

Managed By



BLACKWALL
PROPERTY FUNDS

Bakehouse Quarter Trust

ARSN 162 705 455

Financial Statements

Year Ended 30 June 2014

CONTENTS

Financial Statements

Directors' Report	Page 3
Auditor's Independence Declaration	Page 8
Statement of Profit or Loss and Other Comprehensive Income	Page 9
Statement of Financial Position	Page 10
Statement of Changes in Net Assets Attributable to Unitholders	Page 11
Statement of Cash Flows	Page 12
Notes to the Financial Statements	Page 13
Directors' Declaration	Page 19
Independent Auditor's Report	Page 20
Contents – Notes to the Financial Statements	Page 22
Glossary	Page 23

Directors' Report

The Trust

The Bakehouse Quarter Trust is a registered managed investment scheme. BlackWall Fund Services Limited (formerly called TFML Limited) acts as the responsible entity. BlackWall Fund Services Limited is a wholly owned subsidiary of BlackWall Property Funds Limited.

BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value or property related special situations. BlackWall is listed on the ASX under the stock code BWF. BlackWall and the Responsible Entity share the same board of directors.

BQT holds an interest in a large scale mixed use property known as the Bakehouse Quarter. The Trust's investment in the Bakehouse is by way of a holding in the wholesale investment trust that owns the Property. This trust, known as the Kirela Development Unit Trust, is capitalised by a syndicate of wholesale and sophisticated investors and was formed in 1997 when the Property was purchased from Arnott's Biscuits.

Since inception BlackWall's funds and asset management business has directed the re-development of the project from a disused factory to an urban business precinct. In 2011 Kirela made an investment in BlackWall's listed property trust, known as the BlackWall Property Trust (ASX Codes: BWR).

BQT's unit value is a function of the value of the Kirela units it holds (62,869 Kirela ordinary units being 12.5% of that trust). The value of Kirela units is calculated by the property value of the Bakehouse Quarter and the ASX trading price of Kirela's investment in BWR. **As at 30 June 2014 BQT's NTA per unit was \$4.51 per unit.** BQT has 2.67 million units on issue.

Subsequent to the balance date Kirela distributed its entire holding of 98.3 million BWR units in specie to all Kirela's unitholders on a pro-rata basis. BQT now holds 12.3 million units in BWR directly.

A summary of Kirela's balance sheet for the year ended 30 June 2014 is included later in this Directors' Report. Information on BWR can be found in its Annual Report, which was released to the ASX on 26 August 2014.

Distributions

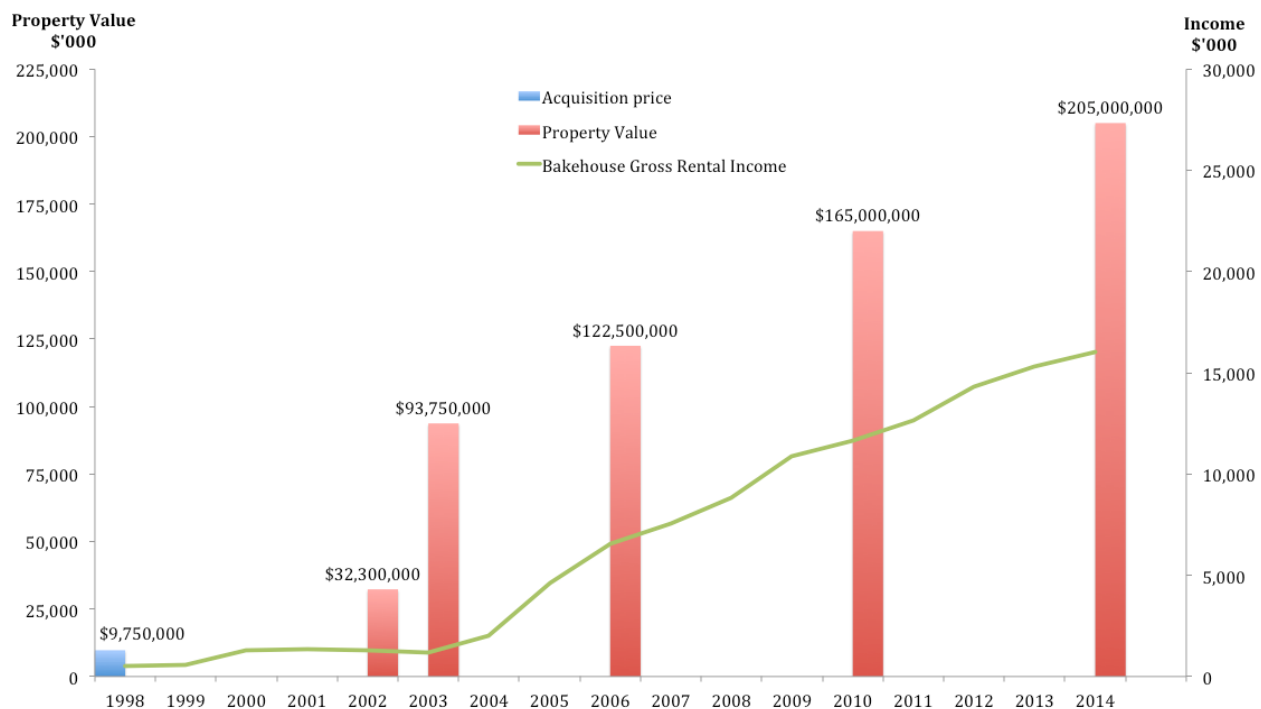
BQT's revenue is derived from the distributions earned from its holding in Kirela and, since the in-specie distribution mentioned above, distributions from BWR units. In the year ended 2014 BQT paid distributions equating to 8.5 cents per unit. Both Kirela and BWR have significant carried forward tax losses and as such distribution passed through BQT are by way of return of capital.

