

ANNUAL REPORT

JUNE 2017

WOTISO

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WHAT WE DO

Our wholly-owned operating subsidiaries generate recurring revenue. Our businesses are “capital light” - they have the capacity to grow operating profit without needing significant capital allocations. Our \$30 million balance sheet generates investment returns from property positions we control.



Flexible office and workspace



Boutique, active and deep value
property funds management

2017 RESULTS

Gross Revenue
up 61% to \$17.4 million

NPAT
up 22% to \$3.6 million

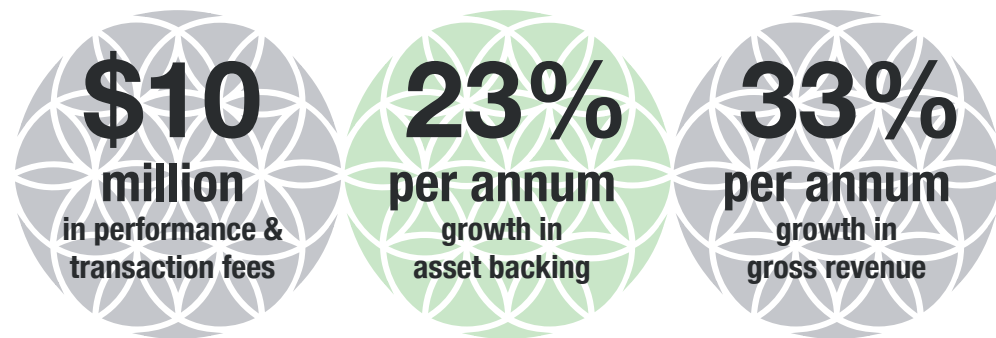
Asset Backing
37 cents per share

Final Dividend

1.8 cents per share
to be paid on
20th October 2017
fully franked
Full year 3.6 cents

Past 5 years performance

Over the past five years our group has refined and diversified its activities. Our operational team has grown in numbers and experience, as has our capacity to transact and grow organically.



WHAT'S NEXT FOR BWF

WOTSO is a fast growing, dynamic and relatively new business line for BWF. It is structured such that we can entertain a spin off, a trade sale, investment from or merger with a strategic partner. In addition, its organic growth potential is significant – we expect that gross revenue from existing operations alone will double within three years.

BlackWall Property Funds structures boutique property investment offers for our high net worth and retail investor network and for BlackWall Property Trust (BWR), our ASX listed total return REIT.

Recently, BlackWall negotiated a transaction concerning the Bakehouse Quarter. Completion is expected in late 2018 and will generate over \$240 million in cash for our investor network. BWR will receive just over \$30 million of this cash. If completion occurs as expected, since 1997 when the Bakehouse Quarter was purchased, investors will have earned a return of 15% per annum compounded quarterly.

We expect that our track record will increase our capacity to raise capital from our investor network and have the potential to attract institutional capital, both of which should accelerate WOTSO's roll out.

We believe we are well placed to achieve more in the next five years than we have in the past five.

Consolidated Statement of Profit or Loss for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
REVENUE			
WOTSO		6,175	3,357
BlackWall Property Funds			
Management fees		5,004	4,081
Performance and transaction fees	2	4,545	892
BlackWall Property Funds		9,549	4,973
Investment			
Net gain on investments	3	1,606	2,301
Investment income		94	163
Investment		1,700	2,464
TOTAL REVENUE		17,424	10,794
EXPENSES			
WOTSO expenses	4	(5,274)	(2,997)
BlackWall expenses	4	(5,458)	(3,878)
Depreciation		(548)	(290)
Finance costs		(176)	(59)
Goodwill impairment	10	(1,044)	-
Other expenses		-	(25)
TOTAL EXPENSES		(12,500)	(7,249)
Profit before income tax		4,924	3,545
Income tax expense	5	(1,355)	(631)
PROFIT FOR THE YEAR		3,569	2,914
Other comprehensive income		-	-
Profit and other comprehensive income for the year		3,569	2,914
Profit and other comprehensive income attributable to:			
Owners of the Company		3,588	2,914
Outside equity interests		(19)	-
Earnings Per Share			
<i>Continuing operations:</i>			
Basic earnings per share	17	6.2 cents	5.7 cents
Diluted earnings per share	17	6.1 cents	5.7 cents

Consolidated Balance Sheet at 30 June 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		688	1,965
Trade and other receivables	6	529	218
Investment properties	7	7,700	7,500
Total current assets		8,917	9,683
<i>Non-current assets</i>			
Investment in BWR	8	14,039	11,860
Investment in Bakehouse Quarter		714	-
Financial assets		132	151
Performance fees receivable	2	3,048	-
Property, plant and equipment	9	2,994	1,714
Goodwill	10	1,042	-
Total non-current assets		21,969	13,725
TOTAL ASSETS		30,886	23,408
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	11	1,324	574
Current tax payable		17	59
Provision for employee benefits	12	574	308
WOTSO tenant deposits		129	183
Investment property borrowings	13	3,500	3,500
Total current liabilities		5,544	4,624
<i>Non-current liabilities</i>			
Deferred tax liabilities	14	2,086	1,097
Provision for employee benefits	12	175	114
Total non-current liabilities		2,261	1,211
TOTAL LIABILITIES		7,805	5,835
NET ASSETS		23,081	17,573
EQUITY			
Share capital	15(a)	15,646	11,733
Reserves	15(c)	21	-
Retained earnings		7,423	5,840
Outside equity interests		(9)	-
TOTAL EQUITY		23,081	17,573

Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
WOTSO receipts		6,792	3,722
BlackWall Property Funds receipts		6,940	5,469
Distributions from Woods PIPES		84	-
Bakehouse Bonds interest received		-	138
Bank interest received		10	26
Payments to suppliers and employees		(8,652)	(6,932)
WOTSO rent paid		(2,806)	(655)
Income tax paid		(698)	(544)
Interest paid		(176)	(59)
Net cash flows from operating activities	20	1,494	1,165
Cash flows from investing activities			
Proceeds from sale of BWR units		364	-
Proceeds from sale of other investments		659	-
Returns of capital from BWR		884	900
Loan repayment / (advance)		26	(50)
Payments for WOTSO property, plant and equipment	9	(1,628)	(1,102)
Payments for BlackWall property, plant and equipment	9	(54)	(21)
Payments for Brisbane and Adelaide properties' fitout	7	(345)	(50)
Purchase of BWR units		(1,868)	-
Purchase of other investments		(1,317)	-
Proceeds from redemption of Bakehouse Bonds		-	5,420
Net proceeds from Bald Rock Fund loan repayment		-	450
Payments for Brisbane and Adelaide properties		-	(7,467)
Net cash flows used in investing activities		(3,279)	(1,920)
Cash flows from financing activities			
Proceeds from issue of shares	15	2,620	486
Proceeds from exercise of options	15	22	-
Dividends paid	16	(2,005)	(1,749)
Payment for capital raising costs		(129)	-
Proceeds from investment property borrowings		-	3,500
Net cash flows used in financing activities		508	2,237
Net increase / (decrease) in cash held		(1,277)	1,482
Cash and cash equivalents at the beginning of the year		1,965	483
Cash and cash equivalents at end of the year		688	1,965

