

BWF
Half Year Result & Appendix 4D – 31 December 2013
Profit and Dividend

BlackWall generated a **net profit after tax of \$3.7 million (7 cents per share)** and the Directors have declared a **fully franked interim dividend of 1.2 cents per share**, to be paid on 11 April 2014.

The Company earns management and performance fees from income producing real estate, calculated by reference to rent received and property values. The result for the half-year includes a performance fee earned from the completion of the BlackWall Storage Fund which generated a 15% IRR since inception in 2006.

BlackWall has net assets of approximately \$14 million with cash and equivalents of just under \$3 million. Operationally our balance sheet is used to secure long-term management mandates and generate performance fees. BlackWall also takes principal investment positions in assets and investment structures we control.

In addition, we continue to:

- evaluate acquisitions of funds management businesses;
- pursue distressed real estate opportunities;
- drive organic growth through development and improvement opportunities in the existing portfolio.

A specific area of focus over the coming 12 months is WT Serviced Offices. Here we aim to expand operations in conventional serviced offices and launch a shared or collaborative workspace offer.

Profit & Loss Summary

Management Fees	\$1,726,000
Performance Fees	\$3,215,000
WT Serviced Offices	\$604,000
Investment Income	
- Distributions	\$182,000
- Asset Revaluations	\$1,740,000
Total Income	\$7,467,000
Expenses	(\$2,115,000)
Depreciation	(76,000)
Interest and Tax	(\$1,571,000)
After Tax Profit	\$3,705,000
Earnings Per Share	\$0.07



Balance Sheet

	Dec 2011	Dec 2012	Dec 2013
Net Tangible Assets	\$8,592,000	\$9,508,000	\$13,801,000
NTA Per Share	\$0.17	\$0.19	\$0.27
Closing Price*	\$0.09	\$0.10	\$0.265
Shares On Issue	51,326,021	51,020,445	50,395,445
Market Cap	\$4,619,342	\$5,102,045	\$13,354,793

*Closing price on the day prior to release of results.

Full Year Profit Upgrade

The Company's after tax profit for the full year ending 30 June 2014 is expected to be between \$4 and \$4.6 million.

On 30 September 2013 the Directors announced profit guidance for the full year of between \$3.5 and \$4 million. This projection included revenue generated by mark to market adjustments of BlackWall's P-REIT holding (ASX Code: PXT). At that time PXT units were trading in the range of 18 to 20 cents per unit. Since that announcement the Company has acquired around 2.4 million more PXT units. PXT units are consistently trading in the range of 22 to 26 cents per unit and are expected to trend towards the PXT underlying NTA of 35 cents per unit.

About BlackWall

BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value property or special situations. More information is contained in the attached half-year financial statements and Appendix 4D.

Stuart Brown
Chief Executive Officer
Phone: (02) 9033 8608

Tim Brown
Chief Financial Officer
Phone: (02) 9033 8618

APPENDIX 4D HALF-YEAR REPORT

Name of entity: BlackWall Property Funds Limited

1. Details of the reporting period

Current Period: 1 July 2013 – 31 December 2013
 Previous Corresponding Period: 1 July 2012 – 31 December 2012

2. Results for announcement to the market

				\$'000		\$'000
2.1 Revenue from ordinary activities	Up	201.66%	from	2,653	to	8,003
2.2 Profit from ordinary activities after tax for the period	Up	819.70%	from	401	to	3,688
2.3 Net profit for the period attributable to owners of the company	Up	819.35%	from	403	to	3,705

2.4 Dividends	Amount per share	Franked amount per share
Current Period: Interim dividend	1.2 cents	1.2 cents
Previous Corresponding Period: Interim dividend	0.5 cents	0.5 cents

2.5 Record date for determining entitlements to dividends

21 March 2014

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

Refer to the attached ASX release and Financial Report for the half-year ended 31 December 2013 for further information.

3. Net asset backing per security

	Current period (As at 31 December 2013)	Previous corresponding period (As at 31 December 2012)
Net tangible assets per share *	\$0.27	\$0.19

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

4. Control gained or lost over entities during the period

4.1 Name of entity (or group of entities) over which control was gained	None
4.2 Date control was gained	Not applicable
4.3 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	Not applicable
4.4 Name of entity (or group of entities) over which control was lost	Capital Storage Services Pty Limited
4.5 Date control was lost	28 September 2013
4.6 Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	Loss (\$34,000)
4.7 Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) while controlled during the previous corresponding period	Profit \$10,000

5. Details of dividends/distributions

A fully franked dividend of 0.6 cents per fully paid share was paid on 29 October 2013.

