

ASX Release

21 February 2018

BWF & BWR half year results

BlackWall Limited (BWF)

BlackWall Limited has recorded a strong result for the six months to December 2017 with recurring revenue from WOTSO and the property/funds business up 35% on the corresponding period last year.

An interim fully franked dividend of 1.9 cents per share has been declared to be paid on 11 April 2018.

BWF December 2017	
Recurring Income up 35%	\$6.6 m
Performance Fees	\$8.1 m
NPAT	\$6.8m
EPS	11.5 cps
Net Asset Backing	49 cps

The \$6.8 million after tax profit includes a performance fee from the restructure of the wholesale investment trust controlling 55 Pyrmont Bridge Road and the accrual of a performance fee from the Penrith Fund No. 3. Since listing 7 years ago, BlackWall has generated over \$17 million in performance and transaction fees. At 31 December 2017, the company's net asset backing has grown to 49 cents per share.

"The property industry is benefitting from rising office rents and lower cap rates," said BlackWall CEO, Stuart Brown, "it remains to be seen if this will continue, however, as our activity is concentrated in turnaround urban renewal projects and the WOTSO rollout, we are creating new value rather than passive reliance on market movements."

In addition to the Pyrmont transaction, BlackWall completed the syndication of the building housing WOTSO Adelaide and is working towards completion of the sale of the Bakehouse Quarter to Yuhu Group.

BlackWall Property Trust (BWR)

BlackWall's listed property trust has posted a \$5.2 million profit for the half year to December 2017, declaring an **interim distribution of 5 cents per unit** to be paid on 9 April 2018. As the trust has significant carry forward tax losses, distributions are paid as returns of capital. "We have been moving the trust away from reliance on deals with corporates in big space to servicing a large number of smaller businesses and freelancers, both directly and through WOTSO" said Blackwall CFO Tim Brown, "not only does this spread leasing risk but it should generate better cash flow." Property income has grown 23% on the 2016 half year.

The trust holds a portfolio of predominantly commercial real estate which is valued on a weighted average fully-let yield of 8.3%. In addition, the trust takes positions in property investment structures managed by BlackWall. At the moment these positions are in 55 Pyrmont Bridge Road and the Bakehouse Quarter. Recently BWR has grown its control of the Pyrmont property to the extent that it has been consolidated onto the trust's balance sheet.

The sale of the Bakehouse Quarter, if it completes as expected in October 2018, will generate around \$30 million of cash and NTA uplift of 7 cents per unit. BWR's NTA at 31 December 2017 was \$1.41 per unit.

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BLACKWALL

Interim
Consolidated
Financial Report

Half Year Ended
December

2017



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Property Funds Management

In late 2017, BlackWall completed a restructure of the trust that controls 55 Pyrmont Bridge Road. The restructure converted the fixed term debt structure into an open-ended property investment vehicle. In addition, BlackWall, as manager, crystalized a significant performance fee.

Periodically BWF's funds management activities generate performance or transaction fees. These fees are either paid in cash or by way of investments in the relevant funds. In the case of Pyrmont, the fee translated to a \$10.5 million investment in the Pyrmont Bridge Trust.

In June 2017, BlackWall negotiated a call option arrangement in relation to the Bakehouse Quarter. Under the arrangement the purchaser, Yuhu Group, has paid a significant non-refundable option fee and if the option is exercised, settlement will occur before 31 October 2018. If the sale proceeds the investors in the ownership vehicle will have received a 15.4% per annum compound return over 21 years. The transaction does not include a \$15 million development site adjacent to the Bakehouse Quarter, the development of which BWF will continue to manage.

Balance Sheet Investments

BlackWall's balance sheet is used to generate investment return and secure opportunities for both BlackWall Property Funds and WOTSO. An example of this is the acquisition of WOTSO Adelaide which was syndicated off the BlackWall balance sheet to a small property investment fund managed by BlackWall. The same outcome is anticipated for WOTSO Fortitude Valley. As explained earlier, the Pyrmont restructure has led to BlackWall making a material investment in the Pyrmont Bridge Trust. BlackWall's net asset backing has grown 31% since June 2017.

