



BLACKWALL PROPERTY FUNDS

& Controlled Entities

ACN 14 693 5131 ABN 37 146 935 131



Annual Report

For The Year Ended 30 June 2011

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The Directors of BlackWall Property Funds Limited and its controlled entities ("BlackWall") present their report for the financial year ended 30 June 2011.

BlackWall was incorporated on 20 October 2010, however it did not commence operating until January 2011. Therefore all results and disclosures are in effect for the 6 months ended 30 June 2011.

PRINCIPAL ACTIVITIES

BlackWall was formed from the demerger of Pelorus Property Group Limited of its operating businesses to BlackWall in January 2011.

BlackWall is a vertically integrated property funds management business earning fee income from a full range of property related activities.

REVIEW OF OPERATIONS

The net result for BlackWall for the financial period ended 30 June 2011 was a profit after tax of \$0.9 million. BlackWall has lodged an application with the Australian Securities Exchange to be admitted to the official list.

SIGNIFICANT CHANGES IN AFFAIRS

This is BlackWall's first annual report, as such, there are no significant changes in affairs. As part of the ASX listing process BlackWall has lodged a prospectus (Prospectus) with the Australian Securities and Investment Commission. This document gives a detailed explanation of BlackWall's operations.

DIVIDENDS

There were no dividends paid or declared in the financial period ended 30 June 2011.

It is anticipated that BlackWall will commence paying dividends in the 2012 financial year.

EVENTS SUBSEQUENT TO REPORTING DATE AND LIKELY DEVELOPMENTS

Under the Prospectus, BlackWall offered up to 6,000,000 ordinary shares. These shares were allotted prior to balance date at 50 cents per share. After the balance date and following a determination by the ASX with respect to listing rules regarding shareholder spread, BlackWall issued a second prospectus. The aim of this prospectus was to re-price the offer under the Prospectus from 50 cents per share to 25 cents per share and invited further applications for shares in BlackWall. As a consequence of the repricing a total of 6,967,486 additional shares will have been allotted bringing the total shares on issue at listing to 51,326,021.

The names of the directors in office at any time during or since the end of the year are set out below. Unless otherwise stated, directors have been in office since the incorporation of the company (20 October 2010) to the date of this financial report.

Name	Special Experience	Position
Richard Hill	Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Prior to forming Hill Young, Richard held a number of senior executive positions in Hong Kong and New York with Hong Kong & Shanghai Banking Corporation (HSBC). He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited and a director of Biota Holdings Limited (all listed on the ASX). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research.	Non-Executive Director and Chairman
Seph Glew	<p>Seph has worked in the commercial property industry in NZ, the USA and Australia. Seph has driven large scale property development and financial structuring for over 30 years. In addition, since the early 1990s Seph has run many “turn-around” processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>Seph holds a Bachelor of Commerce Degree, and while working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer. In the 1980s he served as an executive director with New Zealand based property group Chase Corporation and as a non-executive director with a number of other listed companies in New Zealand and Australia. Seph is also the Executive Chairman of Pelorus Private Equity Limited.</p>	Non-Executive Director

Robin Tedder	<p>Robin has over 30 years experience in investment and financial markets. Robin manages private equity interests and is the Chairman of Vintage Capital Pty Ltd. He is a former member of the ASX and has served on the boards of several merchant banks in Australia and overseas, including Rand Merchant Bank Ltd, Kleinwort Benson Australia Ltd and Australian Gilt Securities Ltd (as CEO from 1988 to 1995). He is a director of Italtile Australia Pty Ltd (a national retailer under the CTM brand, and developer of bulky goods stores) and is also a Fellow of the Financial Services Institute of Australasia. Robin is also a director of Pelorus Private Equity Limited.</p>	Non-Executive Director
Stuart Brown	<p>Stuart has been involved in property investment for over 15 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over half a billion dollars. Stuart has worked in each of BlackWall Funds' business units with responsibilities across funds management, property services and finance. Stuart oversees all aspects of BlackWall Funds' operations.</p> <p>Previously, Stuart was Managing Director of formerly ASX listed Pelorus Property Group. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a director of Pelorus Private Equity Limited.</p>	Executive Director and Chief Executive Officer

Alex Breen was the Company Secretary from 20 October 2010 until 12 January 2011 when Don Bayly was appointed as the Company Secretary. Don has over 20 years compliance management experience.

ESV Chartered Accountants audits the company. Amounts paid to the auditor during the year are detailed at Note 24 of the financial statements.

MEETING ATTENDANCES

Attendance at the company's Board meetings held during the financial year from 20 October 2010 to 30 June 2011 are detailed below:

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

DIRECTORS' RELEVANT INTERESTS

As at the date of this report the directors' relevant interests in shares or options in the company are:

Director	Shares	Shares (%)
Richard Hill	1,643,686	3.20%
Seph Glew	7,471,586	14.56%
Robin Tedder	1,779,471	3.47%
Stuart Brown	672,230	1.31%

OPTIONS

There were no options granted during the year ended 30 June 2011.

The company has adopted an Employee Share Option Plan and an Employee Share Bonus Plan. No Employee Share Options or Employee Share Bonuses were granted during the year ended 30 June 2011.

REMUNERATION REPORT

The Board is responsible for determining the chief executive officer and senior executives' remuneration. The non-executive directors and chief executive officer determine employee remuneration.

When determining the remuneration of the chief executive officer, senior executives and employees the following is taken into consideration:

- Remuneration is aligned with the delivery of returns to shareholders;
- Responsibilities, results, innovation and entrepreneurial behavior are recognised and rewarded; and
- The company's financial position and market conditions.

The Board members have service agreements with the company. The remuneration payable under each service agreement is subject to review each year by the Board. There are no performance conditions within the service agreements for Board members or contracts for senior executives. Any performance payments are at the discretion of the Board.

The nature and the amount of each element of remuneration for key management personnel follows:

Remuneration for year ended 30 June 2011

	Short Term		Post Employment	
	Directors' Fees	Salary and Other	Superannuation	Total
	\$'000	\$'000	\$'000	\$'000
Stuart Brown	-	161	14	175
Robin Tedder	38	-	-	38
Richard Hill	42	-	-	42
Seph Glew	38	-	-	38
Tim Brown	-	88	8	96
TOTAL	118	249	22	389

Note: There was no remuneration provided to key management personnel for consulting, post employment retirement benefits, long term incentive plans or long term service.

