

INTERIM FINANCIAL REPORT

**HALF-YEAR ENDED
31 DECEMBER 2020**

490 Northbourne Ave, Dickson ACT



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Directors' Report

The NTA of BlackWall Property Trust (BWR or the Trust) at 31 December 2020 is \$1.48 per unit. BWR has declared an interim distribution of 3.5 cents per unit to be paid on 4 February 2021, prior to the completion of the stapling transaction with WOTSO. The stapling is expected to complete in February 2021.

Stapling Update – WOTSO Property

It is likely that this report will be the last for BWR as a stand-alone entity as the stapling transaction with WOTSO and Planloc is expected to be completed in February 2021.

- The scheme of arrangement was presented to the court in December and now awaits WOTSO shareholder approval at a meeting on 29 January 2021.
- If approved, a second court hearing is expected to affirm the scheme, meaning it will be implemented shortly thereafter. The stapled group will be named WOTSO Property.
- Additionally, BWR unitholders are meeting on 29 January 2021 to vote on the necessary changes to the Trust's constitution, which if approved, will allow the stapling to be implemented.

Whilst the stapling process is quite complicated and lengthy, the outcome for BWR, we believe, is a positive one. As detailed in the notice of meeting and scheme booklet, the stapling with WOTSO provides BWR with a ready made tenant for its growing portfolio and gives securityholders exposure to the higher returns made possible by WOTSO's flexible leasing terms. We also believe it gives BWR a clearer acquisition focus of suburban and regional property that will suit a flexi space.

Property Valuations and COVID-19 (COVID)

As part of the stapling process, all of BWR's properties were subject to updated independent valuations. This resulted in an overall increase in the value of the portfolio of \$4.35 million, as detailed in the table below. These post-COVID valuations are still hamstrung by a lack of transactions for valuers to rely upon. It will be interesting to see what happens as COVID-focused economic stimulus and protections run off. There could be some fluctuations in valuations in the near term but as our portfolio is well positioned with few vacancies, we see valuation volatility as an opportunity for acquisitions rather than a threat.

Property	Dec 2020 Valuation	Jun 2020 Valuation	Movement
Adelaide	\$6,800,000	\$6,700,000	\$100,000
Dickson	\$31,100,000	\$31,100,000	-
Fortitude Valley	\$8,200,000	\$8,200,000	-
Hobart	\$8,200,000	\$8,000,000	\$200,000
Pymont	\$150,000,000	\$147,000,000	\$3,000,000
Sippy Downs	\$24,200,000	\$23,000,000	\$1,200,000
Symonston	\$8,200,000	\$8,200,000	-
Toowoomba	\$3,800,000	\$3,800,000	-
Varsity Lakes	\$19,750,000	\$19,500,000	\$250,000
Villawood	\$22,000,000	\$22,300,000	(\$300,000)
Yandina	\$20,200,000	\$20,300,000	(\$100,000)
TOTAL	\$302,450,000	\$298,100,000	\$4,350,000

Gross Assets

\$349
million

Net
Gearing

16%

Distribution

3.5 cpu

No. of
Properties

11

NTA
(Net Tangible Assets)

\$1.48

Some further points to highlight:

- We have continued to provide rent relief where required under the mandatory code but this has been reduced to five tenants and \$76,000 per month as most of our tenants have recovered well.
- Deferred rent balances are starting to be repaid.
- We have not had any material vacancies as a result of COVID.

Debt

Our gearing has remained low over the last 18 months and sits at a net 16% at 31 December 2020. We are starting to see a tightening of credit markets, which was expected as lenders responded to current economic conditions. As a result, we have been working on establishing debt facilities over some of the group's unencumbered assets and increasing other existing facilities. This may mean that we have some excess cash for a period of time, however we believe that having immediate liquidity over the next 2 years will be paramount and will position us to move quickly when opportunities arise and offsets the short-term cost of having access to that liquidity.

Acquisition and Property Updates

We have continued to look at potential acquisitions and have made a number of unsuccessful offers over the last 6 months. The market is still overpriced in our view so we are not inclined to meet it and will continue to look for those assets that we can create real value through a WOTSO led turnaround of the asset. Our focus has been on substantially vacant suburban and regional properties that could work for flexible workspace.

In the absence of acquisitions, we have continued to improve our existing properties. The integration of our 2 Fortitude Valley properties is coming along well and our trademark murals (pictured) are now becoming well known in the community. These murals are a good example of how properties can be repositioned and enhance the street scape in a cost effective manner. They complement the WOTSO brand, make the building stand out, deter graffiti and reduce cleaning costs.