In addition, Directors have declared an interim fully franked ordinary dividend (1.2 cents per fully paid share) to be paid on 11 April 2014.

6. Details of dividend/distribution reinvestment plan

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

7. Details of associates and joint venture entities

Name of joint venture / associates	Reporting entity's percentage holding	
	Current period	Previous corresponding period
APG Asset Management Pty Limited (Joint Venture)	50%	50%
Pelathon Management Group Pty Limited (Associate)	40%	40%
Bakehouse Cellars Pty Ltd (Associate)	-	40%

8. Details of controlled entities

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

9. Accounting standards used by foreign entities

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

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

<input type="checkbox"/>	The accounts have been audited (refer attached financial report).	<input checked="" type="checkbox"/>	The accounts have been subject to review (refer attached financial report).
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.

11. Qualification of audit / review

Refer to the attached Financial Report for the review report.

12. Attachments

The Financial Report of BlackWall Property Funds Limited for the half-year ended 31 December 2013 is attached.



BLACKWALL
PROPERTY FUNDS

Condensed Interim Consolidated Financial Report

Half-year Ended 31 December 2013

BlackWall Property Funds Limited

ABN 37 146 935 131

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Directors' Report

BlackWall Property Funds Limited (BlackWall or the Company) is a vertically integrated real estate company engaged in funds management and principal investment in deep value property or special situations.

Principal Activities and Review of Operations

The Company earns management income from commercial, retail and industrial property, calculated by reference to rent received and property values. BlackWall's balance sheet is used to generate investment returns and fee income by:

- Securing or underwriting acquisitions;
- Acquiring deep value active investments;
- Supporting transactional activity in our funds and assets.

Profit and Loss Summary

	6 months to December 2013	6 months to December 2012 *
Management Fees	\$1,726,000	\$1,911,000
Performance Fees	\$3,215,000	-
WT Serviced Offices	\$604,000	\$489,000
Investment Income		
- Distributions	\$182,000	\$167,000
- Asset Revaluations	\$1,740,000	\$533,000
Total Income	\$7,467,000	\$3,100,000
Expenses	(\$2,115,000)	(\$2,086,000)
EBITDA	\$5,352,000	\$1,014,000
Depreciation	(76,000)	(101,000)
Interest and Tax	(\$1,571,000)	\$25,000
After Tax Profit	\$3,705,000	\$938,000
Earnings Per Share	\$0.07	\$0.02

*Restated to be like for like with 2013.

Balance Sheet Summary

	December 2013	June 2013
Cash & Receivables	\$3,131,000	\$2,440,000
Investments:		
Active Investments	\$6,858,000	\$4,678,000
Other Investments	\$5,805,000	\$5,406,000
Intangibles, Plant & Equipment	\$840,000	\$877,000
Liabilities	(\$2,455,000)	(\$2,350,000)
Net Assets	\$14,179,000	\$11,051,000
NTA per share	\$0.27	\$0.21

Property Income & Participating Equity Securities (PIPES)

PIPES is an investment structure (established by BlackWall's funds management business) under which retail investors take a capital protected position for a fixed period (usually 7 years) in income producing real estate. Investors receive a preferred return and a share of any increase in the properties' value.

At the end of the term BlackWall either sells the underlying real estate and returns capital and upside to the investors or structures a new investment offer which pays out those wishing to exit or rolls over those electing to reinvest.

In the period ended 31 December 2013 BlackWall executed transactions with respect to the BlackWall Storage Fund and the BlackWall Penrith Fund No.2.

The Storage Fund matured with all income, capital and bonuses paid out to investors. The fund commenced in 2006 and generated quarterly income distributions which grew from 10.3% to 13% in the final year along with capital growth of 34%. In addition the fund generated a performance fee to BlackWall of \$3.2 million.

In the case of the BlackWall Penrith Fund No.2 investors were offered the choice of rolling over their investment for a further 7-year term or cashing out. BlackWall raised \$1.6 million to cash out existing investors through a 7-year fund called the BlackWall Penrith Fund No.3, which commenced on 1 January 2014. This is the third PIPES fund structure on the property located at 120 Mulgoa Road Penrith. 120 Mulgoa Road is a lifestyle retail centre anchored by Toys R Us, BBQ Galore and Boating Camping Fishing. Construction is underway for a new childcare centre under a 25-year lease.