NON-AUDIT SERVICES

Amounts paid to the auditor for non-audit services during the year are detailed at Note 24 of the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entities' operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

INDEMNITIES OF OFFICERS

During the financial period the company has paid premiums to insure each of the directors named in this report along with officers of that company against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a willful breach of duty.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the company.

Signed in accordance with a resolution of directors.



Stuart Brown
Chief Executive Officer

Dated at Sydney on the 28th day of September 2011.

ASX Corporate Governance Principles and Recommendations

The Board of directors of BlackWall is responsible for the corporate governance of the company. Given that BlackWall has applied to be listed, outlined below are the company's corporate governance practices for the financial year addressing the ASX Corporate Governance Council's Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

BlackWall operates with a flat management structure. Decisions at the Board level and the assessment of executive performance are based on reports received from the chief executive officer and the consideration of issues by executive, non-executive and independent directors at Board meetings.

The Remuneration Committee (or full Board in absence of Remuneration Committee) will oversee the performance evaluation of the executive team. This will be based on specific criteria, including the business performance of the company, whether strategic objectives are being achieved and the development of management and personnel. Performance reviews of senior executives have taken place during the reporting period and they were in accordance with the process above.

Principle 2: Structure the Board to add value

The directors monitor the business affairs of the company on behalf of shareholders with a specific focus on the profitability of business activities and the efficiency of its managers. In keeping with this consideration, Board positions are held by a majority of members who are significant shareholders and its Chairman is a significant shareholder. BlackWall has not therefore adopted recommendations 2.1 and 2.2 of the ASX Corporate Governance Council.

The Board is structured to ensure the efficient interaction between the Board and management. Specifically, the Board structure is as follows:

Non-Executive Board Members	Richard Hill (Chairman) Robin Tedder Seph Glew
Executive Board Member	Stuart Brown

The Board's primary focus is on driving returns to shareholders by growing Net Tangible Assets and earnings per share over the long term. The Board considers risk management and the ethical conduct of business. In this regard the Board has established the following sub-committees:

Audit Committee	Robin Tedder (Chairman) Seph Glew
Remuneration Committee	The Board notes that the remuneration and recruitment of key senior executives are issues that are fundamental to the performance of the company. As a consequence the Board has resolved that this issue will, when required, form part of the Board meeting agenda for consideration by all Board members.

The Board is structured with a combination of skills and experiences outlined in the "Information on Directors" section. The Board members' skills and experience are consistent with the business operations that BlackWall undertakes including:

- Structured finance and fund management
- Property management and leasing
- Property development.

BlackWall does not foresee the composition changing in the near future and therefore has not established a nomination committee. The Board considers that the independence of a director is not compromised simply by the fact that the director is a significant shareholder in the company or a significant investor in the company's projects. As a consequence the Board regards Robin Tedder and Richard Hill as independent directors notwithstanding that each is significantly invested in the company's projects, its shares or both.

Principle 3: Promote ethical and responsible decision making

BlackWall has a number of work groups that meet either weekly, fortnightly or monthly. Director and employee conduct and decision making is discussed at these meetings.

BlackWall has adopted a Code of Conduct, which can be accessed at the company's website when it lists. Directors and employees are encouraged to report any suspected unethical or irresponsible behavior to the Chief executive officer.

The company has adopted a Diversity Policy which can be accessed on the company's website when it lists.

	Women
Board Members	0%
Senior Executives	30%
Whole Organisation	50%

BlackWall has adopted a Trading Policy. BlackWall imposes restrictions on its directors and employees trading BlackWall securities when they are in possession of price-sensitive information that has not been published or made available to the general public.

Principle 4: Safeguard integrity in financial reporting

Financial reports are prepared by the chief financial officer in collaboration with senior management and the chief executive officer.

The Board has established an audit committee and adopted an Audit Charter. The Audit Committee consists of two non-executive directors. Given the composition of the Board and the size of the company, ASX Recommendation 4.2 is not complied with in all respects. While the members are arguably if not technically independent they possess the necessary experience for the position. The Board takes the view that the committee as constituted can discharge its role effectively without the undue expense of appointing three members and an independent chairman. The committee reviews the auditing process for half-yearly and annual reports and meets prior to, during and post the audit to discuss. During meetings the committee minutes its roles and responsibilities in regards to the audit addressing the need for a formal charter. The committee has direct access to the auditor during the auditing period and the auditor attends the committee meetings. The committee may make recommendations to the Board.

Principle 5: Make timely and balanced disclosures

BlackWall undertakes timely market disclosures. The chief executive officer in consultation with the Board will manage investor relations and the release of market sensitive information. Information is not published without at least two directors reviewing the disclosure or announcement. All relevant information will be published on the ASX and the company's website and any financial results released include commentary from directors. The company will maintain a timetable for its compliance and periodic disclosure requirements.

Principle 6: Respect the rights of shareholders

BlackWall undertakes a number of measures to ensure its shareholders are informed of its operations including:

- The executive director is available to meet or speak to shareholders;
- A non-executive director and chief executive officer make themselves available to independent research houses, brokers and other participants in the financial markets;
- Maintaining an "Investor Key Dates" section on its website and updating the website continually;
- Making available BlackWall's annual and half-yearly reports electronically via email and website;
- Enabling access to BlackWall's external auditor at the Annual General Meeting;
- Placing on its website all releases to the ASX and the media, and full notices of all meetings and company information on its website including access to archived information.

Principle 7: Recognising and managing risk

The company has adopted a Risk Management Policy. This policy outlines the key material risks faced by the company. BlackWall identifies and manages risk through a framework managed by the executive director. Risks are reported to the Board by management at each Board meeting and the Chairman may call an extraordinary meeting when circumstances require. The Board has received confirmation from the chief executive officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control.

Principle 8: Remunerate fairly and responsibly

The Board actively encourages and promotes efficiency, innovation and entrepreneurialism. Senior management meetings are held weekly to discuss issues and opportunities. The chief executive officer and senior executives are remunerated on the basis of the Board's consideration of the employee's responsibilities and performance, the company's financial position and market conditions. The role of the Remuneration Committee is carried out by the full Board. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Further details of the Board's approach to remuneration are detailed in the Remuneration Report, which reflects recommendation 8.3 of the ASX Corporate Governance Council.

