

Bakehouse Quarter Trust

ARSN 162 705 455

Interim Financial Statements

For the Half-year Ended 31 December 2015

Bakehouse Quarter Trust

ARSN 162 705 455

Responsible Entity: BlackWall Fund Services Limited

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Directors' Report

The Bakehouse Quarter Trust (BQT) is a registered managed investment scheme.

BQT was established as a spin-off from the corporate restructure of the formerly ASX-listed Pelorus Property Group Limited. BQT's aim is to generate recurring distribution income and grow its NTA per unit through investments in property opportunities originated and managed by BlackWall. In the period beginning 1 July 2015 to date, BQT has made distributions of 25 cents per unit and its NTA has grown by 15% from \$6.67 per unit to \$7.67 per unit, mostly attributable to an increase in value of the Bakehouse Quarter. The Trust has 2.64 million units on issue.

BQT's Balance Sheet	December 2015	June 2015
	\$	\$
Investment in Kirela Development Unit Trust	16,898,559	15,214,298
Investment in BlackWall Property Trust	1,605,767	1,495,447
Investment in Pymont Bridge Trust	1,000,000	1,000,000
Investment in Woods PIPES Fund	200,000	100,000
Investment in BlackWall Penrith Fund No.3	541,051	-
Total Investments	20,245,377	17,809,745
Net Payables	(11,127)	(49,198)
Net Assets	20,234,250	17,760,457

BlackWall Fund Services Limited acts as BQT's 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 and management.

Kirela Development Unit Trust

BQT holds 11% of the The Kirela Development Unit Trust which owns The Bakehouse Quarter. The property is a large-scale mixed-use development in Sydney's inner west. The Bakehouse has approximately 40,000 sqm of commercial, entertainment and retail premises generating significant cash flow. In addition, it has roughly 20,000 sqm of developable land. It is anticipated that this developable land would be suitable for substantial residential development. BlackWall has resolved to make an application for a rezoning of the site and either:

- sell the individual residential development sites; or
- joint venture a residential development.

The Bakehouse Quarter is carried at \$270 million and generates annualised net property income of roughly \$7.3 million. The project has \$125 million of bank debt secured against it. It is anticipated that the project will generate semi annual distributions by way of capital returns. In addition, if residential sites are sold or developed in joint venture material returns of capital will be distributed to BQT and the other owners of the project.

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Below is a summary of Kirela's unaudited balance sheets as at 31 December and 30 June:

BALANCE SHEET	December 2015	June 2015
	\$	\$
Property Value	270,000,000	250,000,000
Net Receivables/(Payables)	36,000	(359,000)
Debt		
Bank Debt	(125,150,000)	(108,150,000)
Bakehouse Bonds	-	(27,090,000)
Net Property Equity	144,886,000	114,401,000
Other Assets	650,000	510,000
Secured Loans	9,644,000	8,930,000
Net Assets	155,180,000	123,841,000
Kirela Units On Issue	573,953	502,563
NTA Per Unit	\$269	\$242
BQT Holding Value (62,869 Kirela units)	\$16,898,559	\$15,214,298

BlackWall Property Trust

The Trust's second largest investment is in the ASX-listed BlackWall Property Trust (ASX: BWR). The BlackWall Property Trust is an ASX-listed real estate investment trust (ASX: BWR) with commercial, retail and industrial property interests. The Trust's investment income producing real estate is located in Queensland, New South Wales and the ACT. In some cases the Trust's interest is by way of joint venture ownership in unlisted property vehicles controlled by BlackWall including a \$20 million interest the Bakehouse Quarter. An interim distribution of 6 cents per unit was declared with a payment date of 6 April 2016. For further details on BWR, please refer to the half-year accounts released to the market on 23 February 2016 at www.asx.com.au.

Pymont Bridge Trust

55 Pymont Bridge Road is a 14,000 sqm technology and media hub located in Pymont on the fringe of Sydney's CBD. The property houses a number of media and technology tenants including Verizon, Fairfax Media, Digital Pacific and and BlackWall's short-term office and workspace business, WOTSO Workspace.

BlackWall Penrith Fund No. 3

During the reporting period, BQT invested just over \$0.5 million in a big-box retail centre located at 120 Mulgoa Road in Penrith through an 11% stake in BlackWall Penrith Fund No. 3. This is the third syndicate of its kind over the property and utilises the PIPES structure which was developed by BlackWall's funds management business in 2001. The fund is paying a 9% per annum preferred interest payment and gives investors a share of capital growth at the end of the seven-year term.

Wood PIPES Fund

The Woods PIPES Fund invests in a property known as The Woods Action Centre, a family entertainment centre in Sydney's West. The property is leased to complementary entertainment uses including AMF Bowling, Sydney Indoor Climbing Gym, Kartatak and Chipmunks Playland. Development is underway to expand the offer to include a children's swim centre, circuit training gym, café and pizza restaurant. This fund also utilises the PIPES structure and offers returns of 8% per annum.

