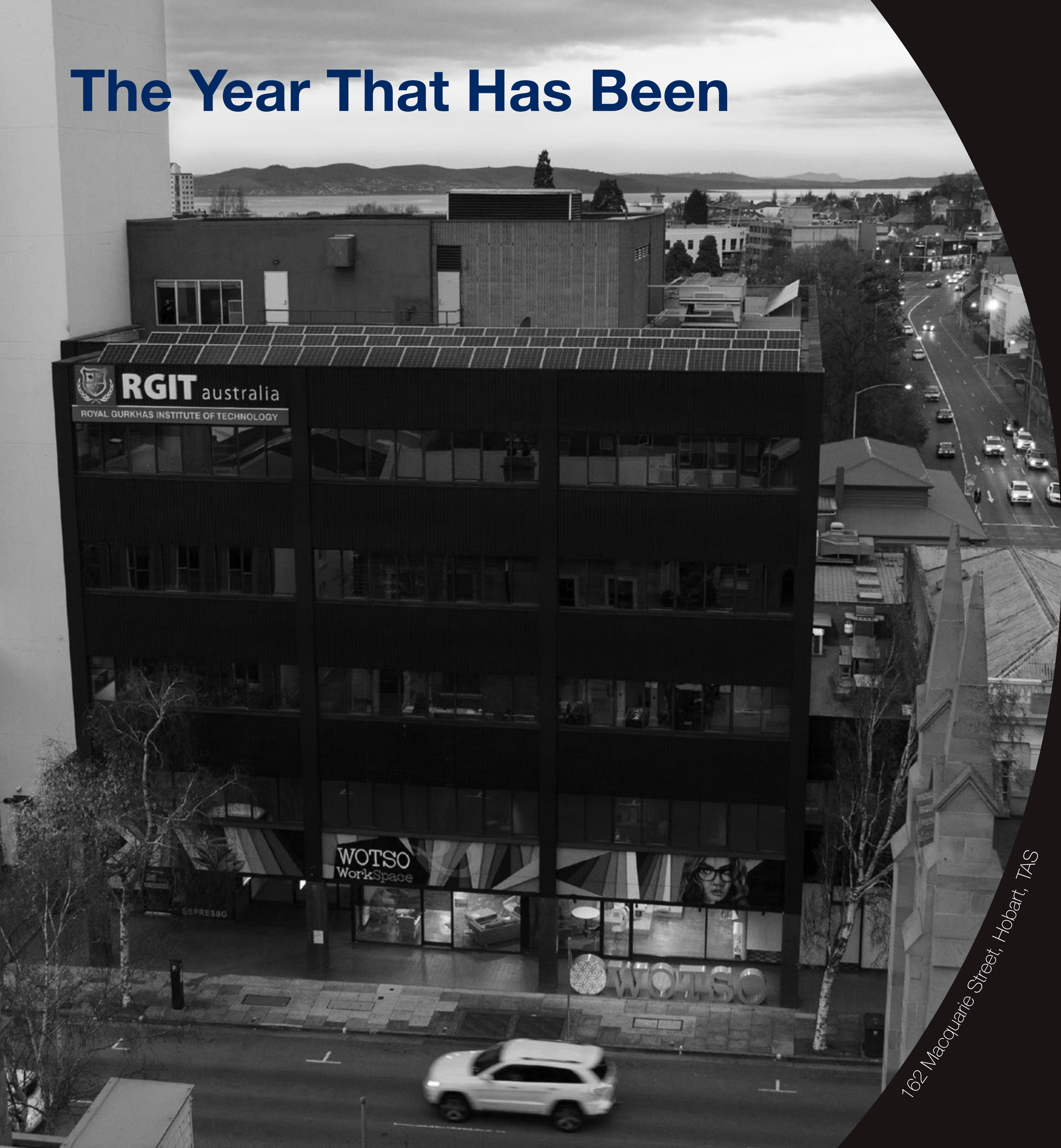
BlackWall

ANNUAL REPORT JUNE 2020

CONTENTS

The Year That Has Been



162 Macquarie Street, Hobart, TAS

Dividend
2.1cps
fully franked to be paid 25 Sep 2020

Revenue
$12.1 million

Performance and Transaction Fees
$1.9 million
pa average since listing

Over
93,000 sqm
of managed space

Directors' Report

Chairman's Perspective

Tim and Jess have asked me to say something meaningful about the opportunities and challenges that we should expect post the 2020 COVID-19 (COVID) crisis. Their thinking was that I have first-hand experience going through the crash of '87 and the GFC in 2008 so I must have learned something.