76-84 Brunswick St, Fortitude Valley, QLD

Our Sippy Downs property has seen a large veterinary centre open its doors as well as a new café. The WOTSO site continues to fill up and now has over 100 members. These additions have brought new foot traffic to the site and we believe have helped to reposition the asset from a bulky good site to mixed use. You will note that the valuation has increased 5% (\$1.2 million) since 30 June 2020 and is a good example of valuers recognising the enhancements we have made and translating them to a real uptick in value.

Dickson in Canberra and our Adelaide properties have ongoing work which we expect to be complete by 30 June 2021. Both properties are anchored by WOTSO and provide other flexible offerings.

The third of our Penrith Property PIPES funds came to an end in December 2020 and BWR has funded its termination through an increase in the loan to Planloc (the property owner). This asset will become part of the stapled group if approved.

We look forward to your continued engagement as the stapling transaction reaches an important stage, where the securityholders of each entity have the opportunity to have their say. The next period brings exciting opportunities for our business as it potentially moves to a new stapled structure as well as positioning to expand its current portfolio should the right assets come up for sale.

As always, we will keep you updated along the way and encourage you to reach out if you have any questions.

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: \$19,750,000

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: \$6,800,000

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: \$8,200,000

NLA: 3,600 sqm

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

Yandina, QLD

54 Pioneer Road

Value: \$20,200,000

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: \$24,200,000

NLA: 9,500 sqm

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



Pymont, NSW

55 Pymont Bridge Road

Value: \$150,000,000

NLA: 14,300 sqm

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



Villawood, NSW

850 Woodville Road

Value: \$22,000,000

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 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		11,212	16,192
Trade and other receivables	4	856	921
Financial asset	5	4,000	2,000
Prepayments		-	97
Borrowing costs		33	42
Property plant and equipment		62	62
Loan portfolio	6	25,651	22,383
Total Current Assets		41,814	41,697
Non-Current Assets			
Deferred rent receivable	4	745	531
Financial asset	5	4,000	6,000
Property investment portfolio	*	302,450	298,100
Total Non-Current Assets		307,195	304,631
Total Assets		349,009	346,328
LIABILITIES			
Current Liabilities			
Trade and other payables	7	1,317	1,756
Other liabilities	8	205	351
Borrowings	9	47,000	47,000
Total Current Liabilities		48,522	49,107
Non-Current Liabilities			
Borrowings	9	40,000	40,000
Total Non-Current Liabilities		40,000	40,000
Total Liabilities		88,522	89,107
Net Assets		260,487	257,221
EQUITY			
Issued capital		246,576	246,576
Accumulated losses		(36,895)	(37,521)
Attributable to Owners of the Trust		209,681	209,055
Non Controlling Interests		50,806	48,166
Total Equity		260,487	257,221
Net Tangible Assets		209,681	209,055
Number of units on issue		142,150,000	142,150,000
NTA per unit		\$1.48	\$1.47

*Refer to note adjacent.

Property Investment Portfolio

	Ownership	Passing Yield	Independent Valuer Yield	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Commercial					
Adelaide, SA	100%	2.5%	8.8%	6,800	6,700
Dickson, ACT	100%	2.5%	6.4%	31,100	31,100
Fortitude Valley, QLD	100%	2.3%	6.7%	8,200	8,200
Hobart, TAS	100%	2.0%	7.0%	8,200	8,000
Pymont, NSW	46%	4.7%	5.0%	150,000	147,000
Symonston, ACT	100%	5.2%	6.0%	8,200	8,200
Varsity Lakes, QLD	100%	5.2%	7.2%	19,750	19,500
Mixed Use					
Sippy Downs, QLD	100%	6.8%	7.2%	24,200	23,000
Villawood, NSW	46%	6.2%	6.5%	22,000	22,300
Industrial					
Toowoomba, QLD	100%	n/a	7.2%	3,800	3,800
Yandina, QLD	100%	14.8%	n/a ¹	20,200	20,300
Total Property Investment Portfolio				302,450	298,100

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

All properties have had independent valuations undertaken for 31 December 2020.