Distributions

BQT's revenue is derived from the distributions earned from its holding in property securities. Both Kirela and BWR have significant carried forward tax losses and as a consequence distributions from these

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trusts are received as returns of capital. Accordingly, for a considerable period of time distributions out of BQT will be, in part, paid by way of returns of capital.

In these financial statements you will see that such distributions 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.

Significant Changes in Affairs

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

Information on Officeholders

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

Richard Hill, Non-Executive Director (Independent Chairman)
Joseph (Seph) Glew, Non-Executive Director
Robin Tedder, Non-Executive Director
Stuart Brown, Executive Director and Chief Executive Officer
Caroline Raw, Company Secretary

Events Subsequent to Reporting Date and Likely Developments

To the best of the Directors' knowledge, since the end of the financial period 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.

Auditor

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements. ESV continues in office in accordance with section 327 of the Corporations Act 2001.

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



Stuart Brown

Director

Sydney, 14 March 2016



Auditor's Independence declaration to the directors of Blackwall Fund Services Limited

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Bakehouse Quarter Trust for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 11th day of March 2016

A handwritten signature in blue ink, appearing to read 'Tim Valtwies', with a checkmark-like flourish at the end.

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2015

	December 2015	December 2014
		\$
Interest	13	12
Distribution	5,217	-
Unrealised gain on revaluation of Kirela units	3,224,551	2,352,621
Unrealised gain on revaluation of BWR units	183,866	300,315
Total revenue	3,413,647	2,652,948
Responsible entity management fees	(57,298)	(39,975)
Compliance fees	(11,162)	(18,512)
Administration expenses	(11,863)	(3,363)
Finance costs	(261)	(133)
Profit For the Period	3,333,063	2,590,965
Total Comprehensive Income For the Period	3,333,063	2,590,965

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 31 December 2015

	Note	December 2015 \$	June 2015 \$
ASSETS			
Current Assets			
Cash		25,871	962
Total Current Assets		25,871	962
Non-current Assets			
Investment in Kirela Development Unit Trust		16,898,559	15,214,298
Investment in BlackWall Property Trust		1,605,767	1,495,447
Investment in Pymont Bridge Trust		1,000,000	1,000,000
Investment in Woods PIPES Fund		200,000	100,000
Investment in Penrith Fund No.3		541,051	-
Total Financial Assets	1	20,245,377	17,809,745
Total Non-current Assets		20,245,377	17,809,745
TOTAL ASSETS		20,271,248	17,810,707
LIABILITIES			
Current Liabilities			
Trade and other payables		36,998	50,160
Total Current Liabilities		36,998	50,160
NET ASSETS		20,234,250	17,760,547
Unitholders' fund		9,842,937	10,702,297
Retained profits		10,391,313	7,058,250
TOTAL EQUITY		20,234,250	17,760,547

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Statement of Changes in Net Assets Attributable to Unitholders

For the Half-year Ended 31 December 2015

	Number of Units on Issue No.	Unitholders' Fund \$	Retained Profits \$	Total \$
Balance at 1 July 2015	2,663,771	10,702,297	7,058,250	17,760,547
Profit	-	-	3,333,063	3,333,063
Redemption of units	(24,957)	(199,656)	-	(199,656)
Returns of capital	-	(659,704)	-	(659,704)
Balance at 31 December 2015	2,638,814	9,842,937	10,391,313	20,234,250
Balance at 1 July 2014	2,663,771	10,782,238	1,226,022	12,008,260
Profit	-	-	2,590,965	2,590,965
Returns of capital	-	(79,941)	-	(79,941)
Balance at 31 December 2014	2,663,771	10,702,297	3,816,987	14,519,284

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Statement of Cash Flows

For the Half-year Ended 31 December 2015

	December 2015	December 2014
	\$	\$
Cash Flows From Operating Activities		
Returns of capital from Kirela units	1,540,290	73,704
Returns of capital from BWR units	73,547	42,902
Distribution received	5,217	-
Interest received	13	12
Payment of expenses	(94,084)	(59,339)
Net Cash Flows From Operating Activities	1,524,983	56,649
Cash Flows From Investing Activities		
Payment for BlackWall Penrith Fund No. 3 units	(541,051)	-
Payment for Woods PIPES Fund units	(100,000)	-
Net Cash Flows From/(Used in) Investing Activities	(641,051)	-
Cash Flows From Financing Activities		
Returns of capital to unitholders	(659,367)	(73,780)
Payment for redemption of units	(199,656)	-
Net Cash Flows Used in Financing Activities	(859,023)	(73,780)
Net Increase / (Decrease) in Cash Held	24,909	(17,131)
Cash and cash equivalents at the beginning of year	962	44,754
Cash and Cash Equivalents at the End of Period	25,871	27,623

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Notes to the Financial Statements

For the Half-year Ended 31 December 2015

1. Non-current Assets – Financial Assets at FVTPL

	Note	December 2015 \$	June 2015 \$
Kirela Development Unit Trust	1(a)	16,898,559	15,214,298
BlackWall Property Trust	1(b)	1,605,767	1,495,447
Pymont Bridge Trust	1(c)	1,000,000	1,000,000
BlackWall Penrith Fund No.3	1(d)	541,051	-
Woods PIPES Fund	1(e)	200,000	100,000
Total		20,245,376	17,809,745

(a) Kirela Development Unit Trust

The Trust holds an interest in a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. 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. BQT holds 62,869 units in Kirela.