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

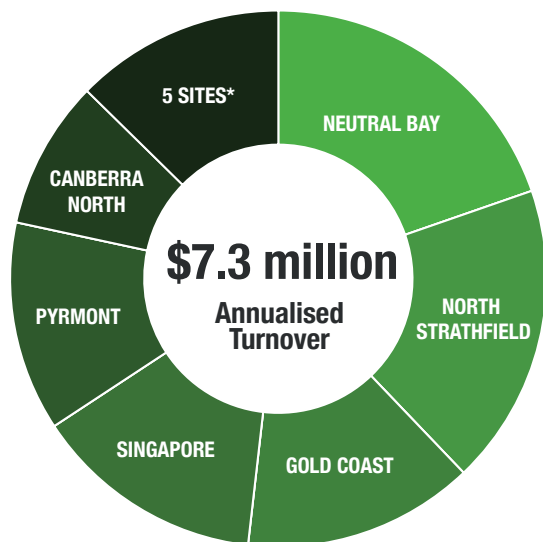
	Shares on issue No.	Ordinary shares	Retained earnings	Reserve	Attributable to Owners of the Parent	Outside equity interests	Total
Restated balance at 1 July 2016	52,340,445	11,733	5,840*	-	17,573	-	17,573
Profit for the year	-	-	3,588	-	3,588	(19)	3,569
Dividend paid	-	-	(2,005)	-	(2,005)	-	(2,005)
Retained earnings on acquisition	-	-	-	-	-	10	10
Foreign currency translation reserve	-	-	-	5	5	-	5
Issue of shares	6,762,000	4,042	-	-	4,042	-	4,042
Transaction costs on shares issued	-	(129)	-	-	(129)	-	(129)
Share options	-	-	-	16	16	-	16
Balance at 30 June 2017	59,102,445	15,646	7,423	21	23,090	(9)	23,081
Balance at 1 July 2015	50,395,445	11,247	4,204	8	15,459	-	15,459
Profit for the year	-	-	2,914	-	2,914	-	2,914
Dividend paid	-	-	(1,747)	-	(1,747)	-	(1,747)
Issue of shares	1,945,000	486	-	(8)	478	-	478
Balance at 30 June 2016	52,340,445	11,733	5,371	-	17,104	-	17,104

* \$469,000 deferred tax asset relating to financial assets has been adjusted against opening retained earnings.

Directors' Report Management Commentary

WOTSO

For the year ended June 2017 WOTSO generated gross revenue of \$6.2 million - 20% more than it produced in the previous two years combined. Today annualised turnover is over \$7 million across 11 sites.



* Adelaide, Brisbane, Hobart, Canberra South and Penrith have been in operation for less than 18 months.

Technology, corporate hot-desking and the proliferation of the freelance class have all combined to drive demand for the flexible workspace that WOTSO provides. We see WOTSO as a real estate business. That is, the hallmarks of a successful space are prominence, the nature of the physical asset and the amenities in and around it. The choice of building, design and layout are critical decisions for our business - we do not outsource these functions and they are an important part of our business IP.

In addition, like any location driven business, when these decisions are executed well they constitute significant barriers to entry, particularly outside of the CBD. By way of analogy, the more high-profile and easily accessed shopping centres will always trade better.



AUSTRALIA

New South Wales

50 Yeo St, Neutral Bay, Sydney
55 Pyrmont Bridge Rd, Pyrmont, Sydney
5 George St, North Strathfield, Sydney
95b Station St, Penrith, Sydney

Queensland

194 Varsity Pde, Varsity Lakes, Gold Coast
84a Brunswick St, Fortitude Valley, Brisbane

Australian Capital Territory

490 Northbourne Ave, Dickson, Canberra
14 Wormald St, Symonston, Canberra

South Australia

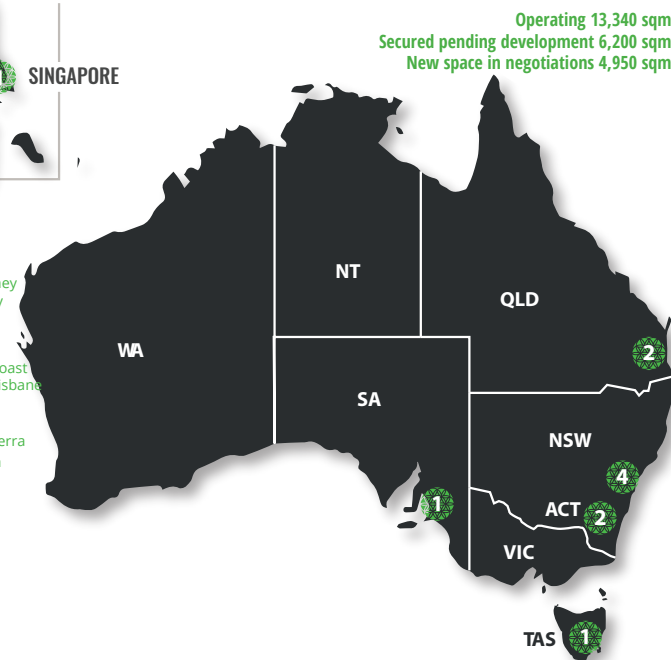
217-219 Flinders St, Adelaide

Tasmania

162 Macquarie St, Hobart

SINGAPORE

19 Cecil St, Singapore



Operating 13,340 sqm
Secured pending development 6,200 sqm
New space in negotiations 4,950 sqm

The term “co-working” encapsulates what we do in the context of prospective members. To the investment community, however, the term is often an over simplification. The market is deeper and more diverse than one would expect. Often when explaining WOTSO, it is instructive to highlight what we are not:

We are not an incubator – we do not target any particular industry group or offer defined-term incubation programs to seed and participate in the equity of new ventures. We do work with such groups, and have a number of partnerships in which we are the office/event space provider. Incubation programs, their graduates and “off-casts” alike are potential members.

We are not a serviced office - while short-term office accommodation is part of what we do, our model is different to that of a traditional serviced office which is, in general, more transitional in nature and most often CBD-focussed. We offer short-term contracts but aim for long-term relationships. We put high-grade workspaces where people live.

We are not just open plan – our model is a mix – we rent space by the desk, 10 sqm offices up to space for 50 people.

It is not just about technology companies - our space is not curated to appeal only to the tech startup community – while they are welcome and are represented at each of our spaces, our offer appeals to a wider audience - SMEs, consultants, professional services and corporates alike.

The key to what we do is location and flexibility. We operate workspace in highly visible locations. Our prospective members most often live nearby. While the WOTSO brand is national, our marketing is local - be it through social media, signage or internet. Fit-out, services and engaged staff are the means by which we convert sales, retain members and drive revenue.



WOTSO Gold Coast

From a financial perspective, our business is simple:

- we rent space at wholesale commercial rates;
- we add value with contemporary fit-out, high speed internet connections, office equipment, meeting rooms, event space and concierge/secretarial services; and
- we sell that space by the desk or the office on flexible terms.