The directors have resolved to pay a further distribution of 3 cents per unit on 30 November 2014.

The Bakehouse Quarter Sale

The Bakehouse Quarter is a large scale mixed use development comprised of over 40,000 sqm of commercial, retail and entertainment space leased to tenants including Arnott's, Campbell Soups, NRMA, Aldi, Fitness First and AMF Bowling. The site is over 6 hectares and has significant undeveloped areas. Given the sites land area and location it has the capacity to grow to over 100,000 sqm of net lettable area.

The project combines the adaptive reuse of the existing historical buildings with new architecture to create a significant urban business precinct. The table below shows the value growth of the project since it was acquired by Kirela in 1997.



Recently BlackWall received an unsolicited approach to purchase the Property at a price significantly above its carrying value. As a consequence, the Directors have resolved to appoint Jones Lang LaSalle to conduct a sales campaign. The interest in the Property is driven by its development potential which is expected to increase significantly with changes to zoning and town planning controls in connection with the Westconnex project and the Parramatta Road corridor revitalisation (www.westconnex.com.au). The Directors have not taken this development potential into account when arriving at the 30 June 2014 NTA. That NTA reflects a Property value of \$205 million.

Below is a summary of Kirela's unaudited balance sheets as at 30 June 2014 and at August 2014 after distribution of BWR units:

BALANCE SHEET	June 2014	August 2014
	\$	\$
Property Value	205,000,000	205,000,000
Net Payables	(2,600,000)	(1,570,000)
Debt		
Bank Debt	(98,150,000)	(98,150,000)
Bakehouse Bonds	(26,690,000)	(26,690,000)
Net Property Equity	77,560,000	78,590,000
BWR Units at ASX price	9,600,000	-
BWF Units at ASX price	400,000	450,000
Secured Loans	8,930,000	8,930,000
Net Assets	96,490,000	87,970,000

Kirela has 504,355 units on issue of which 62,869 units are held by BQT.

Significant Changes in Affairs

Other than the matters set out above there were no significant changes to the state of affairs of the Trust during the financial year.

Information on Officeholders

The names of the Directors of the Responsible Entity in office at any time during or since the end of the year are set out below. Unless otherwise stated, the Directors have been in office since the beginning of the financial year to the date of these financial statements.

Richard Hill (Non-executive Director)

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited (both listed on the ASX) and a Director of Biota Pharmaceuticals Inc. (listed on NASDAQ). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of the then ASX-listed Pelorus Property Group Limited. He is now the Chairman of the ASX-listed BlackWall Property Funds Limited.

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. Seph is Chairman of Pelorus Private Equity Limited (an unlisted public company), a position he held when that entity traded on the ASX under the name Pelorus Property Group Limited. In addition he is a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited.

Robin Tedder (Non-executive Director)

Robin has 38 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Non-Executive Director of Pelorus Private Equity Limited a position he held when it traded on the ASX under the name Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited.

