



ASX Release

31 August 2012

Full Year Financial Report to 30 June 2012

Results

The Group incurred a statutory loss of \$2.97 million for the year ended 30 June 2012. This loss is due to an impairment of the 17 million units the Group holds in the ASX listed property trust known as P-REIT (PXT). The normalised operating profit after tax was \$867,000.

Profit and Loss	
Income	
Fund and Asset Management Fees	\$2,694,000
Property Management Fees	\$1,930,000
Structuring and Performance Fees	nil
Serviced Office Revenue	\$787,000
Investment Income	\$367,000
Other Income	\$555,000
Total Income	\$6,333,000
Expenses	(\$4,794,000)
Earnings Before Interest, Depreciation and Tax	\$1,539,000
Interest Expense	(\$60,000)
Depreciation	(\$260,000)
Tax	(\$352,000)
Operating Profit After Tax (Excludes OEI and Impairments)	\$867,000



BlackWall's revenue is derived from the management and development of a \$450 million real estate portfolio. Historically a proportion of our fee income has been transactional in nature or only brought to account when earned.

This result reflects commercial activity generally and in particular lack of capital flows into property investments. While we don't expect our trading environment to improve quickly we don't expect things to be as difficult as they have been over the past 12 months. Further it is important to note that despite difficult times our operations continue to generate more cash than they cost to run.

Dividend

The Board has resolved to pay a fully franked dividend of 0.5 cent per share. The record date for this dividend will be 12 September 2012 with a payment date of 31 October 2012.

Property Fund Work-outs

The challenges we have faced over the past 12 months have been driven by the opportunistic/distressed acquisitions made in 2009. While the prices paid for these positions reflected the times and distress of the seller, they have taken up a considerable amount of senior executive time and energy.

P-REIT

The largest of these acquisitions was when the Group took control of the unlisted Reed Property Trust (as it was then known) in June 2009. At that time the Trust was frozen and its gearing was between 85% to 100% (depending on the value ascribed to its assets). In the two years following we executed a number of initiatives to reduce debt and improve the balance sheet. Today the Trust is listed on the ASX (under the name P-REIT) has gearing below 50% and, but for the litigation circumstances described below, we would have expected to restart distributions in the current half-year.

As part of the due diligence process during the acquisition, we were made aware of a number of contracts entered into by previous management in 2007 with the MacarthurCook Property Securities Fund (ASX Code: MPS). At that time MPS's responsible entity was a listed fund manager known as MacarthurCook. Subsequently MacarthurCook was taken over by the AIMS Financial Group and new directors and management were appointed.

The contracts set out the terms under which MPS invested \$15 million in the Trust and purported to put in place an arrangement enabling MPS to redeem its investment in priority to P-REIT's 800 retail investors. In May 2010 AIMS commenced a court action claiming the Trust's previous management breached these agreements and seeking orders to enforce MPS's priority over other unitholders. BlackWall and its directors disputed the claims and have defended the action.



The case was heard before Justice Hammerschlag in the Supreme Court of NSW Equity Division in early July 2012. On 10 August 2012 Justice Hammerschlag handed down a judgment in favour of MPS. Following further legal advice the directors have determined that the judgment will be appealed. Depending on court lists that appeal is not expected to be heard in less than six months.

Tankstream

In the months following our acquisition of the P-REIT management rights the Group also acquired Tankstream Funds Management Limited (TFML). This business controlled two funds known as the Tankstream Pub And Leisure Fund (a pub operator and owner) and the Tankstream Property Investments Fund (TPIF) (a property securities fund). Both vehicles had questionable business models and were under significant banking pressure in a declining market.

As with P-REIT BlackWall has undertaken a number of strategies to work with the respective lenders. The TPIF debt has been amortised down from \$5 million to \$3 million. Ultimately we intend for this fund to merge with P-REIT.

In conjunction with the Tankstream transaction BlackWall entered into a pub management joint venture known as Pelathon Management Group. This entity was appointed to undertake the operational management of the pub fund assets. BlackWall has been working with Pelathon and the fund's bankers to set an operational and capital strategy to move the fund forward. As part of this process Pelathon has acquired the asset management rights to the fund from BlackWall and committed (subject to unitholder approval) to a significant injection of capital into the fund. It is anticipated that the terms of this placement will be offered to unitholders also. BlackWall will continue in its capacity as responsible entity with the aim of passing this role to Pelathon also in due course.

With continued negative market sentiment in the property funds management space we expect to identify opportunities to grow funds under management at the asset level (through our listed or unlisted structures) and at the corporate level (through the acquisition of funds management businesses or funds management contracts). Some of these opportunities may be of a similar nature to Reed and Tankstream.

Funds Management

BlackWall manages property investment funds on behalf of over 4,000 retail and high net worth investors.

Income Syndicates - These investment structures aim to generate stable income streams and long term capital gains. As shown in the table below our Income Syndicates have performed well in 2012.



	2012 Performance*
BlackWall Storage Fund	12.46%
BlackWall Penrith Fund No. 2	8.75%
BlackWall Telstra House Trust	10.35%

* Cash distributions

Development Syndicates – The group has a long track record in urban renewal development projects. We look for poorly configured or under utilised real estate aiming to generate value through the adaptive reuse of existing buildings to re-position tenancy profile or mix. Typically these assets are acquired in Development Syndicates capitalised by high net worth investors. Once the development process is substantially complete we restructure the ownership into an Income Syndicate.

BlackWall currently manages over \$200 million of real estate held in Development Syndicates. In executing this development pipeline BlackWall can generate recurring funds and property management fees as well as transactional fees in the nature of structured finance, development and project management, and leasing.

More Information

Contact Stuart Brown (Chief Executive Officer) or Tim Brown (Chief Financial Officer) on +612 9033 8611.

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BLACKWALL PROPERTY FUNDS

& Controlled Entities

ACN 146 935 131 ABN 37 146 935 131



Consolidated Annual Financial Statements

Year Ended 30 June 2012



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The Directors of BlackWall Property Funds Limited (“BlackWall” or “the Company”) and its controlled entities (“the Group”) present their report for the year ended 30 June 2012.

Principal Activities

The Group is a vertically integrated property funds management business earning fee income from a portfolio of income producing real estate.

Review of Operations

The net result from continuing operations for the Group for the financial year ended 30 June 2012 was a loss after tax of \$2,966,000 (2011: profit after tax \$887,000).

The Group holds an investment in P-REIT which was listed on the Australian Securities Exchange (ASX) on 28 October 2011 (ASX code: PXT). TFML Limited (a subsidiary of the Group) acts as the responsible entity for P-REIT. Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) and was \$0.10 at 30 June 2012. TFML (as P-REIT’s responsible entity) is a defendant in a Supreme Court action initiated by the MacarthurCook Property Securities Fund. The proceedings relate to a series of transactions entered into before TFML became responsible entity of P-REIT. On 10 August 2012 judgment was entered against TFML for approximately \$17.8 million including pre-judgment court interest but excluding costs. TFML is appealing the decision, however given the judgment, the Directors consider that the investment in P-REIT is now impaired. This results in an impairment loss of approximately \$3.5 million.