Our profit is the margin we can charge for high quality, fitted out and staffed space above the “rack rate” for large-format office space on conventional lease terms. Like hotels, pricing flexibility is critical to maintaining “economic occupancy”. That is, we have the ability to manipulate pricing in response to increasing or decreasing demand.

At our mature sites (generally achieved between 18 and 36 months) we expect to generate a profit margin of 25-35%.

Case Study – WOTSO Gold Coast

WOTSO is housed in 194 Varsity Parade, Varsity Lakes, Queensland, a high profile modern 6,400 sqm office building, located near Robina Town Centre and Bond University. In addition to WOTSO, the building has a gym, pilates studio, coffee shop and an expansive lobby area used for presentations and functions.

The workspace celebrates its third anniversary this month. It started by taking over a 650 sqm call centre premises vacated by IBM. Today, WOTSO Gold Coast is 1,200 sqm with 37 office suites (no vacancies) and roughly 70 workspace members. Revenue has built to \$1 million per annum and operates on a 25% profit margin. Even so, our offices rates have room for growth and we can accommodate at least 30% growth in workspace member numbers.

WOTSO is a big part of commercial life in the area and has built a collaborative relationship with Bond University Business School and local organisations. We host events ranging from business group meetings to hackathons, Rotary meetings, product launches and social networking breakfasts. As described above, WOTSO is not just about technology startups, the graphic below gives a sample of some of the businesses working at WOTSO Gold Coast today.



BlackWall Property Funds

We are a boutique real estate manager engaged in all aspects of the ownership, funding and development of income producing property.

We have a long-held belief that returns are maximised and risk is minimised when property is held for the long-term with a focus on growing revenue through prudent capital improvement. We have developed a particular skill set and track record in distressed real estate and urban renewal projects.

Our funds management activities aim to align the interests of Directors, employees, shareholders and the investors in our funds. In this regard, growth in our ongoing management fees is limited to growth in the income produced by our properties and increases in their values. In most cases, BlackWall is entitled to returns based performance fees where our investment structures outperform market benchmarks.

BWF Fee History (\$'000)	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13	Jun-12
Management	5,004	4,081	3,917	3,524	4,093	3,879
Transaction/Performance	4,545	892	250	3,894	217	180
Total	9,549	4,973	4,167	7,418	4,310	4,059

In the 2017 financial year, some specific events have driven significant value gains or outcomes at the asset or fund level. These are described in the pages following but, in short, it is likely that a significant amount of cash and value will be generated for a large number of our investors and our listed REIT – BlackWall Property Trust (BWR).

BWR will be in a position to deploy this capital in opportunities we originate. Further, given our track record and long history with our investors, we anticipate a high reinvestment rate into our projects and new ventures. We expect that the investment activity driven by the increased liquidity of BWR's balance sheet and our investor network will give rise to opportunities to grow the WOTSO footprint.

The Bakehouse Quarter

- BlackWall has negotiated a call option arrangement to sell the Bakehouse Quarter for \$380 million.
- If the option is exercised as expected, and the sale settles (late 2018):
 - the original investors in the trust that owns the Bakehouse Quarter will have earned an IRR of 15% per annum compounded quarterly over a 21-year period;
 - roughly \$245 million in cash will be distributed to BlackWall's high net worth and retail investor base; and
 - just over \$30 million of that cash will go to BWR and is to be reinvested into deep value and opportunistic property ventures.

- A five-level structure at the Bakehouse Quarter is not part of the sale. Currently used as car parking, the building has the capacity to be developed into 6,000 sqm of commercial or showroom space. BlackWall will continue to manage this asset and its development.
- BlackWall has been paid a transaction fee of \$380,000 with respect to the negotiation of the option agreement and will continue to manage the Bakehouse Quarter and the investment trust that owns it for the period of 14 months until completion.

The Pyrmont Bridge Trust

- This trust was formed in late 2014 to take control of 55 Pyrmont Bridge Road through a distressed debt acquisition in joint venture with the National Australia Bank.
- In late 2016, BlackWall negotiated for the trust to purchase NAB's interest and managed a rights issue (underwritten by BWR) to fund the purchase.
- Both the 2014 and 2016 transactions were priced at a property value of \$80 million.
- BlackWall has undertaken a repositioning of the building, leasing up over 6,500 sqm of space. The property is now independently valued at \$111 million.
- The trust has a five-year term, expiring in 2019.
- BlackWall is entitled to a performance fee equating to 50% of returns to investors above a 15% IRR.
- After incentive and let-up allowances, the property is generating annualised gross revenue of just over \$10 million.

BlackWall Property Trust

BWR released its 2017 full year results on 14 August 2017, reporting a 55% increase in profit and 27% increase in net tangible assets. Over the past three years BWR has generated a total return of 13% per annum. As described above, the completion of the Bakehouse Quarter sale will significantly increase the trust's balance sheet capacity and therefore the potential for BlackWall to grow gross assets.

Case Study of Our Approach – Gold Coast

As a general rule, BlackWall is more comfortable controlling buildings that house many tenants with a range of lease expiries rather than corporate real estate housing a single multi-national tenant. We find that dealing with small tenants generally reduces incentive costs and capex, and mitigates concentrated leasing risk.

From a financial perspective, WOTSO's business is an extension of this ethos. We argue that a building housing a WOTSO should attract a better risk rate because in addition to the WOTSO covenant, a building owner also has the benefit of hundreds of smaller business covenants.

The building housing WOTSO Gold Coast is a good case study of our approach. Prior to BlackWall's management, 80% of revenue in the building was generated by two corporates. Today the building houses nine tenants, the largest of which accounts for just under 30% of gross revenue. Further, WOTSO's rent is underpinned by 90 small businesses. A more significant example of this approach is 55 Pymont Bridge Road as well as 490 Northbourne Avenue (known as Canberra North – see Management Commentary in the BWR Annual Report 2017 for more details).



WOTSO Brisbane

Investment Activities

WOTSO Properties

The Adelaide and Brisbane WOTSO premises were both acquired with vacant possession. BlackWall has converted most of each property to house WOTSO with a view to syndicating both assets off the balance sheet once the WOTSO operations are sufficiently mature. In both cases, this point has been reached. BlackWall is structuring an investment offer to its investor network and expects completion before the end of the 2017 calendar year.

BlackWall Property Trust

As described earlier, BWR is our total return REIT. BlackWall holds a strategic stake in BWR of 16%. BWR has significant carried-forward revenue and capital losses and as a consequence, distributions are by way of returns of capital. Such returns are accounted for by applying the distribution against the carrying value. The prevailing carrying value is then marked-to-market on the balance date and any unrealised gains (or losses) are recognised in the Statement of Profit or Loss.

The Bakehouse Quarter

This investment came onto the balance sheet when BlackWall took full management control of the project with the acquisition of Bakehouse Management Pty Limited. As set out earlier, BlackWall has negotiated a call option for the Bakehouse Quarter to be sold at a price of \$380 million. BlackWall's interest was acquired at a price equating to a property value of \$270 million. With the execution of the call option, the value of the holding was written up by roughly \$200,000. If the call option completes in late 2018, the value will increase by a further \$200,000 and our cash will increase by close to \$1 million.

