half-year ended 31 December 2019

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from tenants	13,384	12,910
Payments to suppliers	(9,590)	(6,567)
Interest paid	(1,392)	(2,318)
Interest received	371	2
<b>Net Cash Flows From/(Used in) Operating Activities</b>	<b>2,773</b>	<b>4,027</b>
<b>Cash Flows From Investing Activities</b>		
Loans repaid on Loan Book	600	-
Loans advanced on Loan Book	(11,675)	-
Payment for capital expenditure	(3,758)	(1,458)
Payment for additional Pymont investment	(885)	(1,184)
Returns of capital from Bakehouse Quarter	-	2,392
<b>Net Cash Flows From/(Used in) Investing Activities</b>	<b>(15,718)</b>	<b>(250)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from NAB borrowings on Pymont Bridge property	15,000	-
Distributions paid by BWR	(5,198)	(3,332)
Payment for buy-back of BWR units	(3,771)	-
Distributions paid by Pymont Bridge Trust to Non-controlling interests	(366)	(1,281)
Distributions paid by Woods PIPES Trust to Non-controlling interests	(70)	-
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>5,595</b>	<b>(4,613)</b>
<b>Net Increase / (Decrease) in Cash Held</b>	<b>(7,350)</b>	<b>(836)</b>
Cash and cash equivalents at the beginning of the year	9,719	1,083
<b>Cash and Cash Equivalents at End of the Period</b>	<b>2,369</b>	<b>247</b>

## Reconciliation of Operating Cash Flows

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Profit for the period	36,139	9,307
<b>Non-cash flows in profit:</b>		
Depreciation and amortisation	2,658	2,413
Net gain on assets	(32,801)	(7,779)
Straight-line rental income	(560)	(462)
<b>Changes in operating assets and liabilities:</b>		
(Increase) / decrease in trade and other receivables	262	(276)
(Increase) / decrease in other assets	(13)	114
Increase / (decrease) in trade and other payables	(2,806)	635
Increase / (decrease) in other liabilities	(106)	75
<b>Net cash flows from operating activities</b>	<b>2,773</b>	<b>4,027</b>

## Statement of Changes in Equity for the half-year ended 31 December 2019

	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
<b>Balance at 1 July 2019</b>	<b>148,516,055</b>	<b>254,710</b>	<b>(35,311)</b>	<b>219,399</b>	<b>35,041</b>	<b>254,440</b>
Profit for the period	-	-	17,323	17,323	18,816	36,139
Distributions paid	-	-	(5,198)	(5,198)	(436)	(5,634)
On market buy-back of BWR units	(2,766,055)	(3,648)	-	(3,648)	-	(3,648)
Transaction costs	-	(123)	-	(123)	-	(123)
Purchase of additional NCI shares	-	-	-	-	(883)	(883)
<b>Balance at 31 December 2019</b>	<b>145,750,000</b>	<b>250,939</b>	<b>(23,186)</b>	<b>227,753</b>	<b>52,538</b>	<b>280,291</b>
On market buy-back since 31 December 2019	(125,000)	(170)				
<b>Balance at signing date</b>	<b>145,625,000</b>	<b>250,769</b>				
<b>Balance at 1 July 2018</b>	<b>66,635,378</b>	<b>136,036</b>	<b>(33,040)</b>	<b>102,996</b>	<b>48,438</b>	<b>151,434</b>
Profit for the period	-	-	2,059	2,059	7,248	9,307
Distributions paid	-	-	(3,332)	(3,332)	(1,281)	(4,613)
Purchase of additional NCI shares	-	-	-	-	(1,174)	(1,174)
<b>Balance at 31 December 2018</b>	<b>66,635,378</b>	<b>136,036</b>	<b>(34,313)</b>	<b>101,723</b>	<b>53,231</b>	<b>154,954</b>



# Notes

## 1. Segment Reporting

The Trust operates in one business segment being the investment in properties in Australia.