Further commentary on the operations and the results are set out in the ASX announcement accompanying the financial statements.

On 30 June 2012, the Group entered into an agreement to sell the management rights of the BlackWall Pub Fund (“pub fund”) for consideration of \$530,000. It will receive \$250,000 cash (paid in instalments over 18 months) and a 40% share of Bakehouse Cellars Pty Ltd, the operator of a pub located at the Bakehouse Quarter. Refer to Note 10 for further information. TFML will remain as the responsible entity of the pub fund and will earn fees of \$25,000 per annum for undertaking this role. In addition where the Group provides other services (such as corporate advice) to the pub fund it will charge a fee.

Significant Changes in Affairs

BlackWall was listed on the ASX on 21 October 2011.

Dividends

There were no dividends paid for the year ended 30 June 2012 (2011: \$nil).

Events Subsequent to Reporting Date and Likely Developments

During the year, an impairment loss of \$3,477,000 for the P-REIT units was recognised based on the ASX closing price of \$0.10 as at the reporting date (refer to Note 11(b)). As at the date of signing these financial statements, the closing price is \$0.076.

To the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Group’s operations in future financial years, the results of those operations or the Group’s state of affairs in future financial years.

Going Concern

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

Information on Directors

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 beginning of the financial year to the date of these financial statements.

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. Richard has invested in the Group's projects since the early 1990's. 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. Previously, Richard was an Independent Non-Executive Director of formerly ASX listed Pelorus Property Group.	Non-Executive Director and Chairman
Joseph (Seph) Glew	<p>Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990's Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980's 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 was Chairman of formerly ASX listed Pelorus Property Group and he is now the Executive Chairman of Pelorus Private Equity Limited</p>	Non-Executive Director

Information on Directors (continued)

Robin Tedder	Robin has over 35 years' experience in investment and financial markets. He has been an investor in the Group's projects since 1997. 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), Chairman of Apollo Health Management and Australian Ambassador for Singularity University (sponsored by NASA and Google) of Mountain View California. Robin is also a Fellow of the Financial Services Institute of Australasia. Previously, Robin was a Director of formerly ASX listed Pelorus Property Group and he is now a Non-Executive Director of Pelorus Private Equity Limited.	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 over a half a billion dollars in value.</p> <p>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 the unlisted public company, Pelorus Private Equity.</p>	Executive Director and Chief Executive Officer

Don Bayly is the Company Secretary. He has a Bachelor of Commerce and Administration degree from Victoria University. Don has over 20 years' compliance management experience.

The Board has looked to achieve a board membership that includes a mix of skills, experience and technical expertise that is best suited to the business.

Meeting Attendances

Attendance at the Group's Board meetings held during the financial year 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	6,232,647	12.14
Robin Tedder	1,799,471	3.51
Stuart Brown	678,186	1.32

Options

There were no options granted during the year ended 30 June 2012.

The Group 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 2012.

Environmental Regulation and Performance

The Group's 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.

Measurable Objectives For Achieving Gender Diversity

While being committed to employing people on best fit for the job based on ability, performance and potential, our goal is to build a workforce that reflects the diversity of the communities in which we operate. This means creating a work environment where employee differences such as gender, age, culture, disability and lifestyle choice are valued. The objective is therefore one of a 50/50 gender split and is reflected as follows:

	Female (No. of people)	Female (%)	Male (No. of people)	Male (%)
Board	0	0	4	100
Executive Management	3	50	3	50
Other	6	55	5	45

Indemnities of Officers

During the financial year the Group has paid premiums to insure each of the Directors named in this report along with Officers of the Group 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 Group, 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 Group.

Non-audit Services

Amounts paid to the auditor for non-audit services during the year are detailed at Note 23 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 these financial statements.

Auditor

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

Rounding Of Amounts

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 financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

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 behaviour are recognised and rewarded; and
- The Group's financial position and market conditions.

The Board members have service agreements with the Group. 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 (Board of Directors and Tim Brown, Chief Financial Officer) is as follows:

Remuneration Report (Audited) (continued)
Remuneration for the year ended 30 June 2012

	Short Term		Post Employment Superannuation \$'000	Total \$'000
	Directors' Fees \$'000	Salary and Other \$'000		
Richard Hill	85	-	-	85
Seph Glew	75	-	-	75
Robin Tedder	75	-	-	75
Stuart Brown	-	321	29	350
Tim Brown	-	179	16	195
TOTAL	235	500	45	780

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

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



Stuart Brown
 Director
 Sydney, 30 August 2012



chartered
accountants

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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 2012, 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 30th day of August 2012.

A handwritten signature in black ink, appearing to read 'S.K. Kirkwood'.

ESV Chartered Accountants

A handwritten signature in black ink, appearing to read 'S.K. Kirkwood'.

**Chris Kirkwood
Partner**

The Board of Directors of BlackWall is responsible for the corporate governance of the Group. Good corporate governance is a fundamental part of the culture and business practices of BlackWall. The Board has adopted comprehensive systems of control and accountability as the basis for administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs. To the extent they are applicable and appropriate for a company of BlackWall's size and nature, the Group has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations Second Edition" and "Summary Table of the 30 June 2010 Changes to Second Edition of the Corporate Governance Principles and Recommendations".