Under the terms of the new fund BlackWall continues to earn fund management and property management fees and is entitled to a performance fee equating to 20% of the increase in property value over the 7-year term.

In the period BlackWall also completed the syndication of a small hotel known as the Bald Rock Hotel in Rozelle.

Share Buy Back

The Company has extended its share buy back to expire in March 2015. No shares have been acquired under this scheme since 31 December 2013.

Dividends

A fully franked dividend of 0.6 cents per share was paid on 29 October 2013. In addition, the Board has declared an interim fully franked dividend of 1.2 cents per share to be paid on 11 April 2014.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Group during the financial period.

Events Subsequent to Reporting Date and Likely Developments

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



Office Holders

Richard Hill (Non-executive Director and Independent Chairman)
Joseph (Seph) Glew (Non-executive Director)
Robin Tedder (Non-executive Director)
Stuart Brown (Executive Director and Chief Executive Officer)
Don Bayly (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.

Rounding of Amounts

The Group is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

Stuart Brown
Director
Sydney, 24 February 2014



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

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2013, there have been:

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

Dated at Sydney the 21st day of February 2014

A handwritten signature in black ink, appearing to be 'S.' followed by a long, wavy horizontal line.

ESV Accounting and Business Advisors

Chris Kirkwood
Partner

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2013

	Note	December 2013 \$'000	December 2012 \$'000
Fund and asset management income		1,018	1,058
Property management income		782	918
Serviced office income		604	489
Investment income		195	172
Performance bonus income	4(a)	3,664	-
Unrealised gain on revaluation of financial assets	4(b)	1,740	-
Other income		-	16
Total Revenue		8,003	2,653
Business operating expenses		(2,611)	(2,160)
Depreciation		(76)	(104)
Finance costs		(20)	(26)
Loss on disposal of assets		(47)	-
Other expenses		(5)	(12)
Profit Before Income Tax		5,244	351
Income tax (expense) / benefit	5	(1,556)	50
Profit For the Period		3,688	401
Other Comprehensive Income			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation of financial assets	4(b)	-	535
Other Comprehensive Income For the Period		-	535
Total Comprehensive Income For the Period		3,688	936
Profit / (Loss) Attributable To:			
Owners of the Group		3,705	403
Non-controlling interest		(17)	(2)
		3,688	401
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		3,705	938
Non-controlling interest		(17)	(2)
		3,688	936
Earnings Per Share			
Continuing operations:			
Basic and diluted earnings per share	9	\$0.07	\$0.01

The accompanying notes form part of these financial statements.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	December 2013 \$'000	June 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		2,705	1,077
Trade and other receivables		426	1,363
Total Current Assets		3,131	2,440
Non-current Assets			
Equity accounted investments		5	5
Financial assets	6	12,658	10,079
Property, plant and equipment		462	503
Intangible assets		378	374
Total Non-current Assets		13,503	10,961
TOTAL ASSETS		16,634	13,401
LIABILITIES			
Current Liabilities			
Trade and other payables		375	1,398
Current tax payable		954	137
Borrowings		-	250
Provisions		212	185
Total Current Liabilities		1,541	1,970
Non-current Liabilities			
Other payables		103	102
Deferred tax liabilities		760	243
Provisions		51	35
Total Non-current Liabilities		914	380
TOTAL LIABILITIES		2,455	2,350
NET ASSETS		14,179	11,051
EQUITY			
Share capital	7	11,247	11,338
Accumulated gains / (losses)		2,970	(433)
Reserve		8	-
Parent Interest		14,225	10,905
Non-controlling interest		(46)	146
TOTAL EQUITY		14,179	11,051

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2013

	Ordinary shares \$'000	Retained earnings/ (accumulated losses) \$'000	Available-for- sale assets revaluation reserve (*) \$'000	Share options reserve \$'000	Attributable to owners of the parent \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 1 July 2013	11,338	(433)	-	-	10,905	146	11,051
Profit	-	3,705	-	-	3,705	(17)	3,688
Dividend paid	-	(302)	-	-	(302)	-	(302)
Transactions with owners in their capacity as owners	-	-	-	-	-	(175)	(175)
Cancellation of shares	(91)	-	-	-	(91)	-	(91)
Share options	-	-	-	8	8	-	8
Balance at 31 December 2013	11,247	2,970	-	8	14,225	(46)	14,179
Balance at 1 July 2012	11,367	(2,151)	(92)	-	9,124	108	9,232
Profit / (loss)	-	403	-	-	403	(2)	401
Other comprehensive income	-	-	535	-	535	-	535
Dividend paid	-	(257)	-	-	(257)	-	(257)
Cancellation of shares	(29)	-	-	-	(29)	-	(29)
Balance at 31 December 2012	11,338	(2,005)	443	-	9,776	106	9,882

* Transfer from available-for-sale assets revaluation reserve to restate accumulated losses as a result of early adoption of AASB 9 effective from 1 January 2013.