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 half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue			
Property income		11,647	12,418
Net gain on assets	*	6,435	32,801
Interest income		303	371
Total Revenue		18,385	45,590
Expenses			
Property outgoings		(2,567)	(3,676)
Depreciation expense		(3,988)	(2,658)
Finance costs		(1,012)	(1,392)
Administration expenses	2	(2,140)	(1,725)
Total Expenses		(9,707)	(9,451)
Profit for the Period		8,678	36,139
Other comprehensive income		-	-
Profit and Other Comprehensive Income		8,678	36,139
Profit and Other Comprehensive Income Attributable to:			
Owners of the Trust		5,602	17,323
Non Controlling Interests		3,076	18,816
Total Profit		8,678	36,139
Earnings Per Unit			
Basic and diluted earnings per unit		3.9 cents	11.7 cents
Calculated as follows:			
Profit for the period		5,602	17,323
Weighted average number of units for EPU		142,150,000	148,002,143

*Refer to notes adjacent.

Net Gains / (Losses) on Assets

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Adelaide, SA	235	99
Dickson, ACT	354	330
Fortitude Valley, QLD	89	42
Hobart, TAS	318	559
Pymont, NSW	3,315	28,440
Sippy Downs, QLD	1,476	513
Symonston, ACT	132	148
Toowoomba, QLD	122	(884)
Varsity Lakes, QLD	591	289
Villawood, NSW	(194)	2,981
Yandina, QLD	(3)	36
Total Net Gain on Fair Value of Property Investment Portfolio	6,435	32,553
Net gain on fair value of interest rate hedges	-	248
Total Net Gain on Fair Value of Assets	6,435	32,801

All properties have been independently valued for 31 December 2020.

Updated Impact of COVID

Revenue

The Government initially legislated for rent relief to be provided to tenants until the end of September 2020. All the States and Territories extended the period of relief to the end of December 2020, and several States have now granted a second extension to the end of March 2021. The Trust has continued to provide rent relief during these extension periods to those tenants that meet the qualifying criteria. The relief being provided is partly by way of rent waiver with the remainder of the relief provided as a deferral of rent.

The combined relief (waiver and deferral together) provided to tenants for the month of May 2020 was \$416,000 (the highest amount of monthly relief provided during the pandemic), but an improvement in economic conditions has seen this decrease to \$76,000 for the month of December 2020. Since the inception of the pandemic in March 2020 a total of \$1,100,000 rent relief has been provided in the form of rent waivers, and a total of \$1,000,000 by way of rent deferral for combined relief of \$2,100,000. An amount of \$198,000 has been repaid by tenants to reduce the deferred rent outstanding, and a further amount of \$26,000 has been written off the deferred rent balance.

The Directors continue to closely monitor the monthly payment history of all tenants in order to assess whether to adjust the allowance for credit losses. The allowance for credit losses has been increased from \$24,000 to \$40,000 as of 31 December 2020.

Property Valuations

All properties had new independent valuations undertaken in December 2020, resulting in an increase of 1.5% compared to June 2020 values. COVID will continue to create uncertainty for valuations through the remainder of this financial year and into the next.

Statement of Cash Flows for the half-year ended 31 December 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash Flows From Operating Activities		
Receipts from tenants	11,509	13,384
Interest received	303	371
Distribution income	132	-
Payments to suppliers	(5,974)	(9,590)
Interest paid	(1,012)	(1,392)
Net Cash Flows From Operating Activities	4,958	2,773
Cash Flows From Investing Activities		
Loans repaid on loan book	9,120	600
Penrith (Planloc) loan advanced on loan book	(6,353)	-
Other loans advanced on loan book	(6,035)	(11,675)
Payment for capital expenditure	(1,258)	(3,758)
Payment for additional Pymont investment	-	(885)
Net Cash Flows Used in Investing Activities	(4,526)	(15,718)
Cash Flows From Financing Activities		
Distributions paid by BWR	(4,976)	(5,198)
Distributions paid by Pymont Trust to non-controlling interests	(366)	(366)
Distributions paid by Woods PIPES to non-controlling interests	(70)	(70)
Proceeds from NAB borrowings on Pymont Bridge property	-	15,000
Payment for buy-back of BWR units	-	(3,771)
Net Cash Flows (Used in) / From Financing Activities	(5,412)	5,595
Net Decrease in Cash Held	(4,980)	(7,350)
Cash and cash equivalents at the beginning of the period	16,192	9,719
Cash and Cash Equivalents at End of the Period	11,212	2,369