WOTSO WorkSpace

Since the release of BWF's annual report, WOTSO has added three new sites - Bondi Junction in Sydney's east, Sippy Downs in Queensland and, most recently, WOTSO announced it had secured its latest operations in Brisbane. This 1,400 sqm facility is located in Westfield Chermside and is one of the first Australian collaborative workspaces in a super regional shopping centre.

At January 2018, annualised turnover is up 18% from June 2017. (NOTE – the new sites mentioned above are yet to begin contributing to revenue). In general, it can take up to 3 years for a new WOTSO to achieve economic maturity. Although rates can differ significantly from site to site, our mature sites should generate between \$700 and \$900 per square metre of gross floor area (GFA) per annum.

WOTSO
annualised turnover
\$8.2m

WOTSO
Gross Floor Area
22,000 sqm

**\$245
million**

of investment capital will
be released to fund
investors if the
Bakehouse sells

**\$17
million**

in one-off fees since
listing in Oct 2011

1.9 cps

interim dividend
to be paid
11 April 2018

49 cps

Net Asset
Backing

The WOTSO Business Case

Technology, corporate hot-desking and the proliferation of the freelance class have all combined to drive demand for the flexible workspace that WOTSO provides.

WOTSO is a real estate business - the hallmarks of a successful space are prominence, the nature of the physical asset and the amenities in and around it. The choice of building, design and layout are critical decisions for our business - we do not outsource these functions and they are an important part of our business IP. Further, when these decisions are executed well they constitute significant barriers to entry, particularly outside of the CBD.

The issues described above are consistent with the considerations of a business leasing office space on conventional terms. Where WOTSO, and businesses like it, approach things differently is to:

1. view the office space transaction as a value-add service; and
2. provide that service on flexible terms.

Both these factors allow WOTSO to drastically simplify the office leasing transaction, even reducing it to space by the desk per day. In doing so, we expose our customers to lower risk, can transact more quickly and generate greater margins. We feel that a significant percentage of the commercial office market will be offered on flexible terms permanently by WOTSO and its peers.