Principle No	Recommendation	Compliance	Reason for Non-compliance
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	<p>BlackWall operates with a flat management structure. The Executive Director is involved in the day-to-day operations of the business.</p> <p>Decisions at the Board level and the assessment of executive performance are based on reports received from Executive Director and the consideration of issues by Executive, Non-Executive and Independent Directors at meetings.</p> <p>The Board has adopted a formal Board Charter setting out the responsibilities of the Board.</p> <p>This Charter can be accessed at the Group's website.</p>	Comply.
1.2	Disclose the process for evaluating the performance of Senior Executives.	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 Group, whether strategic objectives are being achieved and the development of management and personnel.	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The Board Charter can be accessed from the Group's website.	Comply.
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be Independent Directors.	<p>The Board has considered the guidance to Principle 2: Structure the Board to Add Value and in particular, Box 2.1, which contains a list of "relationships affecting independent status".</p> <p>Currently the Group has one Independent Director, Mr Richard Hill, who is also the Chairman, and three Non-Independent Directors, Mr Brown, who acts in an executive capacity, and Mr Glew and Mr Tedder who act in a non-executive capacity.</p>	<p>The Directors monitor the business affairs of the Group 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.</p> <p>The Board is structured to ensure the efficient interaction between the Board and management. 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.</p>
2.2	The Chair should be an Independent Director.	The Chairman, Mr Richard Hill, is an Independent Director.	Comply.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	The Group's Chairman and Chief Executive Officer is not the same person.	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
2.4	The Board should establish a Nomination Committee.	The Group currently does not have a separate Nomination Committee. The roles and responsibilities of a Nomination Committee are currently undertaken by the full Board. This charter can be assessed at the Group's website.	The Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. BlackWall has not, therefore, adopted Recommendation 2.4 of the ASX Corporate Governance Council. The Board has adopted a Board Charter which it applies, as relevant.
2.5	Disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	The full Board will arrange an annual performance evaluation of the Board, its Committees and individual Directors.	Comply.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	<p>The skills, experience and expertise relevant to the position held by each Director will be disclosed in the Directors' Report which forms part of the financial statements. The Board consists of one Independent Director and three Non-Independent Directors.</p> <p>The Directors are entitled to take independent professional advice at the expense of the Group. The period of office held by each Director will be disclosed in the Directors' Report which forms part of the financial statements.</p> <p>A statement will be included in the Directors' Report of the financial statements as to the mix of skills and diversity that the Board is looking to achieve in its membership.</p>	Comply.
Principle 3: Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the	The Group has adopted a Code of Conduct, which can be accessed at the Group's	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the Group's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	website.	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and the progress in achieving them.	The Group has adopted a Diversity Policy which can be accessed at the Group's website.	Comply.
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	The information will be disclosed in the Directors' Report of the Group's financial statements.	Comply.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	The information will be disclosed in the Directors' Report of the Group's financial statements.	Comply.
3.5	Provide the information indicated in the Guide to	The information will be disclosed in the Directors'	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	reporting on Principle 3.	Report of the Group's financial statements.	
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an Audit Committee.	The Group currently has a separate Audit Committee. The roles and responsibilities of the Audit Committee are set out in the Audit Committee Charter. This charter can be assessed at the Group's website.	Comply.
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • Consists only of Non-Executive Directors; • Consists of a majority of Independent Directors; • Is chaired by an independent chair, who is not chair of the Board; • Has at least three members. 	The Audit Committee consists of two members – non-Executive Directors Mr Tedder and Mr Glew. The Audit Committee is chaired by Mr Tedder.	Given the composition of the Board and the size of the Group, Recommendation 4.2 is not complied with in all respects. Mr Tedder is arguably if not technically independent, in possession of 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.
4.3	The Audit Committee should have a formal charter.	The formal charter can be accessed at the Group's website.	Comply.
4.4	Provide the information in the Guide to reporting on Principle 4.	The Audit Committee will meet at least twice in each year, before sign off of the annual and half year financial statements.	Comply.
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements, ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	The Group will undertake timely market disclosures. The Chief Executive Officer in consultation with the Board will manage investor relations and the release of market sensitive information. The Group will maintain a timetable for its compliance and periodic disclosure requirements.	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	<p>The continuous disclosure information will be available on the Group's website.</p> <p>The information will be disclosed in the financial statements.</p>	Comply.
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Group has adopted a Shareholder Communications Strategy which can be accessed at the Group's website.	Comply.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information will be disclosed in the financial statements.	Comply.
Principle 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Group has adopted a Risk Management Policy. This Policy outlines the key material risks faced by the Group as identified by the Board.	Comply.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed efficiently. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	The Board has delegated to the Audit Committee responsibility for implementing the risk management system, while the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.	Comply.
7.3	The Board should disclose whether it has received assurance from	The Board will receive assurance in the form of a declaration from the Chief	Comply.

Principle No	Recommendation	Compliance	Reason for Non-compliance
	the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Executive Officer and the Chief Financial Officer as required by the Corporations Act 2001.	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information will be disclosed in the financial statements.	Comply.
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee.	The Group has not established a separate Remuneration Committee. The roles and responsibilities of a Remuneration Committee are currently undertaken by the full Board.	<p>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 employees' responsibilities and performance, the Group's financial position and market conditions.</p> <p>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.</p>
8.2	The Remuneration Committee should be structured so that it:	The Group has not established a separate Remuneration Committee. The roles and responsibilities of a Remuneration	Refer 8.1

Principle No	Recommendation	Compliance	Reason for Non-compliance
	<ul style="list-style-type: none"> • Consists of a majority of Independent Directors; • Is chaired by an Independent Director; and • Has a least three members. 	Committee are currently undertaken by the full Board.	
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	The structure of Non-Executive Directors' remuneration will be clearly distinguished from that of Executive Directors and Senior Executives, in the Directors' Report which will form part of the financial statements.	Comply.
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	The information will be disclosed in the financial statements.	Comply.

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was current as at 24 August 2012.

1. Shareholders

The Company's top 20 largest shareholdings were:

	Investor	Ordinary Shares (No.)	Shares (%)
1	Vintage Capital Pty Limited	5,203,091	10.14
2	Lymkeesh Pty Ltd	4,225,130	8.23
3	Sandhurst Trustees Ltd ACF Macarthurcook PSF A/C	2,762,000	5.38
4	Seno Management Pty Ltd ATF Seno Superannuation Fund	2,393,718	4.66
5	Seno Management Pty Ltd	2,150,000	4.19
6	IHOP Pty Ltd ATF Keppel Investments Unit Trust	1,777,360	3.46
7	Koonta Pty Ltd ATF Koonta Superannuation Fund	1,649,470	3.21
8	Sao Investments Pty Ltd	1,428,262	2.78
9	Pinnatus Pty Ltd	1,141,088	2.22
10	Mcmullin Nominees Pty Ltd	1,098,713	2.14
11	Benyaya Holdings Pty Ltd	1,086,750	2.12
12	Pelorus Private Equity Ltd ATF Pelorus Pipes Trust No 5	938,400	1.83
13	Mr Richard Hill ATF Richard Hill Superannuation Fund	873,604	1.70
14	Methuselah Capital Management Pty Ltd	805,412	1.57
15	Glenahilty Pty Limited	772,088	1.50
16	I P R Nominees Pty Ltd <1965 Irvin Peter Rockman A/C>	755,781	1.47
17	Tampopo Pty Ltd	754,082	1.47
18	Pelorus Private Equity Ltd	700,885	1.37
19	J P Morgan Nominees Australia Limited	674,601	1.31
20	Castlebay Pty Ltd	597,500	1.16

2. Distribution of Shareholders

The distribution of shareholders by size of holding was:

Category	No. of Shareholders
1-1,000	295
1,001-5,000	710
5,001-10,000	267
10,001-100,000	249
100,001 and over	52
Total number of shareholders	1,573

BlackWall has 1,034 holders of less than a marketable parcel. The Company has 51,326,021 ordinary shares on issue as at 24 August 2012. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Securities Exchange (ASX Code: BWF).