## 2. Reconciliation of Property Investment Portfolio (\$'000)

	31 Dec 2019	30 Jun 2019
Opening Balance	281,080	271,483
Revaluation of Pymont (Independent valuation)	28,439	9,817
Revaluation of Villawood (Independent valuation)	2,981	-
Revaluation of all other properties (Directors valuation)	1,132	981
Capital improvements	2,096	4,328
Straight-line rental income	560	1,068
Depreciation	(2,658)	(5,387)
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)
<b>Closing Balance</b>	<b>313,630</b>	<b>281,080</b>
<b>Disclosed as follows:</b>		
Property investment portfolio – non-current asset	313,630	281,080
<b>Total</b>	<b>313,630</b>	<b>281,080</b>

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

	31 Dec 2019	30 Jun 2019
<b>Trade and other receivables</b>		
Related parties	1,600	-
Trade receivables	298	559
<b>Total</b>	<b>1,898</b>	<b>559</b>

No debtors have been provided for as at 31 December 2019 (June 2019: \$Nil) or at the date of this report.

## 4. Financial Asset (\$'000)

	31 Dec 2019	30 Jun 2019
Current – Yuhu Group Australia	2,000	2,000
Non-current – Yuhu Group Australia	6,000	6,000
<b>Total</b>	<b>8,000</b>	<b>8,000</b>

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.

## 5. Loan Portfolio

BWR has made loans totalling \$28.3 million to related parties. The loans are documented and secured against real estate and other property assets with a combined value of \$95 million. The loans are priced at a margin of 200 basis points above the RBA cash rate. Each loan is repayable on call from BWR. In January 2020 \$9 million of the loan book was repaid to BWR.

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

	31 Dec 2019	30 Jun 2019
Trade payables	861	972
Related parties	301	2,998
Tenant deposits	320	306
<b>Total</b>	<b>1,482</b>	<b>4,276</b>

## 7. Current Liabilities – Other Liabilities (\$'000)

	31 Dec 2019	30 Jun 2019
Rental income received in advance	452	572
<b>Total</b>	<b>452</b>	<b>572</b>

From time to time tenants (for their own reasons) 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.

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

### Borrowings (\$'000)

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

Security	LVR	Borrowings	Security Value	Expiry	Margin	Lender
Various	62% (65%)	50,000	80,350	09/20	2.10%	NAB
Villawood	31% (65%)	7,000	22,300	09/20	1.65%	NAB
<b>Current Borrowings</b>		<b>57,000</b>	<b>102,650</b>			
Pymont	10% (50%)	15,000	153,000	09/22	2.00%	NAB
<b>Non-current Borrowings</b>		<b>15,000</b>	<b>153,000</b>			
Unencumbered Assets		-	98,609	-	-	-
<b>Total December 2019</b>	<b>20%</b>	<b>72,000</b>	<b>354,259</b>			

#### 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	-	-	-
<b>Total June 2019</b>	<b>18%</b>	<b>57,000</b>	<b>316,570</b>			

### Interest Rate Hedges

	Bank	\$'000	Type	Floor	Cap	Expiry	MTM Value \$'000
<b>Dec 2019</b>	NAB	30,000	Collar	2.24%	3.24%	01/20	(34)
<b>Total</b>		<b>30,000</b>					<b>(34)</b>
<b>June 2019</b>	NAB	20,000	Collar	2.72%	4.55%	07/19	(21)
	NAB	30,000	Collar	2.24%	3.24%	01/20	(198)
				Fixed at			
	NAB	7,000	Swap	2.99%	-	12/19	(63)
<b>Total</b>		<b>57,000</b>					<b>(282)</b>

The only remaining Collar expired in January 2020. The mark to market value of all interest rate hedges are calculated as at 31 December and shown in this note as a negative number if they are out of the money and a positive if they are in the money. The gain or loss from valuing the interest rate collar at fair value is recognised in profit or loss.