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2013

	December 2013 \$'000	December 2012 \$'000
Cash Flows From Operating Activities		
Receipts from customers	7,663	3,087
Payments to suppliers and employees	(4,148)	(2,829)
Dividends and distributions received	104	83
Interest paid	(20)	(26)
Interest received	21	15
Income tax paid	(276)	(150)
Net Cash Flows From Operating Activities	3,344	180
Cash Flows From Investing Activities		
Proceeds from sale of investments	190	-
Acquisition of investments	(605)	-
Acquisition of property, plant and equipment	(36)	(30)
Loans from related parties	-	55
Loans to related parties	(450)	(10)
Net Cash Flows From / (Used In) Investing Activities	(901)	15
Cash Flows From Financing Activities		
Repayment of borrowings	(250)	(25)
Payments for share buy back	(91)	(29)
Dividend paid	(302)	(257)
Dividend paid to non-controlling interest	(172)	-
Net Cash Flows Used in Financing Activities	(815)	(311)
Net Increase / (Decrease) in Cash Held	1,628	(116)
Cash and cash equivalents at the beginning of the year	1,077	1,162
Cash and Cash Equivalents at End of the Period	2,705	1,046

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Financial Statements

For the Half-year Ended 31 December 2013

1. Statement of Significant Accounting Policies

BlackWall Property Funds Ltd is a publicly listed company, incorporated and domiciled in Australia. The financial statements for the Group for the half-year ended 31 December 2013 were authorised for issue in accordance with the resolution of the Directors 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*, Australian Accounting Interpretations and other authoritative pronouncements of the International Financial Reporting Standard IAS 34 *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 2013 and any public announcements made by the Group 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 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 Group is a group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2013 except as described below.

(i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, AASB 2013-4 Amendments to Australian Accounting Standards – Investment Entities

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Financial Statements

For the Half-year Ended 31 December 2013

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

The Group has adopted these standards and there are no material changes to the Group's financial statements.

(ii) AASB 13 Fair Value Measurement

The measurement and disclosure requirements are applicable for the December 2013 half-year end. The Group has included the disclosures in the financial statements.

(iii) Revised AASB 119 Employee Benefits

It requires the recognition and additional disclosures of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The Group has adopted this standard and the effect of the change in accounting policy is not material to the Group.

Early adoption of standards

The Group has early adopted *AASB 9 Financial Instruments*, with effect 1 January 2013, as the Directors believe the revised accounting policy for fair value adjustments to the Group's investments more reliably presents the financial information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions in AASB 2012-6, comparative figures have not been restated. See Revenue note below for further details on the impact of the change in accounting policy.

Going concern

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

Comparative figures

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

2. Critical Accounting Estimates and Judgments

The Directors 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 Group.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

Key estimates - Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors believed it appropriate to raise no impairment provisions for the half-year ended 31 December 2013.

Key estimates - financial assets

Financial asset provisions have been raised with reference to the prevailing prices at 31 December 2013 of financial assets at FVTPL with gains and losses recognised in profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The fair value of the Bakehouse Bonds is measured by its face value adjusted for annual CPI movements, subject to impairment assessment.

3. Segment Information

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

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

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

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

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

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

The Unallocated segment represents general administrative functions at the head office (e.g. salaries).