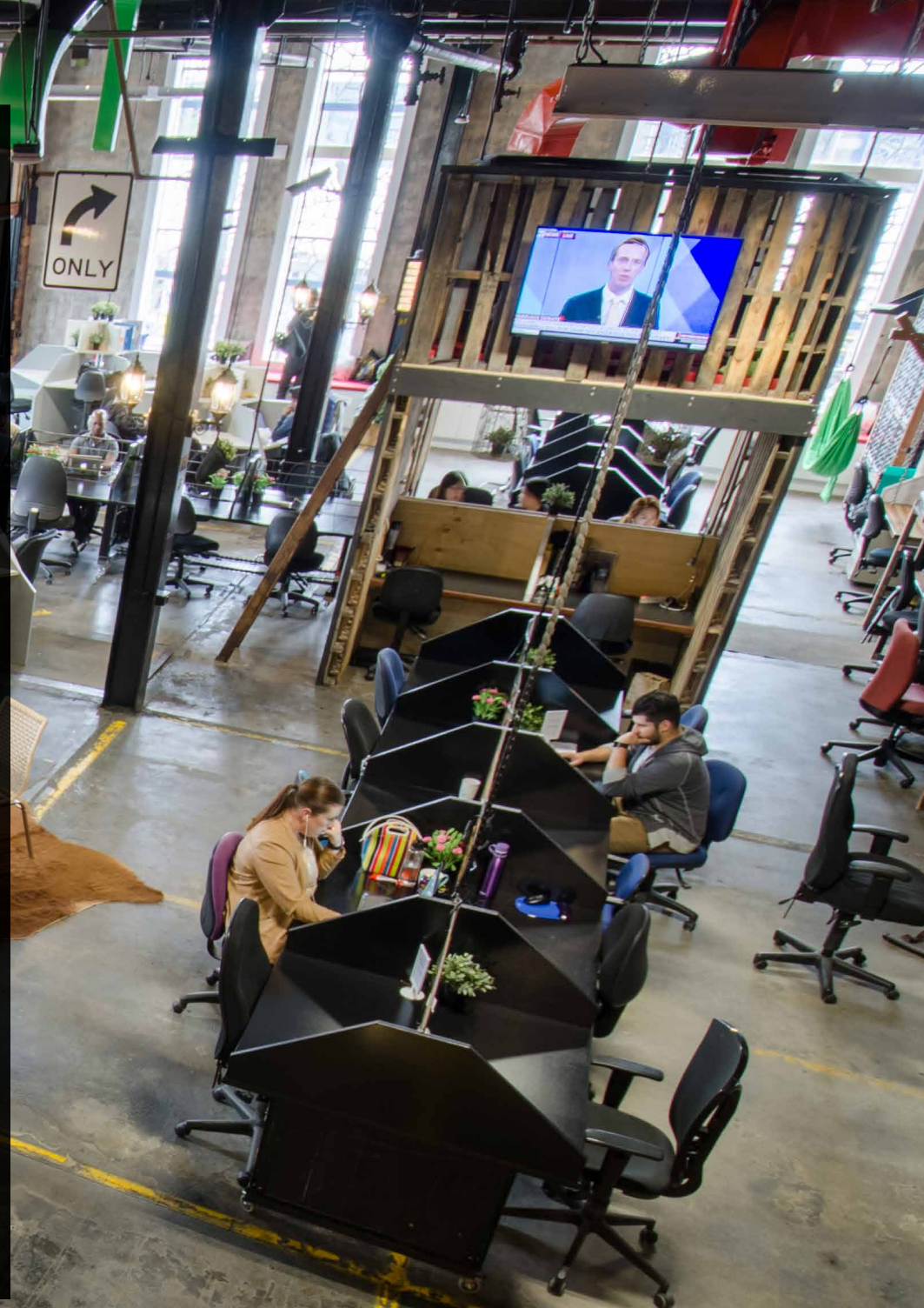
Share Buy-Back

The share buy-back scheme has been extended until March 2019. No shares have been acquired since 30 June 2017.

Subsequent Events and Significant Changes in Affairs

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

Directors' Report continues on page 16.



WOTSO Locations



SINGAPORE

AUSTRALIA

New South Wales

50 Yeo St, Neutral Bay, Sydney
55 Pyrmont Bridge Rd, Pyrmont, Sydney
5 George St, North Strathfield, Sydney
95b Station St, Penrith, Sydney
13 Bronte Road, Bondi Junction, Sydney

Queensland

194 Varsity Pde, Varsity Lakes, Gold Coast
84a Brunswick St, Fortitude Valley, Brisbane
Westfield Chermside, 395 Hamilton Road, Chermside
30 Chancellor Village Blvd, Sippy Downs