3. Substantial Shareholders

Substantial shareholders in the Company are set out below:

Investor	Ordinary Shares (No.)	Shares (%)
Joseph (Seph) Glew	6,232,647	12.14
Paul Tresidder	5,977,671	11.65
Vintage Capital Pty Ltd	5,203,091	10.14
IHOP Pty Ltd ATF Keppel Investments Unit Trust	3,101,073	6.04
Sandhurst Trustees Ltd ACF Macarthurcook PSF A/C	2,762,000	5.38

The Group'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 60 Carrington Street, Sydney, NSW 2000 www.computershare.com.au

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Notes	2012 \$'000	20 October 2010 to 30 June 2011 \$'000
Fund and asset management income		2,746	1,426
Property management income		2,073	1,383
Structuring and performance fee income		-	595
Serviced office income		787	338
Investment income		376	96
Gain on disposal of management rights		530	-
Other income		30	-
Gain / (loss) on exchange differences		(4)	3
Total Revenue	4	6,538	3,841
Business operating expenses	5	(4,891)	(2,498)
Depreciation	5	(260)	(59)
Finance costs	5	(60)	(25)
Impairment	5	(3,877)	-
Loss on disposal of assets		(44)	(15)
Other expenses		(3)	(11)
Profit / (Loss) Before Income Tax		(2,597)	1,233
Income tax expense	6	(369)	(346)
Profit / (Loss) For the Year		(2,966)	887
Other Comprehensive Income / (Loss)			
Foreign currency translation		-	1
Unrealised loss on available for sale investments taken to equity		(32)	(59)
Other Comprehensive Loss For the Year		(32)	(58)
Total Comprehensive Income / (Loss) For the Year		(2,998)	829
Profit / (Loss) Attributable To:			
Owners of the Group		(3,010)	859
Non-controlling interest		44	28
		(2,966)	887
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		(3,043)	800
Non-controlling interest		45	29
		(2,998)	829
Earnings / (Loss) Per Share			
Continuing operations:			
Basic and diluted earnings / (loss) per share	22	(\$0.06)	\$ 0.02

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 \$'000	2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,162	675
Trade and other receivables	8	1,070	804
Other assets	9	40	7
Total Current Assets		2,272	1,486
Non-Current Assets			
Trade and other receivables	8	50	-
Equity accounted investments	10	285	105
Financial assets	11	7,411	11,475
Property, plant and equipment	12	683	677
Deferred tax assets	13	60	38
Intangible assets	14	374	411
Total Non-Current Assets		8,863	12,706
TOTAL ASSETS		11,135	14,192
LIABILITIES			
Current Liabilities			
Trade and other payables	15	950	993
Current tax payable	16	261	338
Borrowings	17	425	-
Provisions	18	177	148
Total Current Liabilities		1,813	1,479
Non-Current Liabilities			
Other payables	19	81	68
Borrowings	17	-	450
Provisions	18	9	8
Total Non-Current Liabilities		90	526
TOTAL LIABILITIES		1,903	2,005
NET ASSETS		9,232	12,187
EQUITY			
Share capital	20	11,367	11,286
Reserves		(92)	(58)
Retained earnings / (accumulated losses)		(2,151)	859
Parent Interest		9,124	12,087
Non-controlling interest		108	100
TOTAL EQUITY		9,232	12,187

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

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Consolidated Statement of Changes in Equity

As at 30 June 2012

	Ordinary shares \$'000	Retained earnings/ (accumulated losses) \$'000	Foreign currency translation reserve \$'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
Balance at 1 July 2011	11,286	859	1	(59)	12,087	100	12,187
Transactions with non-controlling interest	-	-	(1)	-	(1)	(37)	(38)
Profit / (losses) for the year	-	(3,010)	-	-	(3,010)	44	(2,966)
Other comprehensive income/(loss)	-	-	-	(33)	(33)	1	(32)
Issue of shares	195	-	-	-	195	-	195
Cost of issuing shares	(114)	-	-	-	(114)	-	(114)
Balance at 30 June 2012	11,367	(2,151)	-	(92)	9,124	108	9,232
Balance at 20 October 2010 ⁽¹⁾	-	-	-	-	-	-	-
Profit for the period	-	859	-	-	859	100	959
Other comprehensive income / (loss)	-	-	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	859	1	(59)	12,087	100	12,187

⁽¹⁾ The Company was incorporated on 20 October 2010.

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2012

		2012 \$'000	20 October 2010 to 30 June 2011 \$'000
Cash Flows From Operating Activities			
Receipts from customers		6,991	3,933
Payments to suppliers and employees		(6,580)	(2,296)
Dividends and distributions received		277	5
Interest paid		(60)	(25)
Interest received		23	7
Income tax paid		(300)	(99)
Net Cash Flows From Operating Activities	25	<u>351</u>	<u>1,525</u>
Cash Flows From Investing Activities			
Proceeds from sale of investments		1,160	370
Acquisition of property, plant and equipment		(289)	(147)
Acquisition of subsidiaries, net of cash acquired		-	187
Proceeds from sale of property, plant and equipment		20	-
Acquisition of other investments		(172)	(222)
Loans from related parties		1,605	536
Loan repayments to related parties		(2,252)	(1,531)
Net Cash Flows From / (Used in) Investing Activities		<u>72</u>	<u>(807)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		195	93
Transaction costs for issue of shares		(114)	(137)
Repayment of borrowings		(25)	-
Net Cash Flows From / (Used in) Financing Activities		<u>56</u>	<u>(44)</u>
Net Increase in Cash Held		479	674
Cash and cash equivalent at the beginning of the year		675	-
Effect of exchange rates on cash holdings		8	1
Cash and Cash Equivalent at End of the Year	7	<u>1,162</u>	<u>675</u>

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies

The financial statements cover the economic entity of BlackWall Property Funds Ltd (“the Company”) and its Controlled Entities (“the Group”). BlackWall Property Funds Ltd is a publicly listed company, incorporated and domiciled in Australia.

The Company was incorporated on 20 October 2010 and accordingly the comparative figures covered the period from incorporation are shown.

The financial statements for the Group for the year ended 30 June 2012 were authorised for issue in accordance with the resolution of the Directors on 30 August 2012.

Basis of Preparation

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 of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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 financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 Related Party Disclosures were reflected in Note 29, and the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

Going concern

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

The accompanying notes form part of these consolidated financial statements.

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Presentation of Financial Statements

Presentation currency

Both the functional and presentation currency of BlackWall Property Funds Ltd 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 Property Funds Ltd and its subsidiaries as at 30 June 2012. A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group are accounted for at cost less any impairment charges (refer to Note 30).

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.

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 Property Funds Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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 are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

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:

BlackWall Property Funds Limited and Controlled Entities

ABN 37 146 935 131

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

- assets and liabilities are translated at year end exchange rates prevailing at the 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 of.

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 in the statement of comprehensive income in the year the asset is derecognised.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Impairment of assets

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.

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 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 Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Financial Instruments (continued)

Available-for-sale financial assets

The Group's investments in related party listed and 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 Consolidated Financial Statements

For the Year Ended 30 June 2012

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 the 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 2012, the goodwill in relation to the purchase of the 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 or 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.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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 uncollectable 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 uncollectable.

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.

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.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Employee Benefits (continued)

Short term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' 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 Group.

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.

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.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

Income Tax (continued)

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 consolidation

BlackWall Property Funds Limited 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.