## 9. Distributions

A distribution of 3.5 cents per unit has been declared to be paid on 13 March 2020. Distributions paid before the balance date are listed below:

	2019	31 Dec 2019 \$'000	2018	31 Dec 2018 \$'000
Prior year final distribution	3.5 cpu	5,198	5.0 cpu	3,332
<b>Total</b>		<b>5,198</b>		<b>3,332</b>

## 10. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 31 December 2019 (June 2019: Nil).

## 11. Subsequent Events

Apart from subsequent events disclosed in the Directors' report, to the best of the Directors' knowledge, since the end of the financial period 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.



## 12. Financial Instruments

### (a) Fair value measurements

#### (i) Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2019 (\$'000)</b>				
Property investment portfolio	-	-	313,630	313,630
Loan portfolio	-	-	28,255	28,255
Financial assets	-	-	8,000	8,000
Interest rate hedges	-	(34)	-	(34)
<b>At 30 June 2019 (\$'000)</b>				
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 it is a short term receivable.

There were no transfers between Level 1, 2 and 3 financial instruments during the period. 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	Range of unobservable inputs	Impact of increase in input on fair value	Impact of decrease in input on fair value
Capitalisation rate (%)	5.0 – 15.0	Decrease	Increase
Gross market rent (\$ per sqm)	150 – 800	Increase	Decrease

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

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the period ended 31 December:

<b>At 31 December 2019 (\$'000)</b>	
Balance at 30 June 2019	17,180
Loans advanced	11,675
Loans repaid	(600)
<b>Balance at 31 December 2019</b>	<b>28,255</b>

<b>At 30 June 2019 (\$'000)</b>	
Balance at 30 June 2018	36,133
Return of capital	(1,650)
Disposal of Kirela	(34,483)
Loan portfolio advanced	17,180
<b>Balance at 30 June 2019</b>	<b>17,180</b>

## 13. Critical Accounting Estimates and Judgments

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

### Key estimates – 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. Passing yield in this table represents the rate that is derived by dividing the passing net income by the property value. Fully Let Yield represents the rental income assuming 100% occupancy at prevailing market rents. If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment properties may differ and may need to be re-estimated.

## 14. 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.

### Statement of Compliance

The financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting.

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by the Trust during the half-year in accordance with the continuous disclosure obligations of the ASX listing rules.

### Basis of Preparation

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

The Trust's current liabilities are greater than its current assets by \$24 million due to \$57 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 20%.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2019.

The financial statements are presented in Australian dollars.

### Rounding of amounts

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.

### 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.

### New Accounting Standards and Interpretations

The consolidated entity 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

## Officeholders of the Responsible Entity

The names of the Officeholders of the Responsible Entity in office at any time during or since the end of the period are set out below, except as noted.

Joseph (Seph) Glew (Non-Executive Director and Chairman)  
Timothy Brown (Joint Managing Director and Chief Financial Officer)  
Jessica (Jessie) Glew (Joint Managing Director and Chief Operating Officer)  
Stuart Brown (Non-Executive Director) – Resigned 24 January 2020  
Richard Hill (Non-Executive Director)  
Robin Tedder (Non-Executive Director)  
Sophie Gowland (Company Secretary)

## Auditor

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.

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



**Tim Brown**

Director  
Sydney, 20 February 2020



**Jessie Glew**

Director  
Sydney, 20 February 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 AASB 134 Interim Financial Reporting, 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 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



**Tim Brown**

Director  
Sydney, 20 February 2020



**Jessie Glew**

Director  
Sydney, 20 February 2020

# Auditors Independence Declaration and Review Report

Business advice  
and accounting

ESV

## INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Property Trust and Controlled Entities ("the Trust"), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on pages 5 to 12, and the directors' declaration.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

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Business advice  
and accounting

## INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES

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

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney the 20<sup>th</sup> day of February 2020

ESV

ESV Business advice and accounting



Tim Valtwies  
Partner



Business advice  
and accounting

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**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BLACKWALL PROPERTY TRUST AND CONTROLLED ENTITIES**

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Blackwall Property Trust and Controlled Entities for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