As at 30 September 2011 the company's top 20 shareholdings were:

	Investor	Ordinary Shares ('000)	Share %
1	Vintage Capital Pty Limited	5,166	10.07%
=2	Hollia Pty Limited	4,308	8.39%
=2	Jagar Holdings Pty Ltd	4,308	8.39%
4	Sandhurst Trustees Ltd <Macarthurcook Psf A/C>	2,762	5.38%
5	Officium Investments Pty Ltd	1,336	2.60%
6	Kirela Pty Ltd	1,268	2.47%
7	Lymkeesh Pty Ltd	1,164	2.27%
8	Koonta Pty Ltd <Koonta Super Fund Account>	1,158	2.26%
9	Seno Management Pty Ltd	1,152	2.24%
10	Pelorus Property Group Ltd <Pelorus Pipes Trust No 5 A/C>	938	1.83%
11	Mr Richard Hill <Richard Hill Super Fund A/C>	874	1.70%
12	Jagar Property Consultants Pty Ltd	843	1.64%
13	Pinnatus Pty Ltd	807	1.57%
14	Methuselah Capital Management Pty Ltd <Feldman Family A/C>	805	1.57%
15	Glenahilty Pty Limited	772	1.50%
16	Tampopo Pty Ltd	754	1.47%
17	Castlebay Pty Ltd	679	1.32%
18	Jp Morgan Nominees Australia Limited <Multiplex Inc Upt Dom Inv Ac>	675	1.31%
19	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	595	1.16%
20	Trust Company Of Australia Ltd <Acf Diversified Prop Fund A/C>	592	1.15%

As at 30 September 2011 the distribution of shareholders by size of holding was:

Category	No. of Holders
1-1,000	293
1,001-5,000	713
5,001-10,000	275
10,001-100,000	253
100,001 and over	56
Total number of shareholders	1,590

BlackWall has 1,156 holders of less than a marketable parcel. The company has 51,326,021 ordinary shares on issue as at 30 September 2011. All shares carry one vote per share without restrictions. All shares are expected to be quoted on the Australian Securities Exchange (ASX Code: BWF).

BLACKWALL DETAILS

The company's details are as follows:

Registered Office	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Principal Place of Business	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	02 9033 8611
Fax	02 9033 8600
Website	www.blackwallfunds.com.au
Registry	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnson Street, Abbotsford, Victoria 3067 www.computershare.com.au

BLACKWALL PROPERTY FUNDS LIMITED
ABN 45 146 935 131

DIRECTORS' DECLARATION

In accordance with a resolution of directors of BlackWall Property Funds Limited, I state that:

In the opinion of the directors:

1. the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date;
 - (b) complying with Accounting Standards and Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. in the directors opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the notes to the financial statements.
4. the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2011

On behalf of the Board



Stuart Brown
Chief Executive Officer
BlackWall Property Funds Limited

Dated at Sydney on the 28th day of September 2011




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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

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

Dated at Sydney the 28th day of September 2011



ESV Chartered Accountants



Chris Kirkwood
Partner



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Independent Audit Report to the Members of Blackwall Property Funds Limited and Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report of Blackwall Property Funds Limited and Controlled Entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 20 October 2010 to 30 June 2011, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In the notes to the financial statements, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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


Independent Audit Report to the Members of Blackwall Property Funds Limited and Controlled Entities*Opinion*

In our opinion the financial report of Blackwall Property Funds Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (a)
 - (i) giving a true and fair view of the financial position of the Group for the period ended 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the financial statements.

Dated at Sydney the 29th day of September 2011


ESV Chartered Accountants


Chris Kirkwood
Partner



BlackWall Property Funds Limited and Controlled Entities

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Statement of comprehensive income

From the period 20 October 2010 to 30 June 2011*

	Note	Consolidated 2011 \$'000
Fund and asset management fees		1,426
Structuring and performance fees		595
Property management fees		1,383
Serviced office income		338
Investment income	3	96
Gain / (loss) on exchange differences		3
Total revenue		3,841
Business operating expenses	4	(2,557)
Finance costs	5	(25)
Loss on disposal of assets		(15)
Other expenses		(11)
Profit before income tax		1,233
Income tax (expense) / benefit	6(a)	(346)
PROFIT FOR THE YEAR		887
Other comprehensive income		
Foreign currency translation		1
Net loss on available-for-sale financial assets		(59)
Other comprehensive income for the year		(58)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		829
Profit attributable to:		
Owners of the company		859
Non-controlling interests		28
		887
Total comprehensive income attributable to:		
Owners of the company		800
Non-controlling interests		29
		829
Earnings Per Share:		
Continuing operations:		
Basic and diluted earnings per share for the 6 months to 30 June 2011		\$0.02

* Note: BlackWall Property Funds Limited was incorporated on 20 October 2010, however it did not commence operating until 1 January 2011.

BlackWall Property Funds Limited and Controlled Entities

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Statement of financial position

at 30 June 2011

		Consolidated 2011 \$'000
ASSETS	Note	
Current assets		
Cash and cash equivalents	7	675
Trade and other receivables	9	804
Other assets	16	7
Total current assets		<u>1,486</u>
Non-current assets		
Equity accounted investments	11	105
Financial assets	10(a)	11,475
Property, plant and equipment	14	677
Deferred tax assets	21	38
Intangible assets	15	411
Total non-current assets		<u>12,706</u>
TOTAL ASSETS		<u><u>14,192</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables	17	993
Current tax payable	21	338
Provisions	20	148
Total current liabilities		<u>1,479</u>
Non-current liabilities		
Other Payables	18	68
Borrowings	19	450
Provisions	20	8
Total non-current liabilities		<u>526</u>
TOTAL LIABILITIES		<u>2,005</u>
NET ASSETS		<u><u>12,187</u></u>
EQUITY		
Share capital	22	11,286
Retained Earnings		859
Reserves		(58)
Parent interest		12,087
Minority interest		100
TOTAL EQUITY		<u><u>12,187</u></u>

BlackWall Property Funds Limited and Controlled Entities

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Statement of changes in equity

From the period 20 October 2010 to 30 June 2011

	Ordinary shares \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Amounts recognised in equity relating to assets classified as available for sale \$'000	Attributable to owners of the parent \$'000	Non- controlling interest \$'000	Total \$'000
Consolidated							
Balance at 20 October 2010	-	-	-	-	-	-	-
Profit for the period	-	-	859	-	859	100	959
Other comprehensive income for the period	-	1	-	(59)	(58)	-	(58)
Issue of shares	11,423	-	-	-	11,423	-	11,423
Cost of issuing shares	(137)	-	-	-	(137)	-	(137)
Balance at 30 June 2011	11,286	1	859	(59)	12,087	100	12,187

