



Bakehouse Quarter Trust



Interim Financial Statements For the Half-year Ended 31 December 2016



Bakehouse Quarter Trust
ARSN 162 705 455

Responsible Entity: BlackWall Fund Services Limited
ABN 39 079 608 825

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The Bakehouse Quarter Trust (BQT) is a unit trust registered as a managed investment scheme. At 31 December 2016 the Trust had 2.1 million units on issue, gross assets of \$17 million and no debt giving rise to net tangible assets (NTA) of \$7.86 per unit. The Trust commenced operation in 2011 and at the time its NTA was \$3.08 per unit. **Since commencement BQT has generated an IRR of 21% per annum.**

As its name suggests the Trust was formed to allow retail investors to hold an investment in the Bakehouse Quarter at North Strathfield in Sydney. In the past few years the Trust has taken advantage of a number of other investment opportunities, which arose from its Bakehouse position. These opportunities along with returns from the Bakehouse Quarter itself have generated the Trust's IRR performance.

This report gives details of the Trust's financial position at 31 December 2016 and, more importantly, sets out a repositioning of the Trust and explains a number of completed and impending transactions. In short, the Directors have resolved to distribute the value reflected in the "non-Bakehouse" investments returning the Trust to its original purpose, that is, a "pure-play" investment in the Bakehouse Quarter.

At 31 December 2016 (the balance date) the Trust held the following investments:

The Bakehouse Quarter	\$14.5 million
The Woods Action Centre	\$1.1 million
55 Pymont Bridge Road	\$1.1 million

Subsequent to the balance date, BQT sold its position in both the Woods and Pymont to the BlackWall Property Trust (ASX: BWR) in exchange for BWR units. The pricing of this transaction was at NTA for the assets BQT was selling, that is, \$2.2 million in exchange 1.86 million BWR units (equating to \$1.22 per BWR unit). BWR's audited NTA is \$1.27 per unit and its units have traded at a VWAP of \$1.22 since 31 December 2016.

As a consequence BQT now only holds 53,779 Kirela units and 1.86 million BWR units. In the coming weeks BQT will distribute its BWR units in-specie, that is, for each BQT unit you hold you will receive approximately 0.87 BWR units (rounded up to the nearest whole unit) and BQT's remaining investment will be only Kirela units. After the in-specie distribution BQT will have an NTA of \$6.82 per unit. You should seek your own taxation advice, however, the likely outcome of this transaction is that the cost base of your BQT units will reduce by the value of the BWR units you receive.

BWR pays distributions semi-annually and as the units are listed on the ASX they can be offered for sale through the market. Contemporaneously with the in-specie distribution BQT investors will receive an offer to swap their BQT units for more BWR units. This offer allows investors to swap their unlisted BQT investment for more BWR units. BWR units may suit some investors better than BQT units in that they:

- Are listed on the ASX and can be offered for sale at a time of the investors' choosing;
- Are paying more regular distributions (semi-annual);
- Give investors an interest in the Bakehouse Quarter (BWR has over \$20 million invested in the Bakehouse and intends to grow this position) plus an interest in a more diverse portfolio of real estate managed by BlackWall.

More information on the offer will be sent to unit holders in the coming weeks.

Directors' Report

SIGNIFICANT CHANGES IN AFFAIRS

Other than as set out in this report, 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 year 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
Tim Brown, Company Secretary from 23 September 2016
Caroline Raw, Company Secretary until 23 September 2016

EVENTS SUBSEQUENT TO REPORTING DATE AND LIKELY DEVELOPMENTS

Other than the matters set out in this report, since the end of the financial year there have been no other matters or circumstances arising 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

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 2017

Auditor's Independence Declaration

ACCOUNTING AND
BUSINESS ADVISORS



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 2016, 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 13th day of March 2017

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

ESV Accounting and Business Advisors

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

Tim Valtwies
Partner

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Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	DECEMBER 2016 \$	DECEMBER 2015 \$
Interest	10	13
Distribution income	35,280	5,217
Unrealised gain on revaluation of Kirela units	174,972	3,224,551
Gain on revaluation of BWR units	-	183,866
Total Revenue	210,262	3,413,647
Responsible entity management fees	(64,165)	(57,298)
Compliance fees	(20,747)	(11,162)
Administration expenses	(1,097)	(11,863)
Finance costs	(191)	(261)
Profit for the Period	124,062	3,333,063
Total Comprehensive Income	124,062	3,333,063

Statement of Financial Position

AS AT 31 DECEMBER 2016

ASSETS

Current Assets

	NOTE	DECEMBER 2016 \$	JUNE 2016 \$
Cash		7,146	539
Distribution receivable		15,640	-
Held for sale – investment in Pymont Bridge Trust	1	1,100,000	-
Held for sale – investment in The Woods	1	1,110,000	-
Total Current Assets		2,232,786	539

Non-current Assets

Investment in Kirela Development Unit Trust		14,520,330	16,974,630
Investment in Pymont Bridge Trust		-	1,000,000
Investment in The Woods		-	2,510,000
Total Financial Assets	1	14,520,330	20,484,630
Total Non-current Assets		14,520,330	20,484,630
TOTAL ASSETS		16,753,116	20,485,169

LIABILITIES

Current Liabilities

Trade and other payables		20,158	21,973
Total Current Liabilities		20,158	21,973
NET ASSETS		16,732,958	20,463,196
Unitholders' fund		7,358,170	9,743,344
Retained profits		9,374,788	10,719,852
TOTAL EQUITY		16,732,958	20,463,196