Share Buy-Back

The share buy-back scheme has been extended until March 2018. No shares have been acquired since 30 June 2016.

Subsequent Events and Significant Changes in Affairs

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

Directors' Report

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The shareholder information set out below was current as at 14 August 2017.

1. Shareholders

The Company's top 20 largest shareholdings were:

Investor	Ordinary Shares (No.)	Shares (%)
1. Vintage Capital Pty Limited	5,577,555	9.44
2. Seno Management Pty Ltd <Seno Super Fund A/C>	5,310,000	8.98
3. Lymkeesh Pty Ltd <Employees Super Fund A/C>	4,304,742	7.28
4. IHOP Pty Ltd <Keppel Investments Unit A/C>	2,814,175	4.76
5. Sandhurst Trustees Ltd <AIMS PSF A/C>	2,762,000	4.67
6. Glenahilty Limited	2,724,515	4.61
7. Koonta Pty Ltd <Koonta Super Fund Account>	2,300,243	3.89
8. Sao Investments Pty Ltd	2,204,701	3.73
9. Frogstorm Pty Ltd <Rockahula A/C>	1,941,331	3.28
10. Pinnatus Pty Ltd	1,178,434	1.99
11. Mr Richard Hill + Mrs Evelyn Hill <Richard Hill Super Fund A/C>	1,151,295	1.95
12. Bin24 Business Advisors Pty Limited	1,067,420	1.81
13. Truebell Capital Pty Ltd <Truebell Investment Fund A/C>	1,050,712	1.78
14. Mr Archibald Geoffrey Loudon	986,973	1.67
15. URB Investments Limited	913,723	1.55
16. Methuselah Capital Management Pty Ltd <Feldman Family A/C>	830,941	1.41
17. Tampopo Pty Ltd <The Hill Family A/C>	777,983	1.32
18. I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	746,585	1.26
19. McMullin Nominees Pty Ltd	732,590	1.24
20. Balpina Pty Ltd	600,000	1.02

2. Distribution of Shareholders

The distribution of shareholders by size of holding was:

Category	No. of Shareholders
1-1,000	248
1,001-5,000	517
5,001-10,000	214
10,001-100,000	244
100,001 and over	57
Total number of shareholders	1,280

The Company has 59,102,445 ordinary shares on issue. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Securities Exchange (ASX: BWF).

3. Substantial Shareholders

The Company's substantial shareholders are set out below:

Investor	Ordinary Shares (No.)	Shares (%)
JR (Seph) Glew	8,895,638	15.05
Robin Tedder	8,959,339	15.16
Paul Tresidder	7,878,896	13.33
IHOP Pty Limited <Keppel Investments Unit A/C>	4,474,064	7.57
Stuart Brown	3,241,458	6.19

Notes to the Financial Statements

1. Segment Information

For information on segment reporting, refer to Notes to the Financial Statements for more details.

Profit & Loss 2017 (\$'000)			Total			Pre-tax Profit
	Income	Gains	Revenue	Expenses	EBITDA	
WOTSO	6,175	-	6,175	(5,274)	901	574
BlackWall Property Funds Investment	9,549	-	9,549	(6,063)	3,486	3,147
	94	1,606	1,700	(439)	1,261	1,203
Consolidated	15,818	1,606	17,424	(11,776)	5,648	4,924
Profit & Loss 2016 (\$'000)						
WOTSO	3,455	-	3,455	(2,997)	458	236
BlackWall Property Funds Investment	4,875	-	4,875	(3,374)	1,501	1,433
	163	2,301	2,464	(588)	1,876	1,876
Consolidated	8,493	2,301	10,794	(6,959)	3,835	3,545

Balance Sheet (\$'000)	2017			2016		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
WOTSO	3,262	(597)	2,665	1,671	(488)	1,183
BlackWall Property Funds Investment	5,039	(1,621)	3,418	9,726	(4,097)	5,629
	22,585	(5,587)	16,998	12,011	(1,250)	10,761
Consolidated	30,886	(7,805)	23,081	23,408	(5,835)	17,573

2. Performance and Transaction Fees

	2017 \$'000	2016 \$'000
Performance - Pyrmont	2,615	-
Performance - Penrith	433	-
Performance total	3,048	-
Capital raising - Pyrmont	200	-
Capital raising - BWR	485	-
Acquisition (Hobart) - BWR	156	-
Capital raising - Villawood	-	125
Negotiation - Bakehouse Quarter	380	-
Advisory - Bakehouse Quarter	200	-
Other	76	767
Transaction total	1,497	892
Total	4,545	892

(a) Pyrmont Bridge Trust

55 Pyrmont Bridge Road is controlled by the Pyrmont Bridge Trust (PBT). Under the PBT documents, BlackWall is entitled to a performance fee if investors have earned an IRR over the term of the investment in excess of 15%. The performance fee is 50% of excess returns. The fee is payable on the expiration of the PBT five-year term in late 2019.

An independent property valuation in June 2017 has valued the property at \$111 million. This valuation and the current distribution rate results in an IRR significantly above the threshold. The fee is estimated at approximately \$11 million. The performance fee brought to account at June 2017 is the net present value of the fee estimate (applying a discount rate of 8%), pro-rated for the unexpired period of the trust. The fee ultimately paid is dependent on the property value on termination and income distributions in the interim.

(b) BlackWall Penrith Fund No.3

Under the Fund documents BlackWall is entitled to a fee equating to 30% of property value in excess of \$16.5 million.

An independent property valuation in June 2017 has valued the property at \$25 million. This results in a fee of \$2.55 million, payable when the fund terminates in December 2020. The performance fee brought to account at June 2017 is the net present value of the fee estimate (applying a discount rate of 8%), pro-rated for the unexpired period of the trust. The fee ultimately paid is dependent on the property value on termination.

3. Net gain on investments

	2017 \$'000	2016 \$'000
Unrealised gain on BWR	1,464	2,092
Unrealised gain on Bakehouse Quarter	228	-
Unrealised gain on Pelathon Pub Group	-	169
Unrealised gain on Brisbane investment property	25	19
Unrealised gain on Adelaide investment property	6	21
Realised loss on disposal of stadium investment	(30)	-
Realised loss on disposal of BWR	(87)	-
Total	1,606	2,301

4. Operating Expenses

	2017 \$'000	2016 \$'000
WOTSO rent expense	2,806	1,754
WOTSO employee expense	614	209
WOTSO operating expense	1,854	1,034
WOTSO expenses	5,274	2,997
BlackWall rent expense	136	136
BlackWall employee & consultants expense	4,155	2,726
BlackWall operating expense	1,167	865
Asset disposal expense	-	151
BlackWall expenses	5,458	3,878

5. Income Tax Expense

	2017 \$'000	2016 \$'000
Current tax	366	922
Deferred tax	989	(291)
Total	1,355	631
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	1,477	1,064
Add / (less) tax effect of:		
Non-deductible items	4	11
Deductible items	(6)	(9)
Financial assets	(120)	(435)
Total	1,355	631

6. Current Assets - Trade and Other Receivables

	2017 \$'000	2016 \$'000
Trade receivables:		
Related parties	502	200
Other parties	22	13
Total trade receivables	524	213
Other receivables	5	5
Total	529	218

Further information relating to trade and other receivables to related parties is set out in the Related Party Transactions note. None of the receivables were impaired as at 30 June 2017 (2016: \$nil).