Transfer prices between business segments are set at an arm's length basis.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Financial Statements

For the Half-year Ended 31 December 2013

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

	Fund and Property Management \$'000	Investments \$'000	Unallocated \$'000	Consolidated Total \$'000
Half-year ended 31 December 2013				
Sales to external customers	2,404	3,859	-	6,263
Unrealised gain on revaluation of financial assets	-	1,740	-	1,740
Inter-segment sales	666	-	-	666
Total segment revenue	3,070	5,599	-	8,669
Inter-segment eliminations				(666)
Total consolidated revenue				8,003
Business operating expenses	(2,217)	(214)	(180)	(2,611)
Depreciation	(61)	-	(15)	(76)
Finance costs	(20)	-	-	(20)
Loss on sale of investments	-	(47)	-	(47)
Other expenses	(5)	-	-	(5)
Inter-segment expenses	(666)	-	-	(666)
Total segment expenses	(2,969)	(261)	(195)	(3,425)
Inter-segment eliminations				666
Total consolidated expenses				(2,759)
Profit / (loss) before income tax	101	5,338	(195)	5,244
Total comprehensive income / (loss) for the period before tax	101	5,338	(195)	5,244
Half-year ended 31 December 2012				
Sales to external customers	2,481	172	-	2,653
Inter-segment sales	180	-	-	180
Total segment revenue	2,661	172	-	2,833
Inter-segment eliminations				(180)
Total consolidated revenue				2,653
Business operating expenses	(1,759)	(180)	(221)	(2,160)
Depreciation	(83)	-	(21)	(104)
Finance costs	(26)	-	-	(26)
Impairment	(11)	-	-	(11)
Other expenses	(1)	-	-	(1)
Inter-segment expenses	(180)	-	-	(180)
Total segment expenses	(2,060)	(180)	(242)	(2,482)
Inter-segment eliminations				180
Total consolidated expenses				(2,302)
Profit / (loss) before income tax	601	(8)	(242)	351
Other comprehensive income				
Net loss on available-for-sale financial assets	-	535	-	535
Total comprehensive income / (loss) for the period before tax	601	527	(242)	886
31 December 2013				
Segment assets	3,976	12,658	-	16,634
Segment liabilities	(2,455)	-	-	(2,455)
Net assets	1,521	12,658	-	14,179
30 June 2013				
Segment assets	3,322	10,079	-	13,401
Segment liabilities	(2,350)	-	-	(2,350)
Net assets	972	10,079	-	11,051

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

4. Revenue

(a) Performance bonus income

BlackWall Storage Fund is a property investment trust controlling three self-storage assets located in the ACT region. The fund matured in September 2013 on the completion of its seven-year term. The bonus income was calculated by reference to uplift in the value of the fund's assets, from \$15 million at inception to \$25 million at its maturity.

(b) Unrealised gain on revaluation of financial assets

Up until 31 December 2012 the Group's investments are classified as available-for-sale financial assets. Subsequent to initial recognition, they were measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity, with the exception of impairment losses, distribution and interest income, which were recognised in profit or loss. Where the investment was disposed of or was determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve was reclassified to profit or loss.

From 1 January 2013 the Group classifies its financial assets as financial assets at fair value through profit or loss (FVTPL). Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

Total unrealised gain on financial assets during the half-year are as follows:

	December 2013 \$'000	December 2012 \$'000
Unrealised gain recognised in profit or loss	1,740	-
Unrealised gain recognised in other comprehensive income	-	535
Total unrealised gain on financial assets	1,740	535

5. Income Tax Expense / (Benefit)

	December 2013 \$'000	December 2012 \$'000
Current and deferred tax	1,566	108
Overprovision of prior year tax	(10)	(158)
Total	1,556	(50)

6. Non-current Assets - Financial Assets

	Note	December 2013 \$'000	June 2013 \$'000
Loans and receivables	6(a)	450	2
Financial assets at FVTPL	6(b)	12,208	10,077
Total		12,658	10,079

(a) Loans and receivables, net of impairment

Loans and receivables to related parties	450	2
Total	450	2

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

(b) Financial assets at FVTPL

Bakehouse Bonds		5,181	5,181
P-REIT		5,574	3,417
TPIF		483	375
Pelathon Management Group		10	10
Pelathon Pub Group (Ordinary)		791	879
Pelathon Pub Group (Preferred)	6(c)	169	-
BlackWall Storage Fund		-	111
BlackWall Telstra House Trust		-	104
Total		12,208	10,077

On 3 September 2013, the NSW Court of Appeal announced its judgment in relation to proceedings commenced by Aims Property Securities Fund (APW) (formerly known as Macarthurcook Property Securities Fund (MPS)) in favour of P-REIT, eliminating the \$19.7 million litigation provision carried by the Trust at 30 June 2013. Furthermore, APW is also liable to pay costs relating to P-REIT's defence. APW has lodged an application to have elements of the Court of Appeal's judgment reviewed by the High Court of Australia. That appeal is set down for hearing on 4 April 2014. P-REIT will defend those proceedings.

