

Bakehouse Quarter Trust

ARSN 162 705 455

Interim Financial Statements

Half-year Ended 31 December 2017

Bakehouse Quarter Trust

ARSN 162 705 455

Responsible Entity: BlackWall Fund Services Limited

ABN 39 079 608 825

50 Yeo Street, Neutral Bay NSW 2089

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Directors' Report

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

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.

Late in the 2017 financial year BlackWall negotiated a call option under which the counterparty:

- has the right to purchase the relevant parts of the Bakehouse Quarter for a price of \$380 million;
- has paid a non-refundable option fee of \$38 million;
- may exercise the option at any time between 1 July 2018 and 31 August 2018; and
- may nominate a third party to complete the purchase.

If the option is exercised, completion of the ensuing property sale is contracted to occur within 2 months of the exercise date and the option fee is deducted from the purchase price. If the counterparty does not exercise the option before 31 August 2018, then Kirela will retain the property and the option fee paid.

At 31 December to reflect the sale transaction, the underlying property value has been adjusted to \$325 million (plus a net \$28 million option fee paid). The position has also been reclassified as a current asset.

The profit for the Trust for the period ended 31 Dec 2017 was \$2,409,445 (December 2016: \$124,062)

Distributions

During the period \$575,137 in distributions have been paid by the Trust (December 2016: nil).

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
Sophie Gowland, Company Secretary

Events Subsequent to Reporting Date and Likely Developments

Other than the matters set out in this report, since the report date 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.

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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.

A handwritten signature in black ink, consisting of a stylized, cursive 'S' followed by a horizontal line extending to the right.

Stuart Brown

Director

Sydney, 14 March 2018



AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BAKEHOUSE QUARTER TRUST

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 2017, 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 14th day of March 2018

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

Bakehouse Quarter Trust

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Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2017

	December 2017	December 2016
	\$	\$
Interest	36	10
Distribution income	-	35,280
Unrealised gain on revaluation of Kirela units	2,473,834	174,972
Total Revenue	2,473,870	210,262
Responsible entity management fees	(59,758)	(64,165)
Compliance fees	(3,833)	(20,747)
Administration expenses	(593)	(1,097)
Finance costs	(241)	(191)
Total Expenses	(64,425)	(86,200)
Profit for the Period	2,409,445	124,062
Other comprehensive income	-	-
Total Comprehensive Income for the Period	2,409,445	124,062

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 31 December 2017

	Note	December 2017 \$	June 2017 \$
ASSETS			
Current Assets			
Cash		34,087	15,081
Investment in Kirela Development Unit Trust	1	20,866,253	-
Total Current Assets		20,900,340	15,081
Non-current Assets			
Investment in Kirela Development Unit Trust	1	-	18,392,419
Total Non-current Assets		-	18,392,419
TOTAL ASSETS		20,900,340	18,407,500
LIABILITIES			
Current Liabilities			
Trade and other payables		26,107	16,703
Loan from Kirela	1	1,158,939	509,812
Total Current Liabilities		1,185,046	526,515
NET ASSETS		19,715,294	17,880,985
Unitholders' fund		4,434,449	5,009,586
Retained profits		15,280,845	12,871,399
TOTAL EQUITY		19,715,294	17,880,985

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Statement of Changes in Net Assets Attributable to Unitholders

For the Half-year Ended 31 December 2017

	Number of Units on Issue	Unitholders' Fund \$	Retained Profits \$	Total \$
Balance at 1 July 2017	2,130,137	5,009,586	12,871,400	17,880,986
Profit for the period	-	-	2,409,445	2,409,445
Other comprehensive income	-	-	-	-
Redemption of capital	-	-	-	-
Returns of capital	-	(575,137)	-	(575,137)
Balance at 31 December 2017	2,130,137	4,434,449	15,280,845	19,715,294
Balance at 1 July 2016	2,623,867	9,743,344	10,719,852	20,463,196
Profit for the period	-	-	124,062	124,062
Other comprehensive income	-	-	-	-
Redemption of capital	(493,730)	(1,684,267)	(1,995,061)	(3,679,328)
Returns of capital	-	-	-	-
Balance at 31 December 2016	2,130,137	8,059,077	8,848,853	16,907,930