7. Current Assets – Investment Properties

	WOTSO Brisbane \$'000	WOTSO Adelaide \$'000	Total \$'000
30 June 2017			
Balance at the beginning of year	4,500	3,000	7,500
Capital improvements	73	272	345
Revaluations	25	6	31
Depreciation	(78)	(98)	(176)
Balance at the end of year	4,520	3,180	7,700
30 June 2016			
Balance at the beginning of year	-	-	-
Purchase	4,501	2,959	7,460
Capital improvements	-	50	50
Revaluations	19	21	40
Depreciation	(20)	(30)	(50)
Balance at the end of year	4,500	3,000	7,500

Refer to the Borrowings note for details of borrowings secured against the properties. The properties are classified as current assets as BlackWall has resolved to syndicate them off the balance sheet.

8. Non-current Assets – Financial Assets

BlackWall Property Trust

BlackWall Property Trust (BWR) is an ASX-listed real estate investment trust managed by BlackWall. BlackWall holds 10.8 million BWR units (16%) which are held at the 30 June 2017 ASX closing price of \$1.30, that is, a holding value of \$14 million (2016: 9.4 million BWR units, \$11.9 million).

9. Non-current Assets - Property, Plant and Equipment

	2017 \$'000	2016 \$'000
Furniture, fixtures and fittings:		
At cost	4,085	2,564
Less accumulated depreciation	(1,278)	(940)
	2,807	1,624
Office equipment:		
At cost	312	180
Less accumulated depreciation	(125)	(90)
	187	90
Total	2,994	1,714

	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Total \$'000
2017			
Carrying amount at the beginning of year	1,624	90	1,714
Additions	1,550	132	1,682
Depreciation expense	(337)	(35)	(372)
Disposals	(30)	-	(30)
Carrying amount at the end of year	2,807	187	2,994

2016			
Carrying amount at the beginning of year	762	69	831
Additions	1,077	46	1,123
Depreciation expense	(215)	(25)	(240)
Carrying amount at the end of year	1,624	90	1,714

	WOTSO \$'000	BlackWall \$'000	Total \$'000
2017			
Carrying amount at the beginning of year	1,395	319	1,714
Additions	1,628	54	1,682
Depreciation expense	(328)	(44)	(372)
Disposals	-	(30)	(30)
Carrying amount at the end of year	2,695	299	2,994

2016			
Carrying amount at the beginning of year	514	317	831
Additions	1,073	50	1,123
Depreciation expense	(192)	(48)	(240)
Carrying amount at the end of year	1,395	319	1,714

10. Acquisition of subsidiary

On 1 January 2017 BlackWall acquired the issued share capital of Bakehouse Management Pty Limited (BHM). BHM manages the commercial and retail property located in North Strathfield known as the Bakehouse Quarter.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash	91
Trade receivables and loans	43
Bakehouse Quarter investment	526
Held for sale investments	810
Deferred tax liability	(300)
Trade payables	(351)
Provisions for employee benefits	(87)
Net assets acquired	732
Add: goodwill	2,086
Net cost of acquisition	2,818

The goodwill is attributable to the management fees generated for managing the Bakehouse Quarter. The acquisition of BHM was settled by exchanging financial assets already held by BlackWall. There were no acquisition related costs.

Goodwill impairment testing

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on a value in use calculation. That is what BHM is expected to generate to the group in earnings.

In June 2017 BlackWall negotiated a call option arrangement which if exercised will result in the Bakehouse Quarter being sold for a price of \$380 million - as a result it is likely that the property management arrangement with BHM will be terminated. As property management fees beyond late 2018 are unlikely the goodwill generated in the acquisition of BHM has been impaired by \$1.04 million.

On 1 September 2016 BlackWall acquired 60% of the issued capital of Springboard Management Services Pte Ltd which operates a workspace in Singapore. The net assets were acquired at a written down value of \$25,000.

11. Current Liabilities - Trade and Other Payables

	2017 \$'000	2016 \$'000
Trade payables:		
Related parties	4	53
Other parties	1,030	444
	1,034	497
Sundry payables and accrued expenses	179	43
Income received in advance from WOTSO tenants	111	34
Total	1,324	574

Further information relating to trade payables from related parties is set out in the Related Party Transactions note.

12. Current and Non-current Liabilities - Provisions

	2017 \$'000	2016 \$'000
Current – employee benefits	574	308
Non-current – employee benefits	175	114
Total provisions	749	422
Balance at the beginning of year	422	342
Net additional provisions recognised	327	80
Balance at the end of year	749	422

The number of employees for the Group as at 30 June 2017 was 56 (2016: 27).

13. Investment Property Borrowings

	2017 \$'000	2016 \$'000
National Australia Bank	3,500	3,500
Total	3,500	3,500

The facility is secured against the WOTSO Brisbane and Adelaide properties (refer to the Investment Properties note). The borrowings will mature in May 2018 and therefore are classified as a current liability. These borrowings are subject to a margin of 2.0% p.a. over BBSY.

14. Non-current Liabilities - Deferred Tax Liabilities

	2017 \$'000	2016 \$'000
Deferred tax liabilities / (assets) balance comprises:		
Financial assets	2,352	1,250
Provision for employee benefits	(225)	(124)
Accrued expenses	(41)	(29)
Total	2,086	1,097
Movements:		
Balance at the beginning of year	1,097	1,388
Charged to the profit and loss	989	(291)
Balance at the end of year	2,086	1,097

15. Share Capital and Reserves

(a) Summary table

	2017 \$'000	2016 \$'000
59,102,445 ordinary shares (2016: 52,340,445)	15,646	11,733
Total	15,646	11,733

(b) Movement in shares on issue

	No.	No.
At the beginning of reporting period	52,340,445	50,395,445
Issue of new shares	6,762,000	1,945,000
At reporting date	59,102,445	52,340,445

6,700,000 shares were issued during the period at 60 cents per share. The proceeds were received as cash of \$2,620,000 and \$1,400,000 in kind as financial assets.

On 20 April 2017, 62,000 employee share options were exercised at a price of 35 cents. The proceeds of \$21,700 were all received in cash.

No further shares have been issued since 30 June 2017. No amounts are unpaid on any of the shares. Ordinary shares participate in dividends. At 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.

(c) Reserves

	2017 \$'000	2016 \$'000
Share options reserve	16	-
Foreign currency translation reserve	5	-
Total	21	-

The following options are on issue at the date of this report:

Options	Expiry date	Exercise price	Number
Stuart Brown	30 June 2018	\$0.35	1,938,000
Employees	14 July 2019	\$0.60	2,075,000

16. Dividends

Fully franked dividends paid to members during the financial year were as follows:

	2017 \$'000	2016 \$'000
2016 final dividend of 1.8 cents paid on 11 November 2016 (2015: 1.7 cents)	942	857
2017 interim dividend of 1.8 cents paid on 7 April 2017 (2016: 1.7 cents)	1,063	890
Total	2,005	1,747

In addition, the Board has declared a final fully franked dividend of 1.8 cents per share to be paid on 20 October 2017.