Stuart Brown (Executive Director)

Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX-listed Pelorus Property Group Limited and later Managing Director. Stuart has run debt and

equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. 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 a Director of the unlisted public company, Pelorus Private Equity Limited and the ASX-listed BlackWall Property Funds Limited. Stuart is also an independent Director of Coogee Boys' Preparatory School.

Don Bayly (Company Secretary)

Don has a Bachelor of Commerce and Administration degree from Victoria University. Don has over 20 years compliance management experience.

Meeting Attendances

Director	Board Meetings
Meetings Held	5
Seph Glew	5
Stuart Brown	5
Robin Tedder	5
Richard Hill	5

Remuneration

The Responsible Entity is entitled to a management fee in relation to the operation of the Trust. This fee is prescribed in the constitution and equates to up to 0.5% per annum of the gross assets of the Trust. For the year ended 30 June 2014, management fees were paid directly from the project. From 1 July 2014, fees will be paid by the Trust. The fees paid to the Responsible Entity during the year is set out in the Related Party Transactions note.

There were no fees paid or payable from the Trust to the Directors of the Responsible Entity during the financial year.

The Trust does not provide any short term or post employment benefits to its KMP. KMP include Directors of the Responsible Entity and Tim Brown (Chief Financial Officer).

Interests in the Trust

The number of units on issue at 30 June 2014 was 2,663,771 (being all the units issued during the year). The Responsible Entity and its associates did not hold any units as at 30 June 2014. There were no withdrawals during the reporting period.

Value of Trust's Assets

The value of the Trust's assets is set out in the Statement of Financial Position in the Total Assets line. Refer to Financial Assets notes for valuation details.

Environmental Regulation and Performance

The Entity'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 Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that Company 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 Company, other than conduct involving a willful 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 Trust.

Events Subsequent to Reporting Date and Likely Developments

Subsequent to 30 June 2014, Kirela distributed its holding in BWR to its members by way of a return of capital. As a result, BQT now owns 12.3 million BWR units.

Aside from the in-specie distribution of BWR units described above, 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 Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Non-audit Services and Auditor

Amounts paid to the auditor for non-audit services during the year are detailed at the Auditor's Remuneration note of the financial statements.

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 was appointed as auditor on 11 April 2013.

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



Stuart Brown
Director
Sydney, 30 September 2014



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

As auditor for the audit of Bakehouse Quarter Trust for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 29th day of September 2014

A handwritten signature in blue ink that reads 'ESV'.

ESV Accounting and Business Advisors

A handwritten signature in blue ink that reads 'Tim Valtwies'.

Tim Valtwies
Partner

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	2014 \$
Interest		7
Other Income		500
Unrealised gain on revaluation of financial assets		<u>1,225,741</u>
Total revenue	1	1,226,248
Administration expenses		<u>226</u>
Profit For the Year		1,226,022
Total Comprehensive Income For the Year		<u>1,226,022</u>

The Trust was registered on 20 March 2013 and as a consequence a like for like comparison for the 2013 and 2014 financial years is not possible.

As discussed in the Directors' Report the Trust received distributions from its investment in Kirela. However, as Kirela has carried forward tax losses these distributions are not recognised as revenue but by way of return of capital - see Distributions note.

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the Year Ended 30 June 2014

	Note	2014 \$
ASSETS		
Current Assets		
Cash	2	44,754
Total Current Assets		<u>44,754</u>
Non-current assets		
Financial assets	3	12,007,979
Total Non-current Assets		<u>12,007,979</u>
TOTAL ASSETS		<u>12,052,733</u>
LIABILITIES		
Current Liabilities		
Payables	4	44,473
Total Current Liabilities		<u>44,473</u>
NET ASSETS		<u>12,008,260</u>
Unitholders' fund		10,782,238
Retained profits		1,226,022
TOTAL EQUITY		<u>12,008,260</u>

Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2014

	Number of Units on Issue No.	Unitholders' Fund \$	Retained Profits \$	Total \$
Balance at 1 July 2013	-	-	-	-
Profit for the year	-	-	1,226,022	1,226,022
Issue of units	2,663,771	11,008,566	-	11,008,566
Return of capital	-	(226,328)	-	(226,328)
Balance at 30 June 2014	2,663,771	10,782,238	1,226,022	12,008,260

Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	June 2014 \$
Cash Flows From Operating Activities		
Interest received		507
Bank charges paid		<u>(226)</u>
Net Cash Flows From Operating Activities	6	<u>281</u>
Cash Flows From Investing Activities		
Proceeds from returns of capital		<u>226,328</u>
Net Cash Flows From Investing Activities		<u>226,328</u>
Cash Flows From Financing Activities		
Return of capital to unitholders		<u>(181,855)</u>
Net Cash Flows Used in Financing Activities		<u>(181,855)</u>
Net Increase in Cash Held		
Cash and cash equivalents at the beginning of year		<u>-</u>
Cash and Cash Equivalents at the End of Year	2	<u><u>44,754</u></u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

1. Revenue

	2014
	\$
Interest income	7
Other income	500
Unrealised gain on revaluation of financial assets	1,225,741
Total	1,226,248

2. Current Assets – Cash and Cash Equivalents

	2014
	\$
Cash at bank	44,754
Total	44,754

Cash at bank earns interest at floating rates based on daily bank deposit rates.

3. Non-current Assets – Financial Assets

	2014
	\$
Investment in Kirela Development Unit Trust	12,007,979
Total	12,007,979

4. Current Liabilities – Payables

	2014
	\$
Payables to unitholders	44,473
Total	44,473

5. Distributions

During the year, the Trust paid distributions by way of returns of capital as follows:

	CPU	\$
Return of capital on 15 November 2013	3.13	83,374
Return of capital on 16 April 2014	5.37	142,954
Total	8.50	226,328

6. Reconciliation of Profit After Income Tax to Operating Cash Flows

	2014
	\$
Profit for the year	1,226,022
Unrealised gain on revaluation of financial assets	(1,225,741)
Net cash flows from operating activities	281

Notes to the Financial Statements

For the Year Ended 30 June 2014

7. Auditor's Remuneration

	2014
	\$
Remuneration of the auditor of the Trust for:	
- Audit and other audit related services	19,100
	<u>19,100</u>

Auditor's remuneration is paid out of the underlying property assets.

8. Commitments and Contingencies

There are no commitments or contingencies as at 30 June 2014.

9. Related Party Transactions

(a) Related Parties

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

(b) Unitholdings by Related Parties

Total unitholdings held by related parties are 51,504 units.

(c) Transactions with Related Parties

The Responsible Entity is entitled to a management fee in relation to the operation of the Trust. This fee is prescribed in the constitution and equates to up to 0.5% of the value of the underlying properties of the Trust. The management fees are not paid or payable from the Trust's assets, but repaid directly from the underlying properties.

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.

Related party transactions that occurred during the year are as follows:

	2014
	\$
Expenses	
Management fee paid to Responsible Entity	675,840
Distribution paid to related unitholders	9,249

10. Subsequent Events

Subsequent to 30 June 2014, Kirela distributed its holding in BWR to its members by way of a return of capital. As a result, BQT now owns 12.3 million BWR units.

Aside from the in-specie distribution of BWR units described above, 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 Trust's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Notes to the Financial Statements

For the Year Ended 30 June 2014

11. Financial Risk Management

(a) Financial risk management

The main risk the Trust is exposed to through its financial instruments is liquidity risk. The Trust is not exposed to any major market risk (including interest rate risk) or credit risk, other than the underlying property. The Trust's principal financial instruments are financial assets.

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

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. They monitor the Trust's risk exposure by regularly reviewing finance and property markets. The Trust holds the following material financial instrument which is subject to financial risk analysis:

Financial assets	\$ 12,007,979
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(b) Liquidity risk

The Trust is exposed to liquidity risk to the extent that at the end of the term of the Trust, amounts owing to unitholders will be required to be repaid from the proceeds of the realisation of the financial asset. There is no exposure to liquidity risk from distributions to unitholders as these are only paid when distributions are received. At the end of the year, the Trust held the following financial arrangements that are expected to readily generate cash inflows and outflows for managing liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows. Financial liabilities due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Maturing within 1 year \$	Maturing 1 - 5 years \$	Total \$
Financial assets			
Cash and cash equivalents	44,754	-	44,754
Financial assets	-	12,007,979	12,007,979
	44,754	12,007,979	12,052,733
Financial liabilities			
Payables	44,473	-	44,473

(c) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

The following table presents the Trust's financial assets measured at fair value as at 30 June.