Australian Capital Territory

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

South Australia

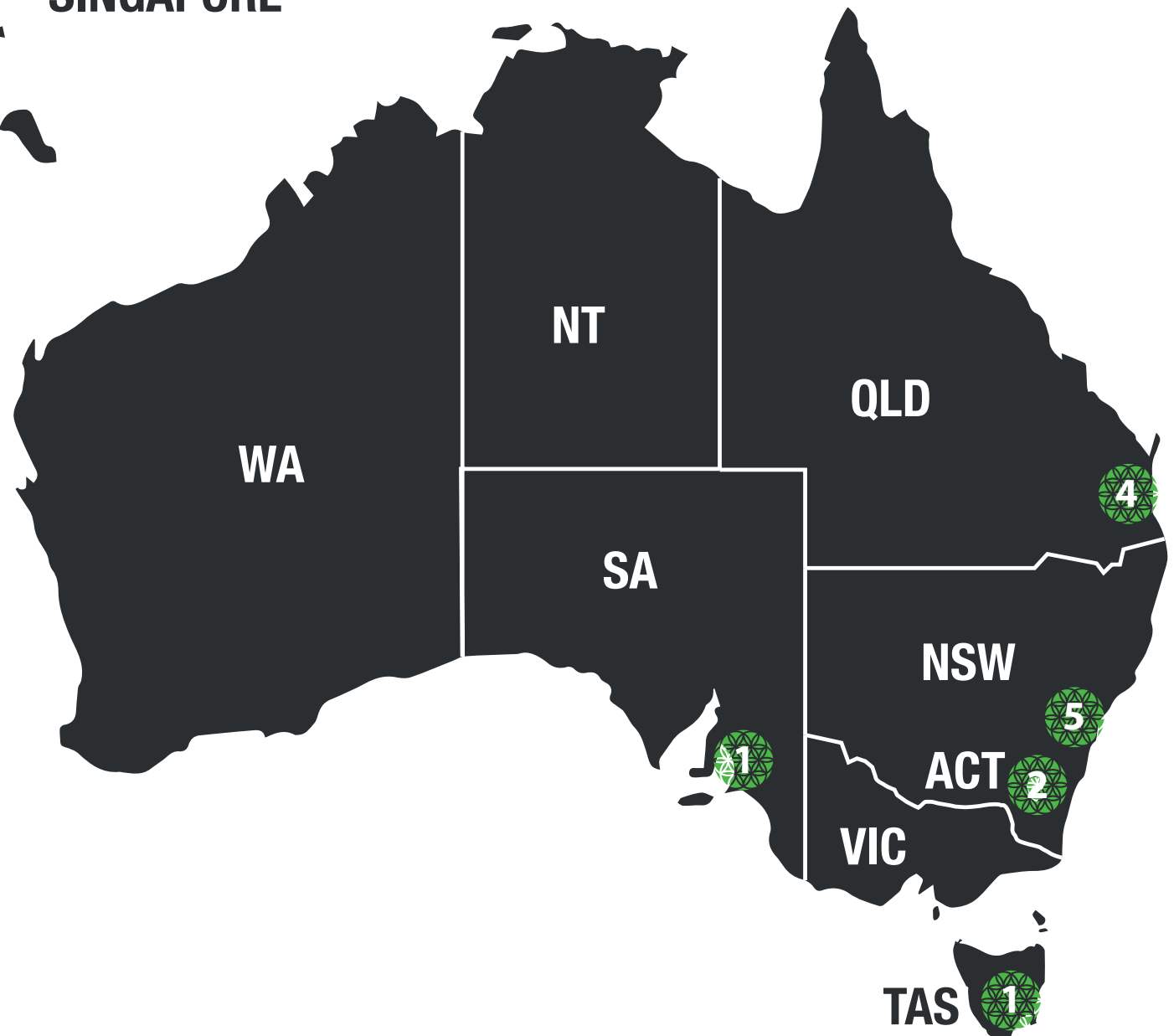
217-219 Flinders St, Adelaide

Tasmania

162 Macquarie St, Hobart

SINGAPORE

19 Cecil St, Singapore



Financial Statements

Consolidated Statement of Profit or Loss and other Comprehensive Income for the half year ended 31 December 2017