	2017	2016
Franking credits available for the subsequent periods based on a tax rate of 30% (2016: 30%)	348	793

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

17. Earnings Per Share

	2017	2016
Basic EPS	6.2 cents	5.7 cents
Diluted EPS	6.1 cents	5.7 cents
Calculated as follows:		
Profit attributable to the owners of the Group	\$3,588,000	\$2,914,000
Weighted average number of shares for basic EPS	57,512,116	50,990,636
Weighted average number of shares for diluted EPS	58,968,141	51,323,970

18. Auditor's Remuneration

	2017 \$'000	2016 \$'000
Remuneration of ESV for:		
audit and assurance services	61	63
taxation services	8	8
	69	71
Remuneration of non-ESV firm for:		
other assurance services	4	4
Total	73	75

19. Commitments

(a) Operating lease commitments

Operating leases relate to tenancy leases with lease terms of between 1 and 5 years.

	2017 \$'000	2016 \$'000
Lease commitments payable:		
payable within 1 year	2,654	2,089
payable within 2 – 5 years	6,283	6,265
Total	8,937	8,354

(b) Capital lease commitments

No capital commitments were in existence as at 30 June 2017 (2016: Nil).

20. Reconciliation of Operating Cash Flows

	2017 \$'000	2016 \$'000
Profit for the year	3,588	2,914
Non-cash flows in profit:		
Depreciation	548	290
Net gain on investments	(1,606)	(2,301)
Impairment of goodwill	1,044	-
Share options expense	16	-
Outside equity interests	(9)	-
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	(3,473)	(115)
Increase / (decrease) in deferred tax liabilities	989	178
Increase / (decrease) in trade and other payables	489	60
Increase / (decrease) in income taxes payable	(333)	59
Increase in provisions	241	80
Net cash flows from operating activities	1,494	1,165

21. Contingencies

The Group had no contingent assets or liabilities at 30 June 2017 (2016: \$nil).

22. Subsequent Events

Other than the subsequent events disclosed in the Directors' Report, to the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

23. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2016 %	2017 %
Parent entity:			
BlackWall Limited	Australia	100	100
Subsidiaries of parent entity:			
BlackWall Management Services Pty Ltd	Australia	100	100
BlackWall Fund Services Limited	Australia	100	100
WOTSO WorkSpace Pty Ltd	Australia	100	100
WOTSO Coffee Pty Ltd	Australia	100	100
APG Asset Management Pty Ltd	Australia	100	100
Bakehouse Management Pty Ltd	Australia	99.99	-
Flinders Street Unit Trust	Australia	99.98	99.98
84 Brunswick Street Unit Trust	Australia	99.98	99.98
Springboard Management Services Pte Ltd	Singapore	60	-

24. Related Party Transactions

(a) Related Entities, Associates, Managed Funds

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

Associates

Interests held in associates by the Group are set out in the Equity Accounted Investment note to the financial statements.

Managed Funds

The Group holds investments in a number of property funds for which it acts as either manager or responsible entity (refer to the Financial Assets note).

Fees and Transactions

Management fees are charged to these entities predominantly for property and fund management services. The management fees are paid under a management agreement and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to:

- investment management: provision of strategic investment advice, asset management and investment portfolio services; and
- asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services.

Notes to the Financial Statements

The Group recharges its related entities, associates and managed funds, for administration services which include accounting and bookkeeping fees, corporate secretarial services and those expenses that are incurred by members of the Group on behalf of the related entities, associates and managed funds. In addition, the Group pays the following fees to related entities:

- rent for WOTSO and Neutral Bay head office. The rent paid is determined with reference to arm's length commercial rates; and
- director fees.

Other transactions and outstanding balances with related entities, associates and managed funds relate to loans payable and receivable and distributions from managed funds. All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable. The following transactions occurred during the financial year and the balances were outstanding at the year end between the Group and its related entities.

	2017 \$'000	2016 \$'000
Revenue:		
BlackWall Property Funds	3,277	3,326
Transaction fees	4,621	892
WOTSO income	106	36
Distribution/returns of capital from funds	968	1,038
Expenses:		
Rent and outgoing paid	2,489	1,817
Outstanding balances:		
Trade and other receivables - current	502	200
Trade and other payables - current	4	53

(b) Interests in Related Parties

As at year end the Group owned units in the following related funds:

Entity	Holdings (No.'000)		Distribution/Returns of Capital/Interest (\$'000)	
	2017	2016	2017	2016
BWR	10,799	9,413	843	900
Kirela Unit Trust	2	-	6	-
Bakehouse Bonds	-	-	-	138
			849	1,038

(c) Key management personnel compensation

	2017 \$'000	2016 \$'000
Total remuneration paid	815	807

Detailed remuneration disclosures and relevant interests are provided in the Directors' Report.

25. Parent Entity Information

	2017 \$'000	2016 \$'000
Results:		
Profit after tax	(1,063)	1,437
Total comprehensive income after tax	(1,063)	1,437
Financial position:		
Current assets	68	37
Non-current assets	12,954	14,521
Total assets	13,022	14,558
Current liabilities	(256)	(2,325)
Non-current liabilities	(336)	(1,119)
Total liabilities	(592)	(3,444)
Net assets	12,430	11,114
Share capital	15,646	11,733
Accumulated losses	(3,216)	(619)
Reserves	-	-
Total equity	12,430	11,114

The parent entity had no contingencies or capital commitments at 30 June 2017 (2016: Nil).

26. Financial Risk Management

(a) Financial risk management

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

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and overseeing of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets. The Group holds the following major financial instruments:

	2017 \$'000	2016 \$'000
Cash and cash equivalents	688	1,965
Investments in BWR	14,039	11,860
Borrowings	(3,500)	(3,500)

(b) Sensitivity analysis

The Group is not exposed to any material credit or liquidity risks. During the year the group acquired an interest in a WOTSO subsidiary in Singapore. It is not material to the group from a profit perspective, but a 10% decrease in the SGD/AUD FX rate would result in a decrease in profit before tax of \$4,000.

Investment in BWR units are subject to price risk, a 10% decrease in the ASX trading price (from the price at 30 June 2017, i.e. \$1.30 per unit) would result in an unrealised loss after tax of \$983,000.

In relation to interest rate risk, if interest rates on borrowings were to increase by 1% profit after tax would be reduced by \$25,000.

(c) Capital management

The Group's objectives when managing capital are to:

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, buy-back shares, purchase or sell assets.

The Group complies with the current loan to value ratio (50%).