BlackWall Property Funds Limited and Controlled Entities

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Statement of cash flows

From the period 20 October 2010 to 30 June 2011

	Consolidated
	2011
Note	\$'000
Cash flows from operating activities:	
Receipts from customers	3,933
Payments to suppliers and employees	(2,296)
Dividends and distributions received	5
Interest paid	(25)
Interest received	7
Income tax paid	(99)
Net cash provided by / (used in) operating activities	8(a) 1,525
Cash flows from investing activities:	
Proceeds from sale of investments	370
Purchase of property, plant and equipment	(147)
Acquisition of subsidiaries, net of cash acquired	187
Purchase of other investments	(222)
Loan repayments received from related parties	536
Loans repayments made to related parties	(1,531)
Net cash provided by / (used in) investing activities	(807)
Cash flows from financing activities:	
Proceeds from issue of shares	93
Transaction costs for issue of shares	(137)
Net cash provided by / (used in) financing activities	(44)
Net increase in cash and cash equivalents	674
Cash at beginning of the period	-
Effect of exchange rates on cash	1
Cash and cash equivalents at end of period	7(b) 675

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

General information

Introduction

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the economic entity of BlackWall Property Funds Ltd and Controlled Entities. BlackWall Property Funds Ltd is a public company, incorporated and domiciled in Australia.

The company was incorporated on 20 October 2010 and accordingly only current year figures covering the period from incorporation are shown.

Group Structure

BlackWall Property Funds Limited ("BlackWall") did not undertake any trading activities between its incorporation and 1 January 2011 when it became the parent entity of a group comprising itself and its controlled entities.

The BlackWall Group has been formed from the Demerger of Pelorus Property Group Limited ("Pelorus"). Up until 7 January 2011, Pelorus was an ASX listed property company with activities across the commercial, retail, industrial, self-storage and hospitality sectors. The Demerger involved the transfer by Pelorus of its operating businesses, on 1 January 2011, to BlackWall via an In-Specie transfer of BlackWall shares to Pelorus shareholders.

The In-Specie transfer occurred by way of capital reduction which was approved by shareholders of Pelorus at an extraordinary meeting held on 22 December 2010.

The financial statements for BlackWall and controlled entities for the year ended 30 June 2011 were authorised for issue in accordance with the resolution of the directors on 28 September 2011.

The financial statements of BlackWall and Controlled Entities comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

Basis of Preparation

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

Basis of Preparation (Continued)

The Group is a Group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going Concern

This financial report has 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.

1. Statement of Significant Accounting Policies

Presentation of financial statements

Presentation currency

Both the functional and presentation currency of BlackWall and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency is New Zealand Dollars, which is translated to presentation currency (refer to Foreign Currency Translation note below).

Principles of Consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of BlackWall and its subsidiaries as at 30 June 2011. A list of controlled entities is contained in Note 26 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies. Investments in subsidiaries held by BlackWall are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred (refer to Business Combination Note below).

Where controlled entities have entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

A controlled entity is an entity BlackWall has the power to control the financial and operating policies of so as to obtain benefits from its activities.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Non controlling interests

Non-controlling interests not held by the Group are allocated their share of net profit and comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity. Comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Critical accounting estimates and judgments

General

The directors evaluate estimates and judgements 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 raise no impairment provisions in the year ended 30 June 2011.

Financial asset provisions have been raised with reference to the prevailing prices at 30 June 2011 of available for sale assets measured at fair value with gains and losses recognised in other comprehensive income.

Foreign currency translation

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Property, Plant and Equipment

General Information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

Useful life

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	over 2 to 40 years
Office Equipment	over 2 to 5 years
Motor Vehicles	over 5 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within "other income" in profit and loss in the year the asset is derecognised.

Impairment of Asset

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Property, Plant and Equipment continued

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Loans and receivables

Loans and receivables including loans to related entities and to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Financial Instruments continued

Available-for-sale financial assets

The Group's investments in related party unlisted unit trusts are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets of each of the investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment or more frequently if circumstances indicate it might be impaired and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and that unit is disposed of, the goodwill associated with the unit disposed of is included in the carrying amount of the unit when determining the gain or loss on disposal of the unit. Impairment losses recognised for goodwill are not subsequently reversed.

As at 30 June 2011, the Goodwill in relation to the purchase of BlackWall subsidiaries has not been impaired.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. The Group generally deems they have significant influence if they have between 20% to 50% of the voting rights.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Interests in joint ventures

The Group has an interest in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interests in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of services by the jointly controlled operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Employee Benefits continued

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Revenue

Income from management fees in relation to managed investment schemes is recognised when it becomes legally due and payable to the Company.

Revenue from property services contracts is recognised monthly in arrears.

Investment income

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

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

Trust distributions are recognised when they are declared by the Trustee or responsible entity.

Foreign currency gains or losses are reported on a net basis.

All revenue is stated net of the amount of goods and services tax (GST).

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidations

BlackWall has elected to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime with effect from 1 January 2011. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is BlackWall Property Funds Limited.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Tax consolidations continued

In addition to its own current and deferred tax amounts, BlackWall Property Funds Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Application of new and revised standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

Application of new and revised standards continued

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Group has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;

AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2011. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2013 but the impact of its

New Accounting Standards and Interpretations not yet mandatory or early adopted continued

adoption is yet to be assessed by the Group.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Group.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Group.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Group.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Group when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the Group continues to have a continuing exposure to the asset after the sale.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

1. Statement of Significant Accounting Policies (Continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted continued

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Group is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

2. Segment Reporting

AASB 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 two reporting segments, Fund & Property Management and Investments. Following the acquisition of funds management operations, the Group's fee earning activities are primarily derived from property assets held within funds or held on balance sheet. As such the Groups operations and reporting lines are better represented by consolidating all of the fee earning operating property businesses within the Fund and Property Management segment and returns derived by holding investments in property securities under the segment referred to as Investments.

The Fund & Property management segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Management treats these operations as one "fee earning" operating segment.

The Investment segment includes interests in property related investments such as units in related party unlisted unit trusts, loans and cash. It generates income from dividends, distributions, and interest.