	NOTE	DECEMBER 2017 \$'000	DECEMBER 2016 \$'000
REVENUE			
WOTSO		3,784	2,714
BLACKWALL PROPERTY FUNDS			
Management fees		2,790	2,106
Performance and transactions	2	8,101	719
BLACKWALL PROPERTY FUNDS		10,891	2,825
INVESTMENT			
Net gain on investments	3	2,343	1,366
Property investment income		42	-
Investment income		1	64
INVESTMENT		2,386	1,430
TOTAL REVENUE		17,061	6,969
EXPENSES			
WOTSO expenses	4	(3,282)	(2,479)
BlackWall expenses	4	(2,941)	(2,340)
Property investment outgoings		(163)	(115)
Depreciation		(314)	(262)
Finance costs		(78)	(94)
Goodwill impairment	11	(1,042)	-
Other expenses		(75)	-
TOTAL EXPENSES		(7,895)	(5,290)
PROFIT BEFORE INCOME TAX		9,166	1,679
Income tax expense		(2,320)	(583)
PROFIT FOR THE PERIOD		6,846	1,096
Other comprehensive income		-	-
PROFIT AND OTHER COMPREHENSIVE INCOME		6,846	1,096
PROFIT AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		6,855	1,103
Outside equity interests		(9)	(7)
		6,846	1,096
EARNINGS PER SHARE			
CONTINUING OPERATIONS:			
Basic earnings per share	10	11.5 cents	2.0 cents
Diluted earnings per share	10	11.1 cents	1.9 cents

Consolidated Balance Sheet at 31 December 2017

	NOTE	DECEMBER 2017 \$'000	JUNE 2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,236	688
Trade and other receivables		1,079	529
Property - WOTSO Fortitude Valley, Qld	5	4,500	4,520
Property - WOTSO Adelaide, SA	5	-	3,180
TOTAL CURRENT ASSETS		7,815	8,917
NON-CURRENT ASSETS			
Investment in BWR		14,794	14,039
Investment in Pymont Bridge Trust		10,500	-
Investment in Bakehouse Quarter		810	714
Financial assets		107	132
Performance fees receivable		649	3,048
Property, plant and equipment		3,335	2,994
Goodwill		-	1,042
TOTAL NON-CURRENT ASSETS		30,195	21,969
TOTAL ASSETS		38,010	30,886
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,395	1,324
Current tax payable		2,332	17
Provision for employee benefits		445	574
WOTSO tenant deposits		101	129
Property borrowings	7	2,100	3,500
TOTAL CURRENT LIABILITIES		7,373	5,544
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,428	2,086
Provision for employee benefits		150	175
TOTAL NON-CURRENT LIABILITIES		1,578	2,261
TOTAL LIABILITIES		8,951	7,805
NET ASSETS		29,059	23,081
EQUITY			
Share capital	8	15,846	15,646
Reserves	8	27	21
Retained earnings		13,204	7,423
Outside Equity Interests		(18)	(9)
TOTAL EQUITY		29,059	23,081

Consolidated Statement of Cash Flows for the half year ended 31 December 2017

	DECEMBER 2017 \$'000	DECEMBER 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
BlackWall Property Funds receipts	3,663	1,843
WOTSO receipts	4,162	2,979
Distributions from Woods PIPES	-	64
Payments to suppliers and employees	(5,269)	(4,047)
WOTSO rent paid	(1,726)	(1,338)
Income tax paid	(855)	(158)
Payments for Brisbane and Adelaide outgoings	(121)	(115)
Interest paid	(78)	(94)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(224)	(866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Returns of capital from BWR	708	377
Purchase of BWR units	-	(1,004)
Payment for WOTSO property, plant and equipment	(484)	(1,015)
Payment for BlackWall property, plant and equipment	(389)	(91)
Net inflow from disposal of Adelaide	2,786	-
Loan repayment from Activlab	25	(50)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	2,646	(1,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,620
Proceeds from exercise of options	200	-
Dividend paid	(1,074)	(944)
Payment for capital raising costs	-	(121)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(874)	1,555
NET INCREASE / (DECREASE) IN CASH HELD	1,548	(1,094)
Cash and cash equivalents at the beginning of the year	688	1,965
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,236	871



Consolidated Statement of Changes in Equity for the half year ended 31 December 2017