Statement of Changes in Net Assets Attributable to Unitholders

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NUMBER OF UNITS ON ISSUE	UNITHOLDERS' FUND \$	RETAINED PROFITS \$	TOTAL \$
Balance at 1 July 2016	2,623,867	9,743,344	10,719,852	20,463,196
Profit	-	-	124,062	124,062
Total comprehensive income for the period	-	-	124,062	124,062
Transactions with owners in their capacity as owners				
- Redemption of capital	(493,730)	(2,385,174)	(1,469,126)	(3,854,300)
Balance at 31 December 2016	2,130,137	7,358,170	9,374,788	16,732,958
Balance at 1 July 2015	2,663,771	10,702,297	7,058,250	17,760,547
Profit	-	-	3,333,063	3,333,063
Total comprehensive income for the period	-	-	3,333,063	3,333,063
Transactions with owners in their capacity as owners				
- Returns of capital	-	(659,704)	-	(659,704)
- Redemption of capital	(24,957)	(199,656)	-	(199,656)
Balance at 31 December 2015	2,638,814	9,842,937	10,391,313	20,234,250

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
Cash Flows from Operating Activities		
Returns of capital from Kirela units	174,972	1,540,290
Returns of capital from BWR units	-	73,547
Distribution received	19,640	5,217
Interest received	10	13
Payment of expenses	(88,015)	(94,084)
Net Cash Flows from Operating Activities	106,607	1,524,983
Cash Flows from Investing Activities		
Payments for PBT units (2015: Woods PIPES Fund units)	(100,000)	(100,000)
Net proceeds from sale of BlackWall Penrith Fund No.3 units	-	(541,051)
Net Cash Flows from/(Used in) Investing Activities	(100,000)	(641,051)
Cash Flows from Financing Activities		
Returns of capital to unitholders	-	(659,367)
Payment for redemption of units	-	(199,656)
Net Cash Flows Used in Financing Activities	-	(859,023)
Net Increase in Cash Held	6,607	24,909
Cash and cash equivalents at the beginning of year	539	962
Cash and Cash Equivalents at the End of Year	7,146	25,871

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| 1 | FINANCIAL ASSETS AT FVTPL

December 2016	Current Held for Sale \$	Non-current Investment \$	Total \$
Kirela Development Unit Trust	-	14,520,330	14,520,330
Pymont Bridge Trust	1,100,000	-	1,100,000
Woods PIPES Fund	782,000	-	782,000
WRV Unit Trust	328,000	-	328,000
Total	2,210,000	14,520,330	16,730,330

June 2016	Current Held for Sale \$	Non-current Investment \$	Total \$
Kirela Development Unit Trust	-	16,974,630	16,974,630
Pymont Bridge Trust	-	1,000,000	1,000,000
Woods PIPES Fund	-	2,182,000	2,182,000
WRV Unit Trust	-	328,000	328,000
Total	-	20,484,630	20,484,630

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.

Pymont Bridge Trust (PBT)

PBT controls an office, media and technology hub on the Western fringe of Sydney's CBD known as 55 Pymont Bridge Road, Pymont.

Woods PIPES Fund and WRV Unit Trust (The Woods Action Centre)

WRV Unit Trust is a unit trust that owns The Woods Action Centre, Villawood in Sydney. Woods PIPES Fund also holds a mezzanine interest in the property.

Both investments in PBT and The Woods Action Centre have been reclassified from Non-Current Financial Assets at FVTPL to Current Assets in these financial statements. Refer to Subsequent

Events for further details.

Further information on all of these properties is contained in the Directors' Report.

| 2 | DISTRIBUTIONS

During the period, no distributions have been paid by the Trust (2015: \$659,704 by way of return of capital 25 cents per unit).

| 3 | SUBSEQUENT EVENTS

In February 2017, BWR acquired all of BQT's holdings in PBT, WRV and Woods PIPES Fund on an NTA for NTA basis, by way of issuing 1.86 million BWR units. BQT will then distribute in-specie all of the BWR units it holds.

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

| 4 | 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 30 June.

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL BALANCE \$
As at 31 December 2016				
Financial assets	-	-	16,730,330	16,730,330
As at 30 June 2016				
Financial assets	-	-	20,484,630	20,484,630

(ii) Reconciliation of movements (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3. Refer to the Critical Accounting Estimates and Judgments note for valuation method.

	\$
As at 31 December 2016	
Balance at the beginning of the year	20,484,630
Additions	100,000
Return of capital	(174,972)
Redemption of capital	(3,854,300)
Fair value movements	174,972
Balance at the end of the period	16,730,330

As at 30 June 2016	
Balance at the beginning of the year	16,314,298
Additions	2,410,000
Return of capital	(1,634,594)
Fair value movements	3,394,926
Balance at the end of the year	20,484,630

| 5 | 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.

| 6 | TRUST DETAILS

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

| 7 | 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.

| 8 | STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Trust is a registered managed investment scheme registered in Australia.

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

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 2016 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.

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.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. 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.

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.

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 2016 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 2017

Independent Auditor's Review Report

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ACCOUNTING AND
BUSINESS ADVISORS



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 2016, 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 2016 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.

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Independent Auditor's Review Report

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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 2016 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 2017

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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Property	Bakehouse Quarter
BlackWall	BlackWall Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
BWR	BlackWall Property Trust
FVTPL	Fair value through profit and loss
IFRS	International Financial Reporting Standards
Kirela	Kirela Development Unit Trust
p.a.	Per annum
PBT	Pyrmont Bridge Trust
PIPES	Property Income and Participating Equity Securities
Responsible Entity	BlackWall Fund Services Limited
ROC	Returns of capital
Trust / BQT	Bakehouse Quarter Trust
The Woods Action Centre	Woods PIPES Fund