Transfer prices between business segments are set at an arms length basis.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

2. Segment Reporting (Continued)

	Fund / Property Management	Investments	Corporate	Consolidated Total
For the period 20 October 2010 to 30 June 2011	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	3,743	98	-	3,841
Inter-segment sales	531	-	-	531
Total segment revenue	4,274	98	-	4,372
Inter-segment eliminations				(531)
Total consolidated revenue				3,841
 Business operating expenses	(2,085)	(34)	(438)	(2,557)
Finance costs	(26)	-	-	(26)
Loss on sale of investments	-	(15)	-	(15)
Other expenses	(7)	-	(3)	(10)
Inter-segment expenses	(531)	-	-	(531)
Total segment expenses	(2,649)	(49)	(441)	(3,139)
Inter-segment eliminations				531
Total Consolidated Expenses				(2,608)
 Profit Before Income Tax	1,625	49	(441)	1,233
 Other Comprehensive Income				
Foreign currency translation	1	-	-	1
Net loss on available-for-sale financial assets	-	(59)	-	(59)
Total Comprehensive Income For The Year Before Income Tax	1,626	(10)	(441)	1,175
 As At 30 June 2011				
Segment Assets	2,716	11,476	-	14,192
Total Assets				14,192
 Segment Liabilities	(1,902)	(103)	-	(2,005)
Total Liabilities				(2,005)
 Net Assets	814	11,373	-	12,187

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

3. Revenue

		Consolidated
		2011
	Note	\$'000
Dividends and distributions		89
Finance income	5	7
Total investment income		<u>96</u>

4. Business Operating Expenses

	Consolidated
	2011
	\$'000
Employee & Consultants costs	1,822
Occupancy costs	456
Depreciation expenses	59
Administration expenses	220
Total investment income	<u>2,557</u>

5. Finance Income and Expenses

	Consolidated
	2011
	\$'000
Finance income	
Interest income on bank deposits	<u>7</u>
Total finance income	<u>7</u>
Finance expense:	
Interest expense on borrowings measured at amortised cost	<u>(25)</u>
Total finance expense	<u>(25)</u>
Net finance income and expense	<u>(18)</u>

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

6. Income Tax Expense

	Consolidated
	2011
	\$'000
Current tax	353
Relating to origination and reversal of temporary differences	10
Over/ (under) provision in prior year	(17)
Total income tax expense / (benefit)	<u>346</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	
Consolidated entity	367
Add:	
- Entertainment	1
- Penalties	1
Less:	
Tax effect of:	
- Costs of issuing equity	(8)
- Over provision in prior year	(15)
Income tax attributable to entity	<u>346</u>

7. Cash and Cash Equivalents

	Consolidated
	2011
	\$'000
Cash on hand	1
Cash at bank	674
Total cash and cash equivalents	<u>675</u>

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

7. Cash and Cash Equivalents (Continued)

(a) Effective Interest Rate

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

(b) Reconciliation of Cash

	Consolidated
	2011
	\$'000
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:	
Cash and cash equivalents	675
Cash and cash equivalents	675

8. Cash Flow Information

	Consolidated
	2011
	\$'000
Net income for the period	887
Non-cash flows in profit:	
Dividends and distributions	(84)
Unrealised (gains)/losses in foreign exchange	(3)
Depreciation	59
Loss on disposal of assets	15
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:	
(Increase)/decrease in trade and term receivables	(117)
(Increase)/decrease in other receivables	(108)
(Increase)/decrease in prepayments	3
(Increase)/decrease in related party loans	(138)
(Increase)/decrease in deferred tax balances	(4)
Increase/(decrease) in unearned revenue	17
Increase/(decrease) in trade payables and accruals	721
Increase/(decrease) in income taxes payable	252
Increase/(decrease) in provisions	25
Cashflow from operations	1,525

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

9. Trade and Other Receivables

Consolidated

2011

\$'000

CURRENT

Trade receivables:

Related parties

143

Other parties

534

Total trade receivables

677

Other receivables

127

Total trade and other receivables

804

10. Financial Assets

Consolidated

2011

\$'000

(a) Non-Current Financial Assets

Note

Loans and receivables

10(b)

742

Available for sale assets

10(c)

10,733

Total non-current financial assets

11,475

(b) Loans and Receivables

Loans and receivables to related parties

741

Loans and receivables to non related parties

1

Total non-current financial assets

742

(c) Available for Sale Financial Assets

Bakehouse Bonds

5,000

P-REIT Units

4,372

BlackWall Storage Fund Units

783

BlackWall Telstra House Trust Units

520

BlackWall Pub Fund Units

58

Total available for sale financial assets

10,733

The Bakehouse Bonds are CPI linked debt instruments secured against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The bond's face value of \$5 million is indexed to CPI and matures on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears from 1 July 2011

All other available for sale assets are investments in various managed investment schemes that members of the group act as responsible entity or investment manager for.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

11. Investments Accounted for Using the Equity Method

		Consolidated 2011 \$'000
	Note	
Interest in joint venture entity	12	5
Associated entities	12	100
Total investments		<u>105</u>

12. Associated Entities

Name	Principal Activities	Country of Incorporation	Ownership Interest 30 June 2011	Carrying Amount of Investment 30 June 2011
			%	\$'000
APG Asset Management Pty Ltd	Financial services and management company	Australia	50	5
Pelathon Management Group Pty Ltd	Pub management company	Australia	40	100
				<u>105</u>

On 1 January 2011, the Group acquired a 40% interest in Pelathon Management Group Pty Ltd, a pub management company incorporated in Australia. The company provides management services to the seven pubs in the BlackWall Pub Fund as well as two other external pubs. The consideration for the acquisition was \$100,000.

13. Acquisition of Subsidiaries

As part of the de-merger of Pelorus Property Group Limited a number of subsidiaries were acquired by BlackWall Property Funds Limited.

(a) Acquisition of BlackWall Management Services Pty Ltd (BMS)

On 1 January 2011, the Group acquired a 100% interest in BlackWall Management Services Pty Ltd (BMS). BMS holds a number of property management contracts and acts as the employer of the BlackWall Group employees.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

13. Acquisition of Subsidiaries (Continued)

	Recognised values on acquisition \$'000
Cash and cash equivalents	(204)
Trade and other receivables	303
Loans and receivables	492
Property plant and equipment	534
Deferred tax assets	34
Trade and other payables	(278)
Provisions – staff entitlements	(112)
Net identifiable assets and liabilities	769
	Consideration \$'000
BlackWall Property Funds Limited shares	800
Total consideration	800
Goodwill on acquisition	31
Net cash inflow:	Cash inflow / (outflow)
Cash acquired	(204)
Net cash outflow	(204)

- (i) 3,666,220 shares were used as consideration at \$0.22 per share.