The crash of '87 lead to a personally challenging corporate collapse but the experience did mean that the GFC in 2008 did not come as a surprise. The warning signs were flashing red in 2007 and we started preparing our business to survive the coming storm. We were ready when it hit but we didn't have the capital that we would have liked to take advantage of the crisis. This time we are ready, but we are presented with a different type of crisis and the financial metrics are unlike any that we have experienced before.

Leading up to the October '87 crash, there was a lot of irrational and unsustainable business behaviour. Australian and NZ businesspeople were flying around the world buying up diverse assets that, in many cases, they knew little about. Money was freely available even though interest rates were 15-20% pa. It felt like a bubble and it was a bubble.

For me 2006/7 felt a lot like 1986/87. There was excessive confidence and once again money was freely available. This time it was toxic collateralised debt circling the globe and a much greater risk to the global financial system but, at a micro level, the consequences were the same. Banks held their breath for a bit and then started forcing property sales and driving up property yields. Many properties that are selling today on yields of 5-6% were sold in the GFC on double those yields or more.

Fast forward to 2020 and we are dealing with a health rather than a financial crisis and money is not so much freely available as simply "free".

Following '87 I was annoyed with myself for not seeing the crash coming and for not knowing how to respond when it did. In 2008 we didn't have the capital to take advantage of the irrational behaviour that followed but we did know how to respond and we came out ahead. In 2020 we have capital and we have strong positive cash flow, but we are presented with an entirely new set of issues.

A global health crisis, zero interest rates, zero inflation and rapidly changing technology combined with extraordinarily optimistic valuations for many tech companies is a combination that has not been seen before. We might be heading toward a V shaped recovery once a vaccine or treatment for COVID is developed but it seems likely that we will then run into some sort of tech wreck. Perhaps even a repeat of the 2000 dot-com bubble?

Fortunately, we believe that BlackWall has a path to follow that we think will be relevant in any market. We see our future as being providers of flexible real estate solutions. This goes beyond our WOTSO business as a provider of flexible workspace and extends to all forms of real estate usage.

Changes in technology have created many new businesses and created challenges for older industries. Many need to adapt and change and we would like BlackWall to be part of that process by providing flexible building solutions. At its core this means short term leases, but we want to extend this by providing a bespoke turnkey product that we can adapt and repurpose as tenant needs change.

Through WOTSO we already have a number of situations where we have provided tenants with fully fitted premises complete with furniture, printers and large screen TV monitors for their exclusive use.

We did not intend to have WOTSO back within the fold but with management changes we realised that WOTSO naturally integrates into the BlackWall Property Trust (BWR). With the WOTSO business being part of BWR we increase our flexibility and ability to respond to larger tenant needs. For WOTSO the larger capital base means that it can mature and grow without the need to raise further capital in a troubled market.

Growing BWR as a flexible workspace provider will have its challenges. Valuers and banks have a fixation on WALE (Weighted Average Lease Expiry) but we believe there is less risk with a greater number of tenants on flexible lease terms. Importantly there is a trade-off between term, rent and amenity that BlackWall can benefit from.

Seph Glew
Chairman

194 Varsity Parade, Varsity Lakes, QLD

Review of Operations

Despite the current financial climate, BlackWall Limited (BWF or the Group) will maintain its final dividend at a fully franked 2.1 cents per share.