	SHARES ON ISSUE NO.	ORDINARY SHARES \$'000	RETAINED EARNINGS \$'000	RESERVE \$'000	ATTRIBUTABLE TO OWNERS OF THE PARENT \$'000	OUTSIDE EQUITY INTERESTS \$'000	TOTAL \$'000
BALANCE AT 1 JULY 2017	59,102,445	15,646	7,423	21	23,090	(9)	23,081
Profit for the period	-	-	6,855	-	6,855	(9)	6,846
Dividend paid	-	-	(1,074)	-	(1,074)	-	(1,074)
Foreign currency reserve	-	-	-	6	6	-	6
Issue of shares	578,669	200	-	-	200	-	200
BALANCE AT 31 DECEMBER 2017	59,681,114	15,846	13,204	27	29,077	(18)	29,059
BALANCE AT 1 JULY 2016	52,340,445	11,733	5,371	-	17,104	-	17,104
Profit for the period	-	-	1,103	-	1,103	(7)	1,096
Dividend paid	-	-	(942)	-	(942)	-	(942)
Issue of shares	6,700,000	4,020	-	-	4,020	-	4,020
Transaction costs on share issue	-	(121)	-	-	(121)	-	(121)
Share options	-	-	-	16	16	-	16
BALANCE AT 31 DECEMBER 2016	59,040,445	15,632	5,532	16	21,180	(7)	21,173

Financial Statements - Notes

1. Segment Information

The segment information for the Group is as follows. For information on segment reporting, refer to the Statement of Significant Accounting Policies for more details.

PROFIT & LOSS DECEMBER 2017 (\$'000)	INCOME	GAINS	TOTAL REVENUE	EXPENSES	EBITDA	PRE-TAX PROFIT
WOTSO	3,784	-	3,784	(3,359)	425	249
BlackWall Property Funds	10,891	-	10,891	(3,718)	7,173	6,982
Investment	43	2,343	2,386	(425)	1,961	1,935
CONSOLIDATED	14,718	2,343	17,061	(7,502)	9,559	9,166

PROFIT & LOSS DECEMBER 2016 (\$'000)						
WOTSO	2,763	-	2,763	(2,471)	292	124
BlackWall Property Funds	2,776	-	2,776	(2,122)	654	466
Investment	64	1,366	1,430	(341)	1,089	1,089
CONSOLIDATED	5,603	1,366	6,969	(4,934)	2,035	1,679

	DECEMBER 2017			JUNE 2017		
BALANCE SHEET (\$'000)	ASSETS	LIABILITIES	NET ASSETS	ASSETS	LIABILITIES	NET ASSETS
WOTSO	3,531	(798)	2,733	3,262	(597)	2,665
BlackWall Property Funds	8,268	(6,530)	1,738	5,039	(1,621)	3,418
Investment	26,211	(1,623)	24,588	22,585	(5,587)	16,998
CONSOLIDATED	38,010	(8,951)	29,059	30,886	(7,805)	23,081

2. Performance and Transactions (\$'000)

	DECEMBER 2017	DECEMBER 2016
Performance - Pyrmont	7,885	-
Performance - Penrith	216	-
PERFORMANCE TOTAL	8,101	-
Capital raising - Pyrmont	-	200
Capital raising - BWR	-	451
Other	-	68
TRANSACTION TOTAL	-	719
TOTAL	8,101	719

3. Net Gain on Investments (\$'000)

	DECEMBER 2017	DECEMBER 2016
Unrealised gain on BWR	1,459	1,349
Unrealised gain on Bakehouse Quarter	103	-
Unrealised gain on Brisbane investment property	55	15
Realised gain on Adelaide investment property	726	2
TOTAL	2,343	1,366

4. Operating Expenses (\$'000)

	DECEMBER 2017	DECEMBER 2016
WOTSO rent expense	1,726	1,331
WOTSO employee expenses	464	237
WOTSO operating expenses	1,092	911
WOTSO EXPENSES	3,282	2,479
BlackWall rent expense	39	34
BlackWall employee & consultants expenses	2,287	1,681
BlackWall operating expenses	615	625
BLACKWALL EXPENSES	2,941	2,340