Reconciliation of Operating Cash Flows

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit for the period	8,678	36,139
Non-cash Flows in Profit:		
Depreciation and amortisation	3,988	2,658
Net gain on assets	(6,435)	(32,801)
Straight-line rental income	(645)	(560)
Changes in Operating Assets and Liabilities:		
(Increase) / decrease in trade and other receivables	(51)	262
(Increase) / decrease in other assets	8	(13)
Increase / (decrease) in trade and other payables	(439)	(2,806)
Increase / (decrease) in other liabilities	(146)	(106)
Net Cash Flows From Operating Activities	4,958	2,773

Statement of Changes in Equity

	No. of Units On Issue	Issued Capital \$'000	Accumulated Losses \$'000	Attributable to Owners of the Parent \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2020	142,150,000	246,576	(37,521)	209,055	48,166	257,221
Profit for the period	-	-	5,602	5,602	3,076	8,678
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	5,602	5,602	3,076	8,678
Transactions with Owners in Their Capacity as Owners:						
Distributions paid	-	-	(4,976)	(4,976)	(436)	(5,412)
Total Transactions with Owners	-	-	(4,976)	(4,976)	(436)	(5,412)
Balance at 31 December 2020	142,150,000	246,576	(36,895)	209,681	50,806	260,487
On market buy-back since 31 December 2020	-					
Balance at Signing Date	142,150,000					
Balance at 1 July 2019	148,516,055	254,710	(35,311)	219,399	35,041	254,440
Profit for the period	-	-	17,323	17,323	18,816	36,139
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	17,323	17,323	18,816	36,139
Transactions with Owners in Their Capacity as Owners:						
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)
Total Transactions with Owners	(2,766,055)	(3,771)	(5,198)	(8,969)	(1,319)	(10,288)
Balance at 31 December 2019	145,750,000	250,939	(23,186)	227,753	52,538	280,291

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)

	31 Dec 2020	31 Dec 2019
Responsible entity fees	1,149	1,151
Compliance expenses (listing, registry etc)	598	574
Stapling expenses	304	-
Bad debt expense	89	-
Total	2,140	1,725

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

	31 Dec 2020	30 Jun 2020
Opening Balance	298,100	281,080
Revaluation of Pyrmont	3,315	22,703
Revaluation of all other properties	3,120	(3,672)
Capital improvements	1,258	5,582
Straight-line rental income	645	1,412
Depreciation	(3,988)	(6,961)
Disposal of Capital Expenditure	-	(2,044)
Closing Balance	302,450	298,100

Disclosed as Follows:

Property investment portfolio – non-current asset	302,450	298,100
Total	302,450	298,100

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

	31 Dec 2020	30 Jun 2020
Current - Trade and Other Receivables		
Trade receivables	718	627
Related parties	138	294
Total Current	856	921
Non-Current - Trade Receivables		
Deferred rent receivable	785	555
Less: Expected credit loss allowance	(40)	(24)
Total Non-Current	745	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.

\$40,000 has been provided for doubtful debts at 31 December 2020 (30 June 2020: \$24,000). This relates to one tenant in our Hobart property.

5. Financial Asset (\$'000)

	31 Dec 2020	30 Jun 2020
Current – Yuhu Group Australia	4,000	2,000
Non-Current – Yuhu Group Australia	4,000	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 with the first \$2 million released on 11 January 2021. A further \$2 million is expected to be released in July 2021. The amount is held in a solicitor's trust account.

6. Loan Portfolio

BWR has loans totalling \$25.7 million mostly to related parties. The loans are documented and secured as detailed below. Each loan is repayable at call from BWR. The details are as follows:

Name	Margin Above RBA Cash Rate	Dec 2020 Loan Amount \$'000	Jun 2020 Loan Amount \$'000	Security Amount	Details
Planloc	2.00%	16,353	10,000	21,500	Penrith property 2nd mortgage and WRV units
WOTSO	2.00%	2,900	-	11,233	Fit-out
Mosman	2.00%	2,850	-	12,900	Mosman property
Gymea	2.00%	2,085	1,800	2,800	Two residential townhouses
Alerik	2.00%	-	7,900	10,000	Building L carpark Bakehouse
SAO	3.00%	1,330	2,500	13,952	Investments in Pymont
Flipout*	n/a	133	183	250	Fit-out
Total		25,651	22,383		

*Late payments are subject to interest at 8% per annum.