	Level 1	Level 2	Level 3	Total balance
	\$	\$	\$	\$
Financial assets	-	-	12,007,979	12,007,979

(b) Fair value measurements using significant observable inputs (Level 3)

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

	\$
Balance at the beginning of the year	-
Additions	11,008,566
Return of capital	(226,328)
Fair value movements	1,225,741
Balance at the end of the year	<u>12,007,979</u>

12. Segment Reporting

The Trust currently operates in one business segment in Australia acting as the recipient of income to which investors are entitled to and to distribute this income to investors in proportion to their entitlements.

13. Trust Details

The management of the Trust is undertaken at:
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

14. Critical Accounting Estimates and Judgments

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

Key estimates – financial assets

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The Trust assesses impairment at each reporting date by evaluating conditions specific to the Trust that may lead to impairment of assets.

15. Statement of Significant Accounting Policies

The Trust is a registered managed investment scheme registered in Australia. As this is the first year of operation, there are no comparatives for these financial statements.

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

Basis of preparation

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

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

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

New and amended standards adopted

The Trust has applied the following standards and amendments for first time for these financial statements:

(i) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

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

Presentation of financial statements

Presentation currency

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

Going concern

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

Financial Assets

The Trust classifies its financial assets at FVTPL. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

Revenue

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

All revenue is stated net of the amount of GST.

Terms and conditions of units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the constitution and the Corporations Act 2001, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects. Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust.

Unit prices

Unit prices are determined in accordance with the Trust's Constitution and are calculated as net assets attributable to unitholders of the Trust, less estimated costs, divided by the number of units on issue.

Income Tax

Under current income tax legislation the Trust is not liable for taxation where the taxable income is distributed in full to unitholders.

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.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. There is only one standard which may be applicable to the Trust.

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

The Trust has not yet assessed the impact however it should not have any material changes to the Trust's financial statements.

Directors' Declaration

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

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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



Stuart Brown
Director
Sydney, 30 September 2014



Independent Audit Report to the Unitholders of Bakehouse Quarter Trust (“the Trust”)

Report on the Financial Report

We have audited the accompanying financial report of Bakehouse Quarter Trust (“the Trust”), which comprises the statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Directors’ Responsibility for the Financial Report

The directors of Blackwall Fund Services Limited (“the Responsible Entity”) are responsible for the preparation and fair presentation of the financial report 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 and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 15, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Independent Audit Report to the Unitholders of Bakehouse Quarter Trust (“the Trust”)

Opinion

In our opinion:

- a) the financial report of Bakehouse Quarter Trust is in accordance with the *Corporations Act 2001*, including:
 - I. giving a true and fair view of its financial position for the year ended 30 June 2014 and of its performance for the year ended on that date;
 - II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 15.

Dated at Sydney the 30th day of September 2014

ESV Accounting and Business Advisors

Tim Valtwies
Partner

Contents

Notes to The Financial Statements

1. Revenue	Page 13
2. Current Assets - Cash	Page 13
3. Non-current Assets – Financial Assets	Page 13
4. Current Liabilities – Payables	Page 13
5. Distributions	Page 13
6. Reconciliation of Profit after Income Tax to Operating Cash Flows	Page 13
7. Auditors’ Remuneration	Page 14
8. Commitments and Contingencies	Page 14
9. Related Party Transactions	Page 14
10. Subsequent Events	Page 14
11. Financial Risk Management	Page 15
12. Segment Reporting	Page 16
13. Trust Details	Page 16
14. Critical Accounting Estimates and Judgments	Page 16
15. Statement of Significant Accounting Policies	Page 16

GLOSSARY

Property	Bakehouse Quarter
BlackWall	BlackWall Property Funds Limited and Subsidiaries (including BlackWall Fund Services Limited)
BWR	BlackWall Property Trust
Financial year	1 July 2013 to 30 June 2014
FSR	Floor space ratio
FVTPL	Fair value through profit and loss
GST	Goods and services tax
HSBC	Hong Kong & Shanghai Banking Corporation
IFRS	International Financial Reporting Standards
Kirela	Kirela Development Unit Trust
KMP	Key management personnel
NLA	Net lettable area
Responsible Entity	BlackWall Fund Services Limited (formerly known as TFML Limited)
Trust / BQT	Bakehouse Quarter Trust

Bakehouse Quarter Trust

ARSN 162 705 455

Annual Financial Statements
Year Ended 30 June 2014

Managed By:



Level 1, 50 Yeo Street
Neutral Bay, NSW 2089
Responsible Entity: TFML Limited
ABN 39 079 608 825