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 Group 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.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

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 year. 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.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, such gains/losses recognised in other comprehensive income is not material.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies (continued)

New Accounting Standards and Interpretations (continued)

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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1. Statement of Significant Accounting Policies (continued)

New Accounting Standards and Interpretations (continued)

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the Group adopted the new rules in the current reporting period, the impact to profit or loss and other comprehensive income would have been immaterial. The Group has not yet decided when to adopt the new standard.

(v) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

This amendment requires entities to separate items presented in other comprehensive income into two groups, based upon whether they might be recycled to profit and loss in the future. The Trust has not yet assessed the impact of the amendments, if any.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Critical Accounting Estimates and Judgments

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

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

2. Critical Accounting Estimates and Judgments (continued)

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 for the year ended 30 June 2012, except for provisions raised under Note 11 (a).

Key estimates – available-for-sale financial assets

Financial asset provisions have been raised with reference to the prevailing prices at 30 June 2012 of available-for-sale assets measured at fair value with gains and losses recognised in other comprehensive income, except for impairment of investment in P-REIT as disclosed in Note 11. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The fair value of the Bakehouse Bonds is measured by its face value adjusted for CPI movements.

3. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group management and internal reporting structure. There is only one geographical segment being Australasia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has adopted three reporting segments, Fund and Property Management, Investments and Corporate. 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 Group's 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 and 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 Investments segment includes interests in property related investments such as units in related party listed and unlisted unit trusts, loans and cash. It generates income from dividends, distributions, and interest.

The Corporate segment represents general administrative functions at the head office (e.g. salaries).

Transfer prices between business segments are set at an arm's length basis.

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

3. Segment Information (continued)

The segment information for the year ended 30 June is as follows:

	Fund and Property Management \$'000	Investments \$'000	Corporate \$'000	Consolidated Total \$'000
Year ended 30 June 2012				
Sales to external customers	6,166	372	-	6,538
Inter-segment sales	84	-	-	84
Total segment revenue	6,250	372	-	6,622
Inter-segment eliminations				(84)
Total consolidated revenue				6,538
Business operating expenses	(3,757)	(94)	(1,040)	(4,891)
Depreciation	(260)	-	-	(260)
Finance costs	(60)	-	-	(60)
Loss on sale of investments	-	(44)	-	(44)
Impairment	(400)	(3,477)	-	(3,877)
Other expenses	(2)	-	(1)	(3)
Inter-segment expenses	(84)	-	-	(84)
Total segment expenses	(4,563)	(3,615)	(1,041)	(9,219)
Inter-segment eliminations				84
Total consolidated expenses				(9,135)
Profit/(loss) before income tax	1,687	(3,243)	(1,041)	(2,597)
Other comprehensive income / (loss)				
Net loss on available-for-sale financial assets	-	(32)	-	(32)
Total comprehensive income / (loss) for the period before tax	1,687	(3,275)	(1,041)	(2,629)
For the period 20 October 2010 to 30 June 2011				
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	(2,026)	(34)	(438)	(2,498)
Depreciation	(59)	-	-	(59)
Finance costs	(25)	-	-	(25)
Loss on sale of investments	-	(15)	-	(15)
Other expenses	(8)	-	(3)	(11)
Inter-segment expenses	(531)	-	-	(531)
Total segment expenses	(2,649)	(49)	(441)	(3,139)
Inter-segment eliminations				531
Total consolidated expenses				(2,608)
Profit / (loss) before income tax	1,625	49	(441)	1,233
Other comprehensive income / (loss)				
Foreign currency translation	1	-	-	1
Net loss on available-for-sale financial assets	-	(59)	-	(59)
Total comprehensive income / (loss) for the period before tax	1,626	(10)	(441)	1,175
30 June 2012				
Segment assets	3,734	7,401	-	11,135
Segment liabilities	(1,903)	-	-	(1,903)
Net assets	1,831	7,401	-	9,232
30 June 2011				
Segment assets	2,716	11,476	-	14,192
Segment liabilities	(1,902)	(103)	-	(2,005)
Net assets	814	11,373	-	12,187

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For the Year Ended 30 June 2012

4. Revenue

		2012	20 October 2010 to
	Note	\$'000	30 June 2011
			\$'000
Revenue from continuing operation:			
Fund and asset management income		2,746	1,426
Property management income		2,073	1,383
Structuring and performance fee income		-	595
Serviced office income		787	338
Investment income			
- Dividends and distributions		344	89
- Finance income		32	7
		376	96
Other revenue:			
Other income		30	-
Gain on disposal of management rights	4(a)	530	-
Gain / (loss) on exchange differences		(4)	3
		556	3
Total revenue		6,538	3,841

(a) On 30 June 2012, the Group sold its management rights of BlackWall Pub Fund for a total consideration of \$530,000. The consideration comprises \$250,000 cash (refer to Note 8) and a 40% share in Bakehouse Cellars Pty Ltd (refer to Note 10).

5. Expenses

		2012	20 October 2010 to
		\$'000	30 June 2011
			\$'000
Business operating expenses:			
Employee & consultants' costs		3,008	1,822
Occupancy costs		1,007	456
Administration expenses		876	220
		4,891	2,498
Depreciation		260	59
Finance costs		60	25
Impairment			
- writedown of loans and receivables		400	-
- investment in P-REIT		3,477	-
		3,877	-

6. Income Tax Expense

		2012	20 October 2010 to
		\$'000	30 June 2011
			\$'000
Current tax		373	353
Deferred tax		22	10
Overprovision of prior year tax		(26)	(17)
Total income tax expense		369	346

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For the Year Ended 30 June 2012

6. Income Tax Expense (continued)

	2012 \$'000	20 October 2010 to 30 June 2011 \$'000
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2011: 30%)	(779)	367
Add / (less) tax effect of:		
- Entertainment	5	1
- Penalties	1	1
- Impairment	1,163	-
- Costs of issuing equity	(15)	(8)
- Tax losses relating to foreign subsidiary not recognised	20	-
- Overprovision of prior year tax	(26)	(15)
Total income tax expense	369	346

Note the impairment loss on the Group's investment in P-REIT (\$3,476,661) has not been recognised as a deferred tax asset (Note 13) at this time. As a result the Group is still reporting a tax expense for the year ended 30 June 2012 despite reporting a loss before tax.

7. Current Assets - Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Cash on hand	1	1
Cash at bank	1,161	674
Total cash and cash equivalents	1,162	675

(a) Effective interest rate

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

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	2012 \$'000	2011 \$'000
Cash and cash equivalents	1,162	675
Total cash and cash equivalents	1,162	675

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8. Current and Non-current Assets - Trade and Other Receivables

		2012	2011
		\$'000	\$'000
Current	Notes		
Trade receivables, net of impairment:			
- Related parties		244	143
- Other parties		621	534
Total trade receivables		<u>865</u>	<u>677</u>
Other receivables, net of impairment:			
- Related parties	8(a)	200	-
- Other parties		5	127
Total other receivables		<u>205</u>	<u>127</u>
Total Current Trade and Other Receivables		<u>1,070</u>	<u>804</u>
		2012	2011
		\$'000	\$'000
Non-Current			
Other receivables:			
- Related parties	8(a)	50	-
Total Non-Current Other Receivables		<u>50</u>	<u>-</u>

Further information relating to trade and other receivables to related parties is set out in Note 29. None of the receivables were impaired as at 30 June 2012 (2011: \$nil).