Impact of acquisition on the results of the Group

Included in the profit for the period is (\$198,193) attributable to BMS. Revenue for the period includes \$1,270,848 in respect of BMS.

(b) Acquisition of WTSO Pty Ltd (WTSO)

On 1 January 2011, the Group acquired a 100% interest in WTSO Pty Ltd (WTSO). WTSO operates a serviced office business at a number of locations in Sydney.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

13. Acquisition of Subsidiaries (Continued)

Recognised values on acquisition \$'000

Cash and cash equivalents	(19)
Trade and other receivables	76
Loans and receivables	465
Trade and other payables	(22)
Net identifiable assets and liabilities	500

Consideration \$'000

BlackWall Property Funds Limited shares	500
Total consideration	500
Goodwill on acquisition	-

Net cash inflow:

Cash acquired

Cash inflow / (outflow)

(19)

Net cash outflow

(19)

- (i) 2,291,387 shares were used as consideration at \$0.22 per share.

Impact of acquisition on the results of the Group

Included in the profit for the period is \$111,645) attributable to WTSO. Revenue for the period includes \$337,684 in respect of WTSO.

(c) Acquisition of Capital Storage Services Pty Ltd (CSS)

On 1 January 2011, the Group acquired a 51% interest in Capital Storage Services Pty Ltd (CSS). CSS manages a number of Self Storage sites in the ACT.

Recognised values on acquisition \$'000

Cash and cash equivalents	37
Trade and other receivables	8
Trade and other payables	(9)
Provisions for income tax	(13)
Net identifiable assets and liabilities	74

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

13. Acquisition of Subsidiaries (Continued)

	Consideration \$'000
BlackWall Property Funds Limited shares	100
Total consideration	100
Goodwill on acquisition	26
Net cash inflow:	Cash inflow / (outflow)
Cash acquired	37
Net cash inflow	37

- (i) 458,277 shares were used as consideration at \$0.22 per share.

Impact of acquisition on the results of the Group

Included in the profit for the period is \$56,508 attributable to CSS. Revenue for the period includes \$273,327 in respect of CSS.

(d) Acquisition of TFML Limited (TFML)

On 1 January 2011, the Group acquired a 100% interest in TFML Limited (TFML). TFML holds the Groups Australian Financial Services Licence and provides responsible entity and asset management services to a number of property funds.

	Recognised values on acquisition \$'000
Cash and cash equivalents	3
Trade and other receivables	(20)
Investments	6,579
Property, plant and equipment	54
Trade and other payables	(73)
Loans and advances	(6,460)
Net identifiable assets and liabilities	83
	Consideration \$'000
BlackWall Property Funds Limited shares	400
Total consideration	400
Goodwill on acquisition	317

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

13. Acquisition of Subsidiaries (Continued)

Net cash inflow:	Cash inflow / (outflow)
Cash acquired	3
Net cash inflow	3

- (i) 1,833,110 shares were used as consideration at \$0.22 per share.

Impact of acquisition on the results of the Group

Included in the profit for the period is \$678,878 attributable to TFML. Revenue for the period includes \$1,696,672 in respect of TFML.

(e) Acquisition of BlackWall Management (NZ) Limited (BMNZ)

On 1 January 2011, the Group acquired a 100% interest in BlackWall Management (NZ) Limited (BMNZ). BMNZ provides property management services to The Mall at Upper Hut, New Zealand.

	Recognised values on acquisition \$'000
Cash and cash equivalents	334
Trade and other receivables	(7)
Loans and receivables	314
Trade and other payables	(92)
Provision for income tax	(63)
Loans and advances	(123)
Net identifiable assets and liabilities	363
	Consideration \$'000
BlackWall Property Funds Limited shares	400
Total consideration	400
Goodwill on acquisition	37
Net cash inflow:	Cash inflow / (outflow)
Cash acquired	334
Net cash inflow	334

- (i) 1,833,110 shares were used as consideration at \$0.22 per share.

Impact of acquisition on the results of the Group

Included in the profit for the period is \$86,458 attributable to BMNZ. Revenue for the period includes \$248,697 in respect of BMNZ.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

14. Property Plant and Equipment

	Consolidated
	2011
	\$'000
Furniture, fixtures and fittings	
At cost	592
Less accumulated depreciation	<u>(29)</u>
Total furniture, fixtures and fittings	<u>563</u>
Office equipment	
At cost	116
Less accumulated depreciation	<u>(25)</u>
Total Office equipment	<u>91</u>
Motor vehicles	
At cost	28
Less accumulated depreciation	<u>(5)</u>
Total Motor vehicles	<u>23</u>
Total Property, plant and equipment	<u>677</u>

	Furniture, Fixtures and Fittings	Office Equipment	Motor Vehicles
	\$'000	\$'000	\$'000
30 June 2011			
Balance at the beginning of year	-	-	-
Additions	592	116	28
Disposals	-	-	-
Depreciation expense	<u>(29)</u>	<u>(25)</u>	<u>(5)</u>
Balance at the end of year	<u>563</u>	<u>91</u>	<u>23</u>

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

15. Intangible Assets

	Consolidated
	2011
	\$'000
Goodwill	
Goodwill on consolidation	411
- Accumulated impairment losses	-
Net carrying value	411
Total Intangibles	411
Goodwill as at 20 October 2010	-
Goodwill recognised on acquisition of BMS	31
Goodwill recognised on acquisition of CSS	26
Goodwill recognised on acquisition of TFML	317
Goodwill recognised on acquisition of BMNZ	37
Goodwill as at 30 June 2011	411

Goodwill was acquired through the acquisition of 100% of BlackWall Management Services Pty Ltd, TFML Limited, BlackWall Management (NZ) Limited and 51% of Capital Storage Services Pty Ltd on 1 January 2011. Refer to note 13 for further details.

The recoverable amount of the operating business CGUs is determined based on value in use ("VIU") calculations. For the operating business CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data.

No impairment arose as a result of the review of goodwill for the operating business CGUs for the period 20 October 2010 to 30 June 2011.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the operating business CGUs.