(b) BlackWall Property Trust (BWR)

BWR is an ASX-listed real estate investment trust managed by BlackWall. BQT holds 1.23 million units in BWR.

(c) Pymont Bridge Trust (PBT)

The Trust holds 1 million units in PBT at \$1 per unit. PBT controls an office, media and technology hub on the Western fringe of Sydney's CBD known as 55 Pymont Bridge Road, Pymont.

(d) BlackWall Penrith Fund No.3

BlackWall Penrith Fund No.3 is the third investment syndicate structure over the Mulgoa Road property since 2002 and pays quarterly interest at a rate of 9% per annum. The Trust holds 541,051 units at \$1 per unit.

(e) Woods PIPES Fund

The Fund is an investment syndicate structure over the The Woods Action Centre, Villawood. The property's key tenants are AMF Bowling, Chipmunks Playland, Sydney Indoor Climbing Gym and Kartatak Raceway. BQT owns 200,000 units and receives quarterly interest at a rate of 8% per annum.

2. Distributions

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

	December 2015		December 2014	
	CPU	\$	CPU	\$
Returns of capital paid in Dec (2014: paid in Nov)	25.00	659,704	3.00	79,941
Total	25.00	659,704	3.00	79,941

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Notes to the Financial Statements

For the Half-year Ended 31 December 2015

3. Commitments and Contingencies

There are no commitments or contingencies as at 31 December 2015 (2014: Nil).

4. Subsequent Events

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.

5. Fair Value Measurements of Financial Instruments

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

The following table presents the Trust's financial assets measured at fair value as at 31 December and 30 June:

	Level 1	Level 2	Level 3	Total balance
	\$	\$	\$	\$
As at 31 December 2015				
Financial assets	1,605,767	-	18,639,610	20,245,377
As at 30 June 2015				
Financial assets	1,495,447	-	16,314,298	17,809,745

(ii) 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 31 December and 30 June:

	\$
As at 31 December 2015	
Balance at the beginning of the year	16,314,298
Additions	641,051
Returns of capital	(1,540,290)
Fair value movements	3,224,551
Balance at the end of the period	<u>18,639,610</u>
As at 30 June 2015	
Balance at the beginning of the year	12,007,979
Additions	1,100,000
Return of capital	(2,239,457)
Fair value movements	5,445,776
Balance at the end of the year	<u>16,314,298</u>

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Notes to the Financial Statements

For the Half-year Ended 31 December 2015

6. 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.

7. Trust Details

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

8. 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.

9. Statement of Significant Accounting Policies

The Trust is a managed investment scheme registered in Australia.

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.

Basis of preparation

The financial statements are general-purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IFRS IAS 34 *Interim Financial Reporting*.

The financial statements do not include full disclosure of the type normally included in an annual financial report. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by the Trust during the half-year.

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 and financial instruments for which the fair value basis of accounting interim reporting has been applied.

The accounting policies adopted are consistent with those of the previous financial year.

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Notes to the Financial Statements

For the Half-year Ended 31 December 2015

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.

Comparative figures

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

New Accounting Standards and Interpretations

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 Trust is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

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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 AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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, 14 March 2016



Independent Review Report to the Investors of Bakehouse Quarter Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bakehouse Quarter Trust (“the Trust”) which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows for the half-year ended on that date, selected accompanying notes to the financial statements and the director's declaration for the half-year ended on that date.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2015 and its performance for the half-year ended on that date and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Independent Review Report to the Investors of Bakehouse Quarter Trust

Conclusion

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

- (a) giving a true and fair view of the financial position of the Trust as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*,

Dated at Sydney the 14th day of March 2016

ESV Accounting and Business Advisors

Tim Valtwies
Partner

Bakehouse Quarter Trust

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GLOSSARY

Property	Bakehouse Quarter
BlackWall	BlackWall Property Funds Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
BPF3	BlackWall Penrith Fund No.3
BWR	BlackWall Property Trust
FSR	Floor space ratio
FVTPL	Fair value through profit and loss
GST	Goods and services tax
IFRS	International Financial Reporting Standards
Kirela	Kirela Development Unit Trust
NLA	Net lettable area
p.a.	Per annum
PBT	Pymont Bridge Trust
PIPES	Property Income and Participating Equity Securities BlackWall Fund Services Limited
Responsible Entity	
ROC	Returns of capital
Trust / BQT	Bakehouse Quarter Trust
Woods	Woods PIPES Fund