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

	31 Dec 2020	30 Jun 2020
Trade payables	715	913
Related parties	136	245
Tenant incentive	158	290
Tenant deposits	308	308
Total	1,317	1,756

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

	31 Dec 2020	30 Jun 2020
Rental income received in advance	205	351
Total	205	351

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

All facilities are priced off BBSY. The facilities have no undrawn balance. All 3 facilities are being renegotiated with NAB, with approval having been granted as follows. Each facility is being extended for 3 years to 31 January 2024. The \$40 million facility is being restructured to include the Dickson asset as security and removing the Yandina and Toowoomba properties, with the margin reducing to 1.90%. The Pymont facility limit will increase to \$60 million and its margin also reduces to 1.90%. The Villawood facility margin increases to 2%. It is expected that the new loan agreements will be executed in February 2021 and the \$20 million under the Pymont facility drawn down shortly thereafter. 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. The borrowings are currently unhedged.

Security	LVR	Borrowings \$'000	Security Value \$'000	Expiry	Margin	Lender
December 2020						
Various	53% (65%)	40,000	76,150	02/21	2.10%	NAB
Villawood	32% (65%)	7,000	22,000	02/21	1.65%	NAB
Current Borrowings		47,000	98,150			
Pymont	27% (50%)	40,000	150,000	09/22	2.10%	NAB
Non-Current Borrowings		40,000	150,000			
Unencumbered assets		-	100,859	-	-	-
Total December 2020	25%	87,000	349,009			
June 2020						
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			
Pymont 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			

10. Distributions

A distribution of 3.5 cents per unit has been declared to be paid on 4 February 2021. Distributions paid before the balance date are listed below:

	2020	31 Dec 2020 \$'000	2019	31 Dec 2019 \$'000
Prior year final distribution	3.5 cpu	4,976	3.5 cpu	5,198
Total		4,976		5,198

11. Commitments and Contingencies

There were no operating leases, capital commitments or contingencies as at 31 December 2020 (30 June 2020: Nil).

12. Subsequent Events

The stapling transaction with WOTSO and Planloc to form WOTSO Property is expected to complete by the end of February 2021. The scheme of arrangement was presented to the court in December 2020 and is now subject to WOTSO shareholder approval and a second court hearing. There is also a meeting of BWR Unitholders being held on 29 January 2021, in order for the stapling to complete.

The Board has declared an interim distribution of 3.5 cents per unit to be paid on 4 February 2021.

\$2 million of the Yuhu receivable was received in cash in early January 2021.

The Trust's debt facilities have had new terms agreed by the bank, as detailed in Note 9.

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.

13. Financial Instruments

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 (net tangible assets) of the investments.

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

\$'000	Level 1	Level 2	Level 3	Total
At 31 December 2020				
Property investment portfolio	-	-	302,450	302,450
Loan portfolio	-	-	25,651	25,651
Financial assets	-	-	8,000	8,000
At 30 June 2020				
Property investment portfolio	-	-	298,100	298,100
Loan portfolio	-	-	22,383	22,383
Financial assets	-	-	8,000	8,000

(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%	(12,150)	13,450
Net market rent	5%	15,050	(14,950)

(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 2020:

	\$'000
At 31 December 2020	
Balance at the beginning of the period	22,383
Loans advanced	12,388
Loans repaid	(9,120)
Balance at 31 December 2020	25,651
At 30 June 2020	
Balance at the beginning of the period	17,180
Loans advanced	6,353
Loans repaid	(1,150)
Balance at 30 June 2020	22,383

14. 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 the 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.

15. 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 a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and 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 2020 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.

The Trust's current liabilities are greater than its current assets by \$6.7 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%.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2020.

The financial statements are presented in Australian dollars.

Rounding of Amounts

The Trust is a group of the 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.

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 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.

Directors' Report

Continued From Page 6

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)

Tim Brown (Joint Managing Director and CFO)

Jessie Glew (Joint Managing Director and COO)

Richard Hill (Non-Executive Director)

Robin Tedder (Non-Executive Director)

Alex Whitelum (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 of the Responsible Entity.



Tim Brown

Director

Sydney, 27 January 2021



Jessie Glew

Director

Sydney, 27 January 2021

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 Standard 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 2020 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 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, 27 January 2021



Jessie Glew

Director

Sydney, 27 January 2021

Auditors Independence Declaration and Review Report

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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 2020, 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 27th day of January 2021

ESV

ESV Business advice and accounting



David Robinson
Partner

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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 2020, 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 7 to 14, 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 2020 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*.

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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 2020 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 27th day of January 2021

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David Robinson
Partner



Notes

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 **WOTSO**



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PROPERTY TRUST

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