(d) Liquidity risk

	Maturing within 1 year \$'000	Maturing 1 – 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
At 30 June 2017				
Financial assets				
Cash and cash equivalents	688	-	-	688
Trade and other receivables	-	3,577	-	3,577
Investment properties	7,700	-	-	7,700
Financial assets	-	846	14,039	14,885
	8,388	4,423	14,039	26,850
Financial liabilities				
Trade and other payables	1,324	-	-	1,324
Borrowings	3,500	-	-	3,500
	4,824	-	-	4,824
At 30 June 2016				
Financial assets				
Cash and cash equivalents	1,965	-	-	1,965
Trade and other receivables	218	-	-	218
Investment properties	7,500	-	-	7,500
Financial assets	-	12,011	-	12,011
	9,683	12,011	-	21,694
Financial liabilities				
Trade and other payables	574	-	-	574
Borrowings	3,500	-	-	3,500
	4,074	-	-	4,074

At the end of the reporting period the Group held \$22 million in properties and financial assets that are expected to generate cash inflows for managing liquidity risk.

(e) Fair value measurements

(i) 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 or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price.

The following table presents the Group's financial assets measured at fair value as at 30 June. Refer to the Critical Accounting Estimates and Judgments 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 30 June 2017				
Financial assets	14,039	-	846	14,885
At 30 June 2016				
Financial assets	11,860	-	151	12,011

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

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. All these instruments are included in Level 3.

(iii) Reconciliation of movements (Level 3)

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

	2017 \$'000
At 30 June	
Balance at the beginning of year	151
Purchase	695
Sale	-
Balance at the end of year	846
At 30 June 2016	
Balance at the beginning of year	6,874
Purchase	51
Sale	(6,774)
Balance at the end of year	151

There were no transfers between Levels 1, 2 and 3 financial instruments during the year.

27. 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.

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 impair goodwill for the year ended 30 June 2017.

Key estimates – Financial assets

All financial assets at FVTPL have been classified as financial assets, with gains and losses recognised as profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date.

28. Statement of Significant Accounting Policies

BlackWall Limited is a publicly listed company, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with a resolution of the Directors on the date they were issued.

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

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

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

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

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.

Segment Reporting

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: BlackWall Property Funds, WOTSO and Investment.

The BlackWall Property Funds segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Income earned by the BlackWall Property Funds segment includes recurring income from fund and asset management mandates and transaction-based income typically related to those mandates. Management treats these operations as one "fee earning" operating segment. The WOTSO segment represents the serviced office and coworkspace business and generates recurring license and services fees by providing office accommodation, shared workspace and meeting and event venues. The Investment 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.

Presentation of Financial Statements

Both the functional and presentation currency of BlackWall Limited and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency is New Zealand Dollars, which is translated to presentation currency. The Singapore subsidiary's functional currency is Singapore Dollars, which is translated to presentation currency.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of BlackWall Limited and its subsidiaries. A list of controlled entities is contained in the Controlled Entities note to the financial statements. All controlled entities have a June financial year end and use consistent

accounting policies. Investments in subsidiaries held by the Group are accounted for at cost, less any impairment charges (refer to Parent Entity Information note).

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

Inter-company balances

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

Non-controlling interests

Non-controlling interests (not held by the Group) are allocated their share of net profit and comprehensive income after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity. Comprehensive income after tax in the statement of profit or loss and other comprehensive income are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Investment Properties

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

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits

embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings
Office Equipment

over 2 to 40 years
over 4 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non- derivative financial instruments are measured as described below.

Recognition

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

Financial assets

All financial assets at FVTPL have been classified as financial assets, with gains and losses recognised in profit or loss. The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Equity investments

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

(ii) Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. 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 each of the investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

Impairment losses are recognised in the profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Financial liabilities

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

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the

carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

Interest Bearing Borrowings

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

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

Other long term employee benefits

The Group's net obligation in respect of long term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Revenue

BlackWall Property Fees include Management fees and transaction fees. They are recognised when it becomes legally due and payable to the Group.

WOTSO income comprises rental and recovery of outgoings from property tenants. Rental income is accounted for on a straight-line basis over the lease term, if applicable.

Investment income

Finance income comprises interest on funds invested, gains on the disposal of financial assets. Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established.

In-specie distributions and returns of capital are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the profit and loss as an unrealised gain.

All revenue is stated net of the amount of GST.

Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss.

Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying

amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

BlackWall Limited has elected to form a tax consolidated group with its wholly-owned entities for income tax purposes under the tax consolidation regime with effect from 1 January 2011. As a consequence, all members of the tax consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is BlackWall Limited.

In addition to its own current and deferred tax amounts, BlackWall Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

The final dividend for June period is declared and authorised after the end of the reporting period, therefore provision for dividend is not booked in the current year accounts.

EPS

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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.

New Accounting Standards and Interpretations

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

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

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

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

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

IFRS 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019)

The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard also requires enhanced disclosure to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual risk.

If the standard was to be adopted on 01 July 2017 it would result in a right to use asset and corresponding lease liability being recorded in the Balance Sheet of \$7.54 million. For the first year of adoption the Profit and Loss would see lease expenses of \$2.65 million replaced with depreciation of \$2.32 million and interest expense of \$603k. The net impact of the new standard would be to reduce profits by \$270k for the 2018 financial year.

With the continued expansion of the WOTSO business it is likely that additional leases would be capitalised, resulting in increases to the respective right to use asset and lease liability.

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

As auditor for the audit of BlackWall Limited and Controlled Entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 17 day of August 2017

ESV Accounting and Business Advisors

Chris Kirkwood
Partner

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the year then ended on pages 4 and 5, notes comprising a summary of significant accounting policies and other explanatory information on pages 11 to 25, and the directors' declaration of the Group.

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

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p>Revenue Recognition Revenue for the Group consists primarily of:</p> <ul style="list-style-type: none"> - Asset Management Fees - Property Management Fees - WOTSO Workspace Income - Transaction Fees - Investment Income <p>Revenue from Asset Management Fees, Property Management Fees and Transaction Fees are primarily received from Property Funds that, Blackwall Fund Services Limited, a subsidiary of the Group acts as a responsible entity for. These fees are based on a fixed amount or a percentage of the total assets under management or total rental income.</p> <p>Revenue from WOTSO Workspace Income is received from third parties and is considered a key audit risk given the nature of the WOTSO co-sharing leasing operations, which is short-term, high volume, multi-location and with differential pricing. There is a possibility of unrecorded revenue, as well as incorrect recording of revenue earned by WOTSO.</p> <p>The Group also earns revenue in the form of dividends/distributions and interest income.</p> <p>Given the number of different revenue streams that the Group has, there is a risk that revenue is incorrectly recorded.</p>	<p>Our procedures included but were not limited to: For Asset Management Fees and Property Management Fees, we have performed substantive analytical procedures by creating an expectation and comparing with the actual fees recorded and investigating material variances.</p> <p>For Transaction Fees, we have performed test of details by agreeing the recorded revenue with underlying contract detailing the terms and conditions of fees to be charged and if revenue recognition criteria have been met.</p> <p>For WOTSO Workspace Income, we have performed test of controls in order to obtain comfort over the completeness and occurrence of revenue by confirming management oversight of detailed monthly revenue from WOTSO sites. On a sample basis, we have tested the invoicing and collection of rent from tenants and have performed substantive analytical review procedures by for each WOTSO site.</p> <p>For Investment Income, we verified the revenue with supporting dividend/distribution statements.</p> <p>We also considered whether the revenue recognition policies adopted and followed by the Group as disclosed in Note 28 of the consolidated financial report are consistent with the accounting standards.</p>
<p>Accounting for Performance Fees During the year, the Group recognised revenue of \$3,048,373 in relation to performance fees receivable by BlackWall Fund Services Limited, a subsidiary of BlackWall Limited.</p> <p>Pursuant to agreements entered to with Pyrmont Bridge Trust (the 'Trust') and BlackWall Penrith Fund No. 3 (the 'Fund'), the Group is entitled to performance fees in the event the Trust and the Fund's performance is above the pre-determined benchmarks as disclosed in the respective agreements for the</p>	<p>Our procedures included but were not limited to: We reviewed management's assessment of why the performance fees can be recognised as revenue in the current period.</p> <p>We have considered the use of experts by assessing the independence and competence of the external property valuers and also examined engagement correspondence for any scope limitations or matters which may indicate that their objectivity may be impaired.</p> <p>We compared the yield and capitalisation rates</p>