Cash Flows

The VIU calculations use after tax cash flow projections based on actual operating results, and financial forecasts covering a five period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The growth rate used to extrapolate the cash flows beyond the five-year period is 3.0%. The growth rate reflects the forecast long term average growth rate for each CGU.

Discount Rate

The discount rate applied to the cash flow projections is 10% (government bond rate of 4% plus a 6% risk factor).

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

16. Other Assets

Consolidated
2011
\$'000

CURRENT	
Prepayments	7
Total other assets	<u>7</u>

17. Trade and Other Payables

Consolidated
2011
\$'000

CURRENT	
Trade payables:	
Related parties	126
Other parties	764
Total trade payables	<u>890</u>
GST payable	15
Sundry payables and accrued expenses	71
Rental income in advance	<u>17</u>
Total trade and other payables	<u>993</u>

18. Other Payables

Consolidated
2011
\$'000

NON CURRENT	
Tenant deposits	68
Total other payables	<u>68</u>

19. Financial Liabilities

Consolidated
2011
\$'000

NON CURRENT	
Borrowings	450
Total borrowings	<u>450</u>

Borrowings relate to a working capital facility acquired through the TFML Limited acquisition. The debt matures on 30 November 2012 and is subject to semi-annual amortisation of \$25,000.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

20. Provisions

	Employee entitlements \$'000	Total \$'000
Opening balance at 20 October 2010	-	-
Additional provisions	156	156
Balance at 30 June 2011	156	156

(a) Analysis of Total Provisions

	Consolidated 2011 \$'000
Current	148
Non current	8
Total provisions	156

The number of employees for the Group as at 30 June 2011 is 18.

There are no provisions held by the Parent.

21. Tax

	Consolidated 2011 \$'000
CURRENT	
Income tax payable	(338)
	(338)
NON-CURRENT	
Deferred tax balance comprises:	
Employee entitlements	47
Accrued income	(36)
Accrued expenses	20
Unearned income	5
Prepayments	2
Total deferred tax assets / (liabilities)	38

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

22. Issued Capital

(a) Summary Table

Consolidated

2011

\$'000

44,358,535 (20 October 2010: 0) Ordinary	11,286
Total issued capital	<u>11,286</u>

(b) Movement in Shares on Issue

(i) Summary Table

Consolidated

2011

No. '000

Balance at the beginning of the period:	-
Shares issued during the year	<u>44,358</u>
At reporting date	<u>44,358</u>

A further 6,967,486 shares were issued after balance sheet date bringing total shares on issue to 51,326,021 (see note 26 for further details).

23. Dividends

Consolidated

2011

\$'000

The amount of franking credits available for the subsequent financial year are:

- franking account balance as at the end of the period at 30% (2010: 30%)	-
- franking credits that will arise from the payment of income tax	<u>388</u>
Total franking account balance	<u><u>388</u></u>

24. Auditors Remuneration

Consolidated

2011

\$'000

Remuneration of the auditor of the parent entity for:	
- Auditing or reviewing the financial statements of the group	<u>38</u>
- Taxation and compliance services	<u>5</u>
Total auditors' remuneration	<u><u>43</u></u>

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

25. Leasing Commitments

Operating Lease Commitments

Operating leases relate to tenancy leases with lease terms of between 1 and 5 years. All operating lease contracts contain clauses for yearly CPI reviews.

Lease Commitments payable

Payable – minimum lease payments

- Payable within 1 year	357
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- Payable within 2 – 5 years	893
------------------------------	-----

Total lease commitments payable	<u>1,250</u>
---------------------------------	--------------

26. Subsequent Events

The Group has lodged an application to be admitted to the Official List of the Australian Securities Exchange (ASX). As part of the listing process the Directors resolved to issue up to 6,000,000 ordinary shares pursuant to a prospectus ("Original Prospectus"). These shares were allotted prior to balance date at 50 cents per share. After the balance date and following a determination by the ASX with respect to the listing rules regarding shareholder spread the Group issued a second prospectus. The aim of this prospectus was to re-price the offer under the Original Prospectus from 50 cents per share to 25 cents per share and invited further applications for shares in the Group. As a consequence of the repricing a total of 6,967,486 additional shares will have been allotted bringing the total shares on issue at listing to 51,326,021.

27. Controlled Entities

Name	Country of incorporation	Percentage Owned 30 June 2011
Parent Entity:		
BlackWall Property Funds Limited	Australia	
Subsidiaries of parent entity:		
Armada Holdings Pty Ltd	Australia	100
Armada Investment Management Pty Ltd	Australia	100
Armada Securities Limited	Australia	100
BlackWall Management Services Pty Ltd	Australia	100
Capital Storage Services Pty Ltd	Australia	51
WTSO Pty Limited	Australia	100
BlackWall Management (NZ) Limited	New Zealand	100
TFML Limited	Australia	100

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

28. Related Party Transactions

(a) Related Entities, Associates and Joint Venture Entities, Managed Funds

The BlackWall Group provides a wide range of corporate services to its related entities, associates, joint venture entities and managed funds.

Associated and Joint Venture Entities

Interests held in associates and joint venture entities by the BlackWall Group are set out in Note 12 "Associated Entities" to the financial statements.

Managed Funds

The Group holds investments in a number of property funds for which it acts as either manager or responsible entity (refer to note 10 "Financial Assets").

Fees and Transactions

Management fees are charged to these entities predominately for property and fund management services. The management fees are paid under a management agreement and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to:

- Investment management: provision of strategic investment advice, asset management and investment portfolio services.
- Asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services.

The BlackWall Group recharges its related entities, associates, joint venture entities and managed funds, for administration services which include accounting and bookkeeping fees, corporate secretarial services, and those expenses that are incurred by members of the group on behalf of the related entities, associates, joint venture entities and managed funds.

In addition, the BlackWall Group pays the following fees to related entities:

- Rent for use of the Group's Bakehouse Quarter serviced offices and Neutral Bay head office and serviced office premises. The rent paid is determined with reference to arm's length commercial rates.

Other transactions and outstanding balances with related entities, associates, joint venture entities and managed funds relate to loans payable and receivable and distributions from managed funds.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

28. Related Party Transactions (Continued)

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between the BlackWall group and it's related entities.