The Bakehouse Bonds are CPI linked debt instruments secured against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The Bonds' face value of \$5 million is indexed to CPI annually and the current value is \$5.18 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears.

(c) Pelathon Pub Group (Preferred)

Investment at fair value		394	-
Less: second instalment payable		(225)	-
Total		169	-

The Group acquired 6,250,000 Pelathon Pub Group Preferred units during the period. According to the product disclosure statement, the acquisition is payable in two instalments. The second instalment of 3.6 cents per unit is payable within two years after the close of the offer.

7. Share Capital

(a) Summary Table

	December 2013	June 2013
	\$'000	\$'000
50,395,445 (30 June 2013: 51,020,445) Ordinary	11,247	11,338
Total	11,247	11,338

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

(b) Movement in shares on issue

	December 2013 No.	June 2013 No.
At the beginning of reporting period	51,020,445	51,326,021
Shares cancelled during the period	(625,000)	(305,576)
At reporting date	50,395,445	51,020,445

During the period, the Company purchased 625,000 ordinary shares on-market as part of the Company's share buy back that commenced in February 2012. The total cost of \$91,000 was deducted from ordinary shareholder equity.

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

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All shares are fully paid and have no par value.

(c) Share options

During the financial period, the Company granted 4,495,000 options as follows:

Options	Expiry date	Exercise price	Number
A Options	30 June 2016	\$0.25	2,495,000
B Options	30 June 2018	\$0.35	2,000,000
			<u>4,495,000</u>

8. Dividends

Dividends paid to members during the financial period were as follows:

	Parent entity	
	December 2013 \$'000	December 2012 \$'000
Fully franked dividend of 0.5 cents per fully paid share paid on 31 October 2012	-	257
Fully franked dividend of 0.6 cents per fully paid share paid on 29 October 2013	302	-
Total	302	257

In addition, the Board has declared an interim fully franked dividend of 1.2 cents per share to be paid on 11 April 2014.

9. Earnings Per Share

	December 2013	December 2012
Basic and diluted earnings per share	\$0.07	\$0.01
Calculated as follows:		
Profit attributable to the owners of the Group	\$3,705,000	\$403,000
Weighted average number of shares for basic and diluted earnings per share	50,429,415	50,340,025

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BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

10. Contingencies and Commitments

The Group had no contingencies or capital commitments at 31 December 2013.

11. Subsequent Events

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

12. Fair Value Measurement of Financial Instruments

(a) Fair value hierarchy

AASB 13 Fair Value Measurement 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,
- 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 following table presents the Group's financial assets measured at fair value as at 31 December and 30 June. Refer to Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
At 31 December 2013				
Financial assets at FVTPL	5,574	1,903	5,181	12,658
At 30 June 2013				
Financial assets at FVTPL	3,417	1,479	5,181	10,077

(b) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the Bakehouse Bonds is measured by its face value adjusted for annual CPI movements, subject to recoverability assessment. All these instruments are included in Level 3.

(c) 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 and 30 June:

	Financial assets at FVTPL \$'000
At 31 December 2013	
Balance at the beginning of year	5,181
Fair value movement	-
Balance at the end of period	<u>5,181</u>

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Notes to the Financial Statements

For the Half-year Ended 31 December 2013

At 30 June 2013	Financial assets at FVTPL \$'000
Balance at the beginning of year	-
Reclassification (*)	5,060
Fair value movement	121
Balance at the end of year	<u>5,181</u>

* As a result of early adoption of AASB 9 from 1 January 2013, all available-for-sale financial assets have been reclassified to financial assets at fair value through profit or loss.

There were no transfers between Level 1, 2 and 3 financial instruments during the period.

13. Group Details

The principal place of business of the Group is:
Level 1, 50 Yeo Street
Neutral Bay NSW 2089



BLACKWALL PROPERTY FUNDS

Directors' Declaration

In the Directors' opinion:

- (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 consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Stuart Brown

Director

Sydney, 24 February 2014



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Property Funds Limited and Controlled Entities ("the Group"), which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that 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 Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackwall Property Funds Limited and Controlled Entities, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 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 ^{24th} day of February 2014

ESV Accounting and Business Advisors

Chris Kirkwood
Partner



BLACKWALL PROPERTY FUNDS

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