(a) On 30 June 2012, the Group sold its management rights of BlackWall Pub Fund for a total consideration of \$530,000, consisting of \$250,000 cash and a 40% share in Bakehouse Cellars Pty Ltd (refer to Note 10). \$200,000 cash is receivable within the next 12 months from the balance date (classified as current receivables) and the final cash receipt of \$50,000 is receivable on 31 December 2013 (classified as non-current receivables).

9. Current Assets - Other Assets

	2012	2011
	\$'000	\$'000
Prepayments	40	7
Total Other Assets	<u>40</u>	<u>7</u>

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Notes to the Consolidated Financial Statements

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10. Non-Current Assets - Equity Accounted Investments

Name	Principal	Country of Incorporation	Ownership Interest		Carrying Amount of Investment		
			2012 %	2011 %	2012 \$'000	2011 \$'000	
APG Asset Management Pty Ltd	Financial services and management company	Australia	50	50	5	5	
Pelathon Management Group Pty Ltd	Pub management company	Australia	-	40	-	100	
Bakehouse Cellars Pty Ltd	Pub owner operator	Australia	40	-	280	-	
Total equity accounted investments						285	105

On 30 June 2012, the Group acquired a 40% interest in Bakehouse Cellars Pty Ltd, as part payment for the sale of management rights of the BlackWall Pub Fund. Bakehouse Cellars owns and operates a pub at the Bakehouse Quarter. Previously Bakehouse Cellars Pty Ltd was owned 100% by Pelathon Management Group Pty Ltd. As a result, \$90,000 of the investment in Pelathon Management Group Pty Ltd was impaired as at 30 June 2012 (2011: \$nil), and the investment in Pelathon is now classified as available-for-sale (Note 11).

11. Non-Current Assets - Financial Assets

	Note	2012 \$'000	2011 \$'000
Loans and receivables	11(a)	47	742
Available-for-sale assets	11(b)	7,364	10,733
Total non-current financial assets		7,411	11,475

(a) Loans and receivables, net of impairment

Loans and receivables to related parties	47	741
Loans and receivables to non-related parties	-	1
Total loans and receivables	47	742

\$792,000 of loans and receivables were impaired as at 30 June 2012 (2011: \$613,000). Further information relating to loans and receivables to related parties is set out in Note 29.

(b) Available-for-sale assets

Bakehouse Bonds	5,059	5,000
P-REIT Units	1,717	4,372
Pelathon Management Group Pty Ltd	10	-
BlackWall Storage Fund Units	111	783
BlackWall Telstra House Trust Units	104	520
BlackWall Pub Group Units	219	58
Tankstream Property Investments Fund Units	144	-
Total available-for-sale assets	7,364	10,733

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Notes to the Consolidated Financial Statements

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11. Non-Current Assets - Financial Assets (continued)

Further information relating to loans and receivables to related parties is set out in Note 29.

The Group holds an investment in P-REIT which was listed on the Australian Securities Exchange (ASX) on 28 October 2011 (ASX code: PXT). TFML Limited (a subsidiary of the Group) acts as the responsible entity for P-REIT. Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) and was \$0.10 at 30 June 2012. TFML (as P-REIT's responsible entity) is a defendant in a Supreme Court action initiated by the MacarthurCook Property Securities Fund. The proceedings relate to a series of transactions entered into before TFML became responsible entity of P-REIT. On 10 August 2012 judgment was entered against TFML for approximately \$17.8 million including pre-judgment court interest but excluding costs. TFML is appealing the decision, however given the judgement, the Directors consider that the investment in P-REIT is now impaired. This results in an impairment loss of approximately \$3.5 million.

The Bakehouse Bonds are CPI linked debt instruments against a large scale mixed use property known as the Bakehouse Quarter in North Strathfield, Sydney. The Bonds' face value of \$5 million is indexed to CPI and the current value at 30 June 2012 is \$5.059 million. The Bonds will mature on 30 June 2020. In addition, a coupon of 5.5% per annum is paid quarterly in arrears.

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.

12. Non-Current Assets - Property, Plant and Equipment

	2012 \$'000	2011 \$'000
Furniture, fixtures and fittings:		
- At cost	987	592
- Less accumulated depreciation	(372)	(29)
	615	563
Office equipment:		
- At cost	177	116
- Less accumulated depreciation	(109)	(25)
	68	91
Motor vehicles:		
- At cost	-	28
- Less accumulated depreciation	-	(5)
	-	23
Total property, plant and equipment	683	677

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For the Year Ended 30 June 2012

12. Non-Current Assets - Property, Plant and Equipment (continued)

	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
30 June 2012				
Balance at the beginning of year	563	91	23	677
Additions	292	15	-	307
Disposals	(18)	-	(23)	(41)
Depreciation expense	(222)	(38)	-	(260)
Balance at the end of year	<u>615</u>	<u>68</u>	<u>-</u>	<u>683</u>
30 June 2011				
Balance at the beginning of period	-	-	-	-
Additions	592	116	28	736
Depreciation expense	(29)	(25)	(5)	(59)
Balance at the end of period	<u>563</u>	<u>91</u>	<u>23</u>	<u>677</u>

The majority of additions are in relation to the Group's serviced office business (WT Serviced Offices) and the fit out of a new premise at the Bakehouse Quarter in North Strathfield.

13. Non-Current Assets - Deferred Tax Assets

	2012 \$'000	2011 \$'000
Deferred tax assets balance comprises:		
Employee entitlements	56	47
Accrued income	(23)	(36)
Accrued expenses	27	20
Unearned income	-	5
Prepayments	-	2
Total deferred tax assets	<u>60</u>	<u>38</u>
Movements:		
Balance at the beginning of year	38	-
Credited / (charged) to the profit and loss	22	38
Balance at the end of year	<u>60</u>	<u>38</u>

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14. Non-Current Assets - Intangible Assets

	2012 \$'000	2011 \$'000
Goodwill:		
- At cost	374	411
Total intangible assets	374	411

	Goodwill \$'000
30 June 2012	
Balance at the beginning of year	411
Disposal	(37)
Balance at the end of year	374
30 June 2011	
Balance at the beginning of period	-
Additions	411
Balance at the end of period	411

The recoverable amount of the operating business cash-generating units (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 year.

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 year 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%. 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).

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15. Current Liabilities - Trade and Other Payables

	2012 \$'000	2011 \$'000
Trade payables:		
- Related parties	12	126
- Other parties	867	764
	<hr/> 879	<hr/> 890
Sundry payables and accrued expenses	50	86
Rental income in advance	21	17
Total trade and other payables	<hr/> 950	<hr/> 993

Further information relating to trade payables from related parties is set out in Note 29.