	Consolidated
	2011
	\$'000
Revenue:	
Management fees and recharges	2,497
Distributions from managed funds	88
Expenses:	
Rent paid	417
Outstanding Balances:	
Loans receivable	734
Loans payable	(8)

(b) Other Related Party Transactions

Related party transactions that occurred during the year other than those described in Note 28(a) above are as follows:

- BlackWall Property Funds Limited ("BWPFL") issued 6,000,000 shares to P-Reit in exchange for 9,410,289 units in P-Reit in May 2011.
- BWPFL issued 22,727 shares to Pelorus Private Equity Limited ("PPE") being consideration for the purchase of 50,000 shares in APG Asset Management in January 2011.
- BWPFL issued 1,833,110 shares to PPE being consideration for the purchase of 10,000 shares in BlackWall Management NZ Ltd in January 2011.
- BWPFL issued 3,666,220 shares to PPE being consideration for the purchase of 300 shares in BlackWall Management Services Pty Ltd in January 2011.
- BWPFL issued 1,118,182 shares to PPE, and paid \$170,000 in cash being consideration for the purchase of 400,000 units in BlackWall Telstra House Trust in January 2011.
- BWPF issued 5,227,273 shares to PPE being consideration for the purchase of 1,000,000 units in BlackWall Storage Fund in January 2011.
- BWPFL issued 458,277 shares to PPE being consideration for the purchase of 5,100 shares in Capital Storage Services Pty Ltd in January 2011.
- BWPFL issued 458,277 shares to PPE being consideration for the purchase of 4,000 shares in Pelathon Management Group Pty Ltd in January 2011.
- BWPFL sold 269,500 shares to PPE for \$134,750 in June 2011.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

28. Related Party Transactions (Continued)

- BWPFL issued 1,833,110 shares to PPE being consideration for the purchase of 4 shares in TFML Limited in January 2011.
- BWPFL issued 2,291,387 shares to PPE being consideration for the purchase of 60,000 shares in WTSO Pty Ltd in January 2011.
- BWPFL converted inter company debt to equity by issuing 20,182,796 shares to PPE in January 2011.

29. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, BlackWall Property Funds Limited, as at and for the year ended 30 June 2011.

	Parent 2011 \$'000
Results:	
Profit after tax	151
<u>Other comprehensive expense after tax</u>	<u>(42)</u>
Total comprehensive income after tax	109
Financial Position:	
Current assets	629
Non Current Assets	11,198
Total assets	11,827
Current liabilities	(432)
Total liabilities	(432)
Net assets	11,395
Share capital	11,286
Retained earnings	151
Reserves	(42)
Total equity	11,395

Parent Entity Contingencies

The parent entity had no contingencies at 30 June 2011.

Parent Entity Capital Commitments

The parent entity has not entered into any capital commitments as at 30 June 2011.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

30. Director's and Key Management Personnel

(a) Directors' and Key Management Personnel Relevant Interests

The directors and key management personnel have relevant interests in shares of the Company as set out in the following table.

	Balance 30/06/20 10 '000	Net Change Other * '000	Balance 30/06/2011 '000
Seph Glew	-	7,472	7,472
Robin Tedder	-	1,779	1,779
Richard Hill	-	1,644	1,644
Stuart Brown	-	672	672
Tim Brown	-	65	65
Total shareholding	-	11,632	11,632

* Net Change Other refers to changes in relevant interests in shares during the financial year.

(b) Key Management Personnel Compensation

30 June 2011

	Short-term benefits		Post employment benefits	Total
	Directors Fees \$'000	Salary and Other \$'000	Superannuation \$'000	\$'000
Stuart Brown	-	161	14	175
Robin Tedder	38	-	-	38
Richard Hill	42	-	-	42
Seph Glew	38	-	-	38
Tim Brown	-	88	8	96
	118	249	22	389

Tim Brown is the Group's Chief Financial Officer. All other key management personnel are Directors.

31. Financial Instruments

(a) Financial Risk Management

The main risks the Group are exposed to through its financial instruments are interest rate risk, price risk and credit risk. The Group's principal financial instruments are cash, loan receivables, investments in listed securities and investments in related and unrelated property structures. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

31. Financial Instruments (Continued)

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors and senior management set appropriate risk limits and controls, and monitor risks and adherence to limits. Changes in market conditions and the Company's and Group's activities are monitored with respect to the Group's risk profile. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Interest Rate Risk

The Group has exposure to market risk for changes in interest rates on long-term borrowings. Borrowings at variable rate expose the Group to cash flow interest rate risk.

Refer to note 30(g) for financial instruments subject to interest rate risk.

(c) Price Risk

The Group has no exposure to price risk.

(d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The Group has credit risk exposure to related parties loan receivables and investments in related and unrelated property structures under financial instruments and contractual arrangements entered into by the Group.

(e) Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated
	2011
	\$'000
Loans and receivables	742
Available-for-sale financial assets	10,733
Cash and cash equivalents	675
Trade and other receivables	804
	<hr/>
	12,954
	<hr/>

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

31. Financial Instruments (Continued)

(g) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest 2011 \$'000	Floating Interest Rate 2011 \$'000	Non-interest Bearing 2011 \$'000	Total 2011 \$'000
Financial Assets:				
Cash and cash equivalents	4.75	675	-	675
Trade & other receivables	-	-	804	804
Loan and receivables	-	-	742	742
Total Financial Assets		675	1,546	2,221
Financial Liabilities:				
Other Borrowings	7.79	450	-	450
Trade & other payables	-	-	993	993
Total Financial Liabilities		450	993	1,443

	Maturing within 1 year 2011 \$'000	Maturing within 1-5 years 2011 \$'000	Total 2011 \$'000
Financial Assets:			
Cash and cash equivalents	675	-	675
Trade receivables	804	-	804
Loan and receivables	-	742	742
Total Financial Assets	1,479	742	2,221
Financial Liabilities:			
Other Borrowings	-	450	450
Trade & other payables	993	-	993
Total Financial Liabilities	993	450	1,443

The Following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit would have been affected as follows:

	Pre tax profit higher/(lower) 2011 \$'000
Consolidated	
+1.0% (100 basis points)	2
- 0.5% (50 basis points)	(1)

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Financial Statements

From the period 20 October 2010 to 30 June 2011

32. Company Details

Principal place of business:

The principal place of business of the company is:

BlackWall Property Funds Ltd
Level 3, 50 Yeo Street
Neutral Bay NSW 2089

Registered office:

BlackWall Property Funds Ltd
Level 3, 50 Yeo Street
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