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Statement of Cash Flows

For the Half-year Ended 31 December 2017

	2017	2016
	\$	\$
Cash Flows from Operating Activities		
Distribution received	-	19,640
Interest received	36	10
Payment of expenses	(55,020)	(88,015)
Net Cash Flows Used in Operating Activities	(54,984)	(68,365)
Cash Flows from Investing Activities		
Payments for PBT units	-	(100,000)
Net Cash Flows Used in Investing Activities	-	(100,000)
Cash Flows from Financing Activities		
Returns of capital to unitholders	(575,137)	-
Proceeds from loan from Kirela	649,127	174,972
Net Cash Flows From Financing Activities	73,990	174,972
Net Increase in Cash Held	19,006	6,607
Cash and cash equivalents at the beginning of year	15,081	539
Cash and Cash Equivalents at the End of Year	34,087	7,146

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Notes to the Financial Statements

For the Half-year Ended 31 December 2017

1. Financial Assets at FVTPL

December 2017

	Current Investment	Total
	\$	\$
Kirela Development Unit Trust	20,866,253	20,866,253
Total	20,866,253	20,866,253

June 2017

	Non-current Investment	Total
	\$	\$
Kirela Development Unit Trust	18,392,419	18,392,419
Total	18,392,419	18,392,419

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.

Late in the 2017 financial year BlackWall negotiated a call option under which the counterparty:

- has the right to purchase the relevant parts of the Bakehouse Quarter for a price of \$380 million;
- has paid a non-refundable option fee of \$38 million;
- may exercise the option at any time between 1 July 2018 and 31 August 2018; and
- may nominate a third party to complete the purchase.

If the option is exercised, completion of the ensuing property sale is contracted to occur within 2 months of the exercise date and the option fee is deducted from the purchase price. If the counterparty does not exercise the option before 31 August 2018, then Kirela will retain the property and the option fee paid.

To reflect the sale transaction, the underlying property value is adjusted to \$325 million (plus a net \$28 million option fee paid). The position has also been reclassified as a current asset.

The loan from Kirela represents payments made by Kirela to its unitholders as advances against future income. As the future income is distributed this loan will be eliminated.

2. Distributions

During the period \$575,137 in distributions have been paid by the Trust (December 2016: nil).

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Notes to the Financial Statements

For the Half-year Ended 31 December 2017

3. Subsequent Events

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.

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 31 December.

	Level 1	Level 2	Level 3	Total balance
	\$	\$	\$	\$
As at 31 December 2017				
Financial assets	-	-	20,866,253	20,866,253
As at 30 June 2017				
Financial assets	-	-	18,392,419	18,392,419

(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 2017	
Balance at the beginning of the year	18,392,419
Additions	-
Return of capital	-
Redemption of capital	-
Fair value movements	2,473,834
Balance at the end of the period	<u>20,866,253</u>
As at 30 June 2017	
Balance at the beginning of the year	20,484,630
Additions	422,674
Sales and redemptions	(6,534,676)
Fair value movements	4,019,791
Balance at the end of the year	<u>18,392,419</u>

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Notes to the Financial Statements

For the Half-year Ended 31 December 2017

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 2017 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 2017

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.

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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 2017 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 2018



INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS 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 2017, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, selected accompanying notes to the financial statements and the director's declaration.

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 internal 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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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*.



INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF BAKEHOUSE QUARTER TRUST

Opinion

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 2017 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 2018

ESV Accounting and Business Advisors

Tim Valtwies
Partner

Bakehouse Quarter Trust

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GLOSSARY

Property	Bakehouse Quarter
BlackWall	BlackWall Limited and, where applicable, its subsidiaries (including BlackWall Fund Services Limited)
FVTPL	Fair value through profit and loss
IFRS	International Financial Reporting Standards
Kirela	Kirela Development Unit Trust
p.a.	Per annum
Responsible Entity	BlackWall Fund Services Limited
ROC	Returns of capital
Trust / BQT	Bakehouse Quarter Trust