5. Current Assets – Investment Properties (\$'000)

	WOTSO BRISBANE	WOTSO ADELAIDE	TOTAL
31 DECEMBER 2017			
Balance at the beginning of year	4,520	3,180	7,700
Capital improvements	-	379	379
Revaluations	11	726	737
Depreciation	(31)	(85)	(116)
Disposal of Adelaide	-	(4,200)	(4,200)
BALANCE AT THE END OF PERIOD	4,500	-	4,500
30 JUNE 2017			
Balance at the beginning of year	4,500	3,000	7,500
Capital improvements	73	272	345
Revaluations	25	6	31
Depreciation	(78)	(98)	(176)
BALANCE AT THE END OF YEAR	4,520	3,180	7,700

6. Non-current Assets – Financial Assets

BlackWall Property Trust

BlackWall Property Trust (BWR) is an ASX-listed real estate investment trust managed by BlackWall. BlackWall holds 10.8 million BWR units (16%) which are held at the 31 December 2017 ASX closing price of \$1.37, that is, a holding value of \$14 million (June 2017: 10.8 million BWR units, \$14.0 million).

7. Investment Property Borrowings (\$'000)

	DECEMBER 2017	JUNE 2017
National Australia Bank	2,100	3,500
TOTAL	2,100	3,500

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

8. Share Capital and Reserves (\$'000)

(a) Summary table

	DECEMBER 2017	JUNE 2017
59,681,114 ordinary shares (June 2017: 59,102,445)	15,846	15,646
TOTAL	15,846	15,646

(b) Movement in shares on issue

	NO.	NO.
At the beginning of reporting period	59,102,445	52,340,445
Issue of new shares	578,669	6,762,000
AT REPORTING DATE	59,681,114	59,102,445

On 26 September 2017, 578,669 employee share options were exercised at a price of 35 cents. The proceeds of \$202,534 were all received in cash.

No further shares have been issued since 31 December 2017. No amounts are unpaid on any of the shares. Ordinary shares participate in dividends. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All shares are fully paid.

(c) Reserves

	DECEMBER 2017	JUNE 2017
Share options reserve	16	16
Foreign currency translation reserve	11	5
TOTAL	27	21

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

OPTIONS	EXPIRY DATE	EXERCISE PRICE	NUMBER
Stuart Brown	30 June 2018	\$0.35	1,359,331
Stuart Brown	14 July 2019	\$0.60	500,000
Other Employees	14 July 2019	\$0.60	1,575,000

On 20 February 2018 BlackWall dispatched a Notice of Meeting to shareholders seeking approval for an option package to certain key employees and directors. If this package is approved an additional 4.5 million options will be issued at a strike price of \$1 per share with an expiry date in February 2021.

9. Dividends

Fully franked dividends paid to members during the period ended 31 December were as follows:

	DECEMBER 2017 \$'000	DECEMBER 2016 \$'000
2017 final dividend of 1.8 cents paid on 20 October 2017 (2016 final: 1.8 cents)	1,074	942
TOTAL	1,074	942

In addition, the Board has declared an interim fully franked dividend of 1.9 cents per share to be paid on 11 April 2018.

10. Earnings Per Share

	DECEMBER 2017	DECEMBER 2016
Basic EPS	11.5 cents	2.0 cents
Diluted EPS	11.1 cents	1.9 cents
CALCULATED AS FOLLOWS:		
Profit attributable to the owners of the Group	\$6,855,000	\$1,103,000
Weighted average number of shares for basic EPS	59,406,009	55,981,749
Weighted average number of shares for diluted EPS	61,525,593	56,931,715

11. Contingencies and Impairment

The Group had no contingent assets or liabilities at 31 December 2017 (December 2016: \$nil). In January 2017 BlackWall acquired the issued share capital of Bakehouse Management Pty Limited. This transaction generated just over \$2 million of goodwill on the BlackWall balance sheet. In June 2017 BlackWall announced that it had negotiated a call option arrangement for the sale of the Bakehouse Quarter. BHM undertakes the property management for that property. As a consequence of the sale the goodwill generated has been fully impaired (just over \$1 million at June 2017 and the balance at 31 December 2017).