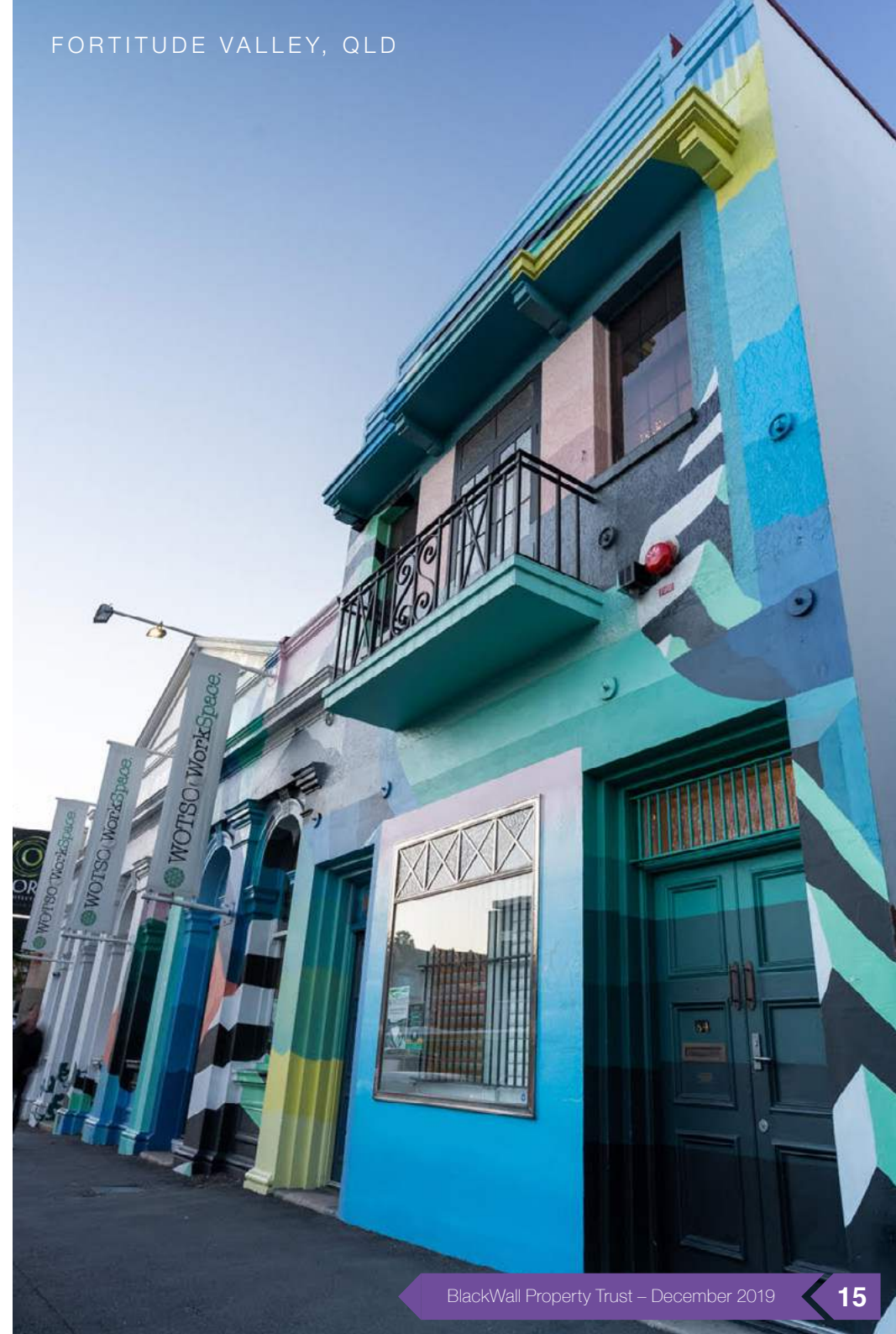
Dated at Sydney the 19<sup>th</sup> day of February 2020

ESV

**ESV Business advice and accounting**

*Tim Valtwies*

**Tim Valtwies**  
Partner



**ARSN**

109 684 773

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**RESPONSIBLE ENTITY**

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