16. Current Liabilities - Current Tax Payable

	2012 \$'000	2011 \$'000
Income tax payable	261	338
Total current tax payables	<hr/> 261	<hr/> 338

17. Current and Non-current Liabilities - Borrowings

	2012 \$'000	2011 \$'000
Current	425	-
Non-current	-	450
Total borrowings	<hr/> 425	<hr/> 450

The borrowings that are due on 30 November 2012 have now been classified as current liabilities. The Directors are confident that the borrowings will be extended after their expiry date. On 4 July 2012, the Group repaid \$25,000 (shown as part of the current liabilities as at 30 June 2012) to reduce the borrowings to \$400,000.

18. Current and Non-current Liabilities - Provisions

	2012 \$'000	2011 \$'000
Current – employee benefits	177	148
Non-current – employee benefits	9	8
Total provisions	<hr/> 186	<hr/> 156

Provisions \$'000

30 June 2012

Balance at the beginning of year	156
Additional provisions recognised	30
Balance at the end of year	<hr/> 186

30 June 2011

Balance at the beginning of period	-
Additional provisions recognised	156
Balance at the end of period	<hr/> 156

The number of employees for the Group as at 30 June 2012 is 17 (2011: 18).

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19. Non-current Liabilities - Other Payables

	2012 \$'000	2011 \$'000
Tenant deposits	81	68
Total other payables	81	68

20. Share Capital

(a) Summary Table

	2012 \$'000	2011 \$'000
51,326,021 (30 June 2011: 44,358,535) Ordinary	11,367	11,286
Total issued capital	11,367	11,286

(b) Movement in shares on issue

	2012 No.	2011 No.
At the beginning of reporting period	44,358,535	-
Shares issued during the year	6,967,486	44,358,535
At reporting date	51,326,021	44,358,535

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All shares are fully paid and have no par value.

21. Dividends

There were no dividends paid for the year ended 30 June 2012 (2011: \$nil).

	Parent entity	
	2012 \$'000	2011 \$'000
Franking credits available for the subsequent reporting periods based on a tax rate at 30% (2011: 30%)	672	388

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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22. Earnings / (Loss) Per Share

	2012	20 October 2010 to 30 June 2011
Basic and diluted earnings/(loss) per share	(\$0.06)	\$0.02
Calculated as follows:		
Profit/(loss) attributable to the owners of the Group	(\$3,010,000)	\$859,000
Weighted average number of shares for basic and diluted earnings per share	50,372,676	44,358,535

23. Auditors' Remuneration

	2012 \$'000	20 October 2010 to 30 June 2011 \$'000
Remuneration of ESV (the auditor of the Group) for:		
- auditing or reviewing the financial statements for the Group	62	38
- taxation and compliance services	13	5
Total ESV remuneration	75	43
Remuneration of non-ESV firm for:		
- auditing the financial statements for the Group	18	3
- other assurance services	6	-
- taxation and compliance services	3	-
Total non-ESV remuneration	27	3
Total auditors' remuneration	102	46

24. Commitments

(a) 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.

	2012 \$'000	2011 \$'000
Lease commitments payable:		
- payable within 1 year	940	357
- payable within 2 – 5 years	2,773	893
Total lease commitments payable	3,713	1,250

(b) Capital lease commitments

No capital commitments were in existence as at 30 June 2012 (2011: Nil).

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25. Reconciliation of Operating Cash Flows

	2012 \$'000	20 October 2010 to 30 June 2011 \$'000
Profit / (loss) for the year	(2,966)	887
Non-cash flows in profit:		
Dividends and distributions	(74)	(84)
Unrealised loss / (gain) in foreign exchange	4	(3)
Gain on disposal of management rights	(530)	-
Depreciation	260	59
Loss on disposal of assets	44	15
Impairment	3,877	-
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables	(114)	(117)
(Increase)/decrease in other receivables	(9)	(108)
(Increase)/decrease in prepayments	(33)	3
(Increase)/decrease in related party loans	(8)	(138)
(Increase)/decrease in deferred tax balances	(22)	(4)
Increase/(decrease) in unearned revenue	4	17
Increase/(decrease) in trade payables and accruals	(34)	721
Increase/(decrease) in income taxes payable	(78)	252
Increase/(decrease) in provisions	30	25
Net cash flows from operating activities	351	1,525

26. Contingent Liabilities and Contingent Assets

The Group had no contingencies as at 30 June 2012 (2011: Nil), except for the following:

The Group in its capacity as investment manager of the BlackWall Storage Fund ("BSF") is entitled to a performance fee based on the uplift in BSF's underlying properties. The fee is payable on expiry of BSF which is October 2013. Current property valuations will result in a performance fee of around \$1 million payable to BlackWall and its subsidiaries. Approximately \$250,000 of this fee will be attributable to outside equity interests.

27. Subsequent Events

The Group holds an investment in P-REIT and an impairment loss of \$3,476,661 of the P-REIT units was recognised based on the ASX closing price of \$0.10 as at 30 June 2012 (refer to Note 11(b)). As at the date of signing these financial statements, the closing price is \$0.076.

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

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28. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2012 %	2011 %
Parent entity:			
BlackWall Property Funds Limited	Australia	100	100
Subsidiaries of parent entity:			
BlackWall Management Services Pty Ltd	Australia	100	100
Capital Storage Services Pty Ltd	Australia	51	51
TFML Limited	Australia	100	100
WTSO Pty Ltd	Australia	100	100

29. Related Party Transactions

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

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

Associates and Joint Venture Entities

Interests held in associates and joint venture entities by the Group are set out in Note 10 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 11).

Fees and Transactions

Management fees are charged to these entities predominantly 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 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 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.
- Consulting fees and recharges.

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

29. Related Party Transactions (continued)

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

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.

All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable.

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between the Group and its related entities.

	2012 \$'000	2011 \$'000
Revenue:		
- Management fees and recharges	3,910	2,497
- Distribution from managed funds	71	88
- Interest	285	-
- Gains on disposal of management rights	530	-
Expenses:		
- Rent and outgoings paid	945	417
- Consulting fees and recharges	117	-
Outstanding balances:		
- Trade and other receivables (note 8)	494	143
- Loans receivables (note 11)	47	741
- Trade and other payables (note 15)	(12)	(126)

(b) Other related party transactions

Related party transactions that occurred during the year other than those described in Note 29(a) above are as follows:

Date of transaction	Purchaser/Seller (*)	Financial Assets	Shares /Units Purchased / (Sold) No.	Total Consideration Paid/(Received) \$'000
30 September 2011	JPS Properties Pty Ltd/BlackWall	BlackWall Storage Fund	(356,000)	(392)
24 October 2011	BlackWall /Pelorus Private Equity Ltd	P-REIT	200,000	60
31 October 2011	BlackWall /Pelorus Private Equity Ltd	P-REIT	2,400,000	720
1 April 2012	BlackWall /P-REIT	BlackWall Storage Fund	48,160	53
29 June 2012	Alerik Pty Ltd/BlackWall	BlackWall Telstra House Trust	(400,000)	(400)

* BlackWall includes both Blackwall Property Funds Ltd and its controlled entities.