12. Subsequent Events

Apart from subsequent events disclosed in the Directors' report, 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 Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

13. Financial Instruments

(a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, 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 fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price.

The following table presents the Group's financial assets measured at fair value as at the reporting date. Refer to the Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AT 31 DECEMBER 2017 (\$'000)				
Financial assets	14,794	-	11,417	26,211
AT 30 JUNE 2017 (\$'000)				
Financial assets	14,039	-	846	14,885

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

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

(c) 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 for the following periods:

AT 31 DECEMBER 2017		\$'000
Balance at the beginning of the year		846
Purchase		10,500
Sale		(25)
Gain		96
BALANCE AT THE END OF THE PERIOD		11,417
AT 30 JUNE 2017		
Balance at the beginning of the year		151
Purchase		533
Sale		(26)
Gain		188
BALANCE AT THE END OF THE YEAR		846

There were no transfers between Level 1, 2 and 3 financial instruments during the period.

13. Critical Accounting Estimates and Judgments

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

Key estimates - impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors believed it appropriate to impair goodwill for the half year ended 31 December 2017.

Key estimates – financial assets

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

14. Statement of Significant Accounting Policies

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

Statement of Compliance

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 IFRS IAS 34 Interim Financial Reporting.

The financial statements do not include notes of the type normally included in annual financial statements. 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 Group during the half-year in accordance with the continuous disclosure obligations of the ASX listing rules.

Basis of Preparation

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

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.

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

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2017.

Going concern

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

Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group management and internal reporting structure. There is only one geographical segment being Australasia. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets

The Group has adopted three reporting segments: BlackWall Property Funds, WOTSO and Investment.

The BlackWall Property Funds segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Income earned by the BlackWall Property Funds segment includes recurring income from fund and asset management mandates and transaction-based income typically related to those mandates. Management treats these operations as one "fee earning" operating segment. The WOTSO segment represents the serviced office and co-working space business and generates recurring licence and services fees by providing office accommodation, shared workspace and meeting and event venues. The Investment segment includes interests in property related investments such as units in related party listed and unlisted unit trusts, loans and cash. It generates income from dividends, distributions and interest.

New Accounting Standards and Interpretations

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

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

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

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

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

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

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

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

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

Auditors Independence Declaration and Review Report

ACCOUNTING AND
BUSINESS ADVISORS

ESV

ACCOUNTING AND
BUSINESS ADVISORS

ESV

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

As auditor for the review of BlackWall Limited and Controlled Entities for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Dated at Sydney the 20th day of February 2018

ESV

ESV Accounting and Business Advisors

David Robinson
Partner

Independent Review Report to the Members of Blackwall Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Blackwall Limited and Controlled Entities ("the Group"), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on pages 6 to 13, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Group 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 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 Group'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 Blackwall Limited and Controlled Entities, 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 Group, 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 Review Report to the Members of Blackwall Limited and Controlled Entities

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 Blackwall Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position 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 21st day of February 2018

ESV Accounting and Business Advisors

David Robinson
Partner

Directors' Report Continued & Declaration

Officeholders of the Responsible Entity

The names of the Officeholders during or since the end of the period are set out below.

Richard Hill (Non-Executive Director and Independent Chairman)
Joseph (Seph) Glew (Non-Executive Director)
Robin Tedder (Non-Executive Director)
Stuart Brown (Executive Director and Chief Executive Officer)
Timothy Brown (Executive Director and Chief Financial Officer)
Sophie Gowland (Company Secretary)

Auditor

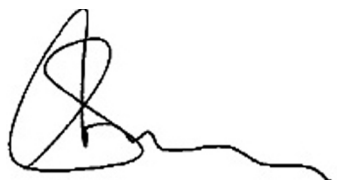
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

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

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Stuart Brown
Director

Sydney, 21 February 2018

In the Directors' opinion:

- (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 Group'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 Group will be able to pay its debts as and when they become due and payable.

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Stuart Brown
Director

Sydney, 21 February 2018



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