<p>Trust and the Fund at the maturity date.</p> <p>Based on independent external valuations obtained for the underlying properties in the Trust and the Fund, and the remaining term to the maturity of the Trust and the Fund, Management is satisfied the performance of the Trust and the Fund will be above the pre-determined benchmarks and the Group will be eligible to receive the performance fees.</p> <p>The recording of discounted straight-lined performance fees in the current period assumes that the Trust and the Fund will continue to perform above the benchmark. There is a risk at the maturity, the Trust and the Fund's performance is below the benchmark and the Group is not entitled to the performance fees.</p>	<p>used to calculate the performance fees to published material for external market trends. We discussed with management anomalies, movements and property specific matters impacting the independent valuations.</p> <p>We verified the terms of the performance fees disclosed in the agreements of the Trust and the Fund, re-performed the calculation and the straight-lining of the performance fees over the remaining period to maturity.</p> <p>We assessed whether the performance fees meet the recognition criteria in the current period under AASB 118 Revenue and the incoming accounting standard AASB 15 Revenue from Contracts with Customers.</p> <p>We have also assessed the appropriateness of the disclosure in the note 2 and the revenue recognition policy in note 28 to the consolidated financial report.</p>
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibilities for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 29 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Blackwall Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Dated at Sydney the 17th day of August 2017

ESV Accounting and Business Advisors

Chris Kirkwood
Partner

Information on Officeholders

The names of the Officeholders during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since 20 October 2010.

Richard Hill Non-Executive Director and Chairman

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in the Group's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Sirtex Medical Limited listed on the ASX. In addition Richard is Chairman of the Westmead Institute for Medical Research

Joseph (Seph) Glew Non-Executive Director

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

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

Robin Tedder Non-Executive Director

Robin has worked in finance and investment since 1976 during which time he has served as the CEO of an investment bank and as non executive director on the boards of public and private companies in banking, insurance, funds management, property, healthcare, retail and wine. He was a member of ASX for many years. He is the Chairman of investment company Vintage Capital and has been an investor in BlackWall Group projects since 1997. Robin is also the Chairman of the BlackWall Board Audit Committee.

Stuart Brown Executive Director and Chief Executive Officer

Stuart has been involved in property investment for over 18 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with over a half a billion dollars in value.

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

Sophie Gowland Company Secretary from 17 May 2017

Sophie is a lawyer with 10 years of experience across legal practice and investment banking. Sophie has practiced in the areas of corporate advisory, equity capital markets and mergers and acquisitions with firms including Gilbert + Tobin. In her investment banking career, Sophie worked with Credit Suisse specialising in equity capital markets. Sophie holds a Bachelor of Commerce and Bachelor of Laws (First Class Honours) from the University of Queensland.

Sophie was preceded as Company Secretary by Caroline Raw who resigned in September 2016 after 1.5 years as BlackWall's Company Secretary and 3 years as in-house counsel. For the period between Ms Raw's resignation and Ms Gowland's appointment, BlackWall's CFO Tim Brown acted as interim Company Secretary.

Meeting Attendances

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

The Audit Committee, comprised of Seph Glew and Robin Tedder, met twice during the reporting period. Both committee members attended each meeting.

Environmental Regulation

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

Indemnities of Officers

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

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

Corporate Governance Statement

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

Auditor and Non-audit Services

\$8,250 was paid to the auditor for non-audit services during the year (2016: \$8,250) as detailed in the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

Rounding of Amounts

The Group 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.

Remuneration Report (Audited)

The Board is responsible for determining the remuneration of KMP. For the reporting period the Board has determined that KMP included the Chief Executive Officer and the Chief Financial Officer. KMP determine the senior executive and employees' remuneration.

When determining the remuneration of KMP, senior executives or employees, the following is taken into consideration:

- remuneration is aligned with the delivery of returns to shareholders;
- responsibilities, results, innovation and entrepreneurial behaviour are recognised and rewarded; and
- the Group's financial position and market conditions.

The remuneration payable to KMP is reviewed at times deemed appropriate by the Board. There are no performance conditions for Board members or contracts for KMP. Any performance payments are at the discretion of the Board. The nature and the amount of each element of remuneration paid to the Board members and KMP for the reporting period are listed below:

	Short term				Post-employment		Total	
	Directors' fees		Salary and other		superannuation			
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Richard Hill	85,000	85,000	-	-	-	-	85,000	85,000
Seph Glew	75,000	75,000	-	-	-	-	75,000	75,000
Robin Tedder	75,000	75,000	-	-	-	-	75,000	75,000
Stuart Brown	-	-	321,606	321,606	30,000	30,000	351,606	351,606
Tim Brown	-	-	208,904	200,913	19,846	19,087	228,750	220,000
Total	235,000	235,000	530,510	522,519	49,846	49,087	815,356	806,606

Share options

(a) Unissued ordinary options

The following options are currently on issue.

	Expiry date	Issue price of shares	Number under option
Stuart Brown	30 June 2018	35 cents	1,938,000
Employees	14 July 2019	60 cents	2,075,000

(b) Shares issued on the exercise of options

The following ordinary shares were issued during the year in the exercise of B Options. No further shares have been issued since 30 June 2017. No amounts are unpaid on any of the shares on issue.

	Exercise date	Issue price of shares	Number of shares issued
Stuart Brown	20 April 2017	35 cents	62,000

Directors' Report and Declaration

Directors and KMPs' Relevant Interests

Details of each KMP's relevant interests in the Company are shown below.

	5 August 2016	Net change	14 August 2017*
Richard Hill	1,917,686	51,592	1,969,278
Seph Glew	9,500,930	(605,292)	8,895,638
Robin Tedder	8,707,231	252,108	8,959,339
Stuart Brown	3,162,650	78,808	3,241,458
Tim Brown	928,141	75,000	1,003,141
Total	24,216,638	(147,784)	24,068,854

* Same holdings as at 30 June 2017

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



Stuart Brown
Director
Sydney, 18 August 2017

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial 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.

The 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 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.



Stuart Brown
Director
Sydney, 18 August 2017