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30. 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.

	2012 \$'000	2011 \$'000
Results:		
Profit / (loss) after tax	(2,592)	151
Other comprehensive income / (loss) after tax	42	(42)
Total comprehensive income / (loss) after tax	(2,550)	109
Financial position:		
Current assets	1,000	629
Non-current assets	8,304	11,198
Total assets	9,304	11,827
Current liabilities	(383)	(432)
Non-current liabilities	-	-
Total liabilities	(383)	(432)
Net assets	8,921	11,395
Share capital	11,367	11,286
Retained earnings / (accumulated losses)	(2,446)	151
Reserves	-	(42)
Total equity	8,921	11,395

The parent entity had no contingencies or capital commitments at 30 June 2012 (2011: Nil).

31. Directors and Key Management Personnel

(a) Key management personnel relevant interests

Key management personnel include both Directors (refer Directors' Report) and Tim Brown (Chief Financial Officer).

Key management personnel have relevant interests in shares of the Company as set out in the following table:

	Balance at 30 June 2011 No. '000	Net change * No. '000	Balance at 30 June 2012 No. '000
Joseph (Seph) Glew	7,472	(1,239)	6,233
Robin Tedder	1,779	-	1,779
Richard Hill	1,644	-	1,644
Stuart Brown	672	6	678
Tim Brown	65	18	83
Total shareholding	11,632	(1,215)	10,417

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

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

31. Directors and Key Management Personnel (continued)

(b) Key management personnel compensation

	Short-term benefits		Post-employment benefits	Total
	Directors' fees \$'000	Salary and other \$'000	Superannuation \$'000	\$'000
30 June 2012				
Joseph (Seph) Glew	75	-	-	75
Robin Tedder	75	-	-	75
Richard Hill	85	-	-	85
Stuart Brown	-	321	29	350
Tim Brown	-	179	16	195
	235	500	45	780
20 October 2010 to 30 June 2011				
Joseph (Seph) Glew	38	-	-	38
Robin Tedder	38	-	-	38
Richard Hill	42	-	-	42
Stuart Brown	-	161	14	175
Tim Brown	-	88	8	96
	118	249	22	389

32. Financial Risk Management

(a) Financial risk management

The main risks the Group are exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are cash, financial assets and borrowings. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the 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 has overall responsibility for the establishment and oversight of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets.

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

32. Financial Risk Management (continued)

(a) Financial risk management (continued)

The Group holds the following major financial instruments.

	2012 \$'000	2011 \$'000
Financial assets		
Cash and cash equivalents	1,162	675
Available-for-sale assets	7,364	10,733
Financial liabilities		
Borrowings	425	450

(b) Market risk

(i) Foreign exchange risk

The Group has dealings with a company that operates in New Zealand however the exposure to foreign exchange risk is not material.

(ii) Interest rate risk

The Group has exposure to market risk for changes in variable interest rates on borrowings. The impact from movement in interest rates is not material based on the current borrowings balance. The major available-for-sale asset – the Group's \$5 million interest in Bakehouse Bonds is subject to a fixed coupon rate of 5.5% p.a., and as a result is not directly exposed to the interest rate risk. However the Bonds' value is linked to the inflation and therefore affected by the inflation rate.

The weighted average effective interest rates for cash and borrowings were 3.5% (2011: 4.75%) and 7.53% (2011: 7.79%) respectively.

At 30 June, if interest rates had moved, with all other variables held constant, pre-tax profit would not be materially affected.

(iii) Price risk

The major exposure is the Group's investments in P-REIT units and the Bakehouse Bonds. With all other variables held constant, the Bonds' value will only decrease should the current property values in the Bakehouse Quarter decrease by more than 29%, which is highly unlikely.

In relation to investment in P-REIT, if the share price decreases by more than 10% this will result in an unrealised loss of \$120,000.

(c) Credit risk

The Group is not exposed to any major credit risk except for the Bakehouse Bonds. The credit risk for the Bakehouse Bonds is of the same nature as the price risk described above.

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

32. Financial Risk Management (continued)

(d) Liquidity risk

The Group has borrowings that are due for renewal within 12 months. Management is confident that the borrowings will be renewed. In addition, the Group repaid \$25,000 on 4 July 2012 to reduce the borrowings to \$400,000. Refer to Note 17 for further details.

	Maturing within 1 year \$'000	Maturing 1 - 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
At 30 June 2012				
Financial assets				
Cash and cash equivalents	1,162	-	-	1,162
Trade and other receivables	1,070	50	-	1,120
Loans and receivables	-	47	-	47
Available-for-sale assets			7,364	7,364
	2,232	97	7,364	9,693
Financial liabilities				
Trade and other payables	950	-	-	950
Borrowings	425	-	-	425
	1,375	-	-	1,375
At 30 June 2011				
Financial assets				
Cash and cash equivalents	675	-	-	675
Trade and other receivables	804	-	-	804
Loans and receivables	-	742	-	742
Available-for-sale assets			10,733	10,733
	1,479	742	10,733	12,954
Financial liabilities				
Trade and other payables	993	-	-	993
Borrowings	-	450	-	450
	993	450	-	1,443

BlackWall Property Funds Limited and Controlled Entities

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

32. Financial Risk Management (continued)

(e) Fair value measurements

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities measured at fair value as at 30 June. Refer to Note 2 for further details of assumptions used and how fair values are measured.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
At 30 June 2012				
Available-for-sale assets	1,717	588	5,059	7,364
At 30 June 2011				
Available-for-sale assets	-	5,733	5,000	10,733

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

	Available-for-sale assets \$'000	Level 3 Total \$'000
At 30 June 2012		
Balance at the beginning of year	5,000	5,000
Fair value movement	59	59
Balance at the end of year	<u>5,059</u>	<u>5,059</u>
At 30 June 2011		
Balance at the beginning of period	-	-
Purchases	5,000	5,000
Balance at the end of period	<u>5,000</u>	<u>5,000</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of available-for-sale financial assets that are not traded in active markets are based on published unit prices at year end (Level 2).

There were no transfers between Level 1, 2 and 3 financial instruments during the year, except for investments in P-REIT. It is now classified as Level 1 financial instrument as it is listed on the ASX (June 2011: Level 2).

For all other financial assets and liabilities, the carrying value is an approximation of fair value.


In the Directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 56 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Stuart Brown
Director
Sydney, 30 August 2012



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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 statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entities.

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 company'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 company'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:

- (a) the financial report of Blackwall Property Funds Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group for the year ended 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the year ended 30 June 2012. The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Blackwall Property Funds Limited and Controlled Entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Dated at Sydney the 31th day of August 2012



ESV Chartered Accountants



Chris Kirkwood
Partner





**BLACKWALL
PROPERTY FUNDS**

& Controlled Entities

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