Most businesses will attest that COVID has thrown up many challenges over the back half of the financial year. As property and fund managers, we have had to deal with a broad spectrum of issues, from ensuring our properties are as safe as possible to supporting our tenants through tough times; all whilst balancing that effect on our investors. We are proud of the way our team has responded and whilst there has been some financial effect on BWF, our business is resilient and we are able to maintain our final fully franked dividend, to be paid on 25 September 2020, at 2.1 cents per share bringing our full year dividend to 4.1 cents per share representing a dividend yield of just under 12% on a share price of 38 cents per share. BWF remains well placed to take advantage of opportunities that may present themselves over the coming months.

Our FY20 result is the first full year since the sale of the Bakehouse Quarter and is impacted by the demerger of WOTSO. It is therefore difficult to compare to prior years. Our profit from continuing operations is $4.2 million and includes a revaluation of our remaining holding in WOTSO. At 30 June 2020, we are holding our 13% share in WOTSO at an equivalent enterprise value of $30 million or 37 cents per WOTSO share. This is below the 47.5 cents per share value ascribed to WOTSO for the purpose of two private placements, which raised $3.5 million shortly before COVID hit Australia. Our June WOTSO valuation is discussed in detail in Note 11 - Investment - WOTSO.

In January 2020, WOTSO had an unexpected change of management, meaning BWF returned as WOTSO's guiding hand. A subsequent review lead to an announcement in July that, subject to shareholder and court approval, WOTSO will become a stapled security with BWR. We believe this restructure will cement WOTSO's growth trajectory and provide BWR with a strong future growth strategy. WOTSO becomes a ready-made tenant for future property acquisitions while allowing BWR to remain flexible so that it can respond to opportunities identified within its portfolio.

BWF was never the ultimate home for WOTSO and, while not our original plan, we are confident that the stapling proposal will result in doors opening for both entities. The transaction does not restrict WOTSO from taking on third party leases and does not preclude a future IPO.

490 Northbourne Avenue, Dickson, ACT

What We Do

BlackWall generates management, performance and transaction fees from real estate investment structures – the largest of these is our ASX listed REIT, BWR. The BlackWall portfolio under management currently comprises 16 properties with a total value of just under $400 million.

Transaction Fee Track Record

For the last 8 years we have produced performance and transaction fees and this year has been no different with performance fees of $600,000 relating to our Penrith fund that comes to an end in December 2020. This brings the annual average of BWF's performance and transaction fees since listing in 2011 to just under $2 million per annum.

The Immediate Future

As highlighted by our half year report, our view is that commercial property yields are unsustainably low, resulting in BWR's cash reserves being deployed to repay debt and advanced on mortgage rather than to acquire assets. This has resulted in a temporary reduction in our management fee income while we are awaiting new opportunities. COVID has further impacted our ability to find and execute turn around projects but we remain of the view that with uncertainty there will be opportunity. With BWR's net gearing at 16% and over $15 million of cash on hand, we are well placed to move quickly when the next opportunity arises.

The Long Term

We aim to double the size of our property portfolio under management in 5 years to over $800 million by acquiring new assets and further developing our current assets. BWR will be the main vehicle for our growth. We will be looking to acquire partially or completely vacant assets in suburban areas with the end goal of changing the asset to what, in our eyes, will produce a sustainable and flexible income stream. Our ideal building is multifaceted at completion, made up of services such as a coffee shop, child care, gym, WOTSO and a couple of larger commercial office tenants.

We will also be on the lookout for distressed portfolios that we can turn around much like we did with the Reed Property Trust (now BWR), following the GFC.

If we can successfully achieve the above we will grow our management and performance fees. As we have always maintained, our strategy to acquire real estate requires patience but can generate material value gains and sustainable income, especially during periods of dislocation in financial markets.

Tim Brown and Jessie Glew
Joint Managing Directors

50 Yeo Street, Neutral Bay, NSW

Financial Statements

Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $'000	Restated 2019 $'000
REVENUE			
BlackWall			
Management fees	4	4,725	5,845
Performance and transaction fees	4	598	2,424
Staff payroll recovery		737	1,311
Government COVID stimulus	2	225	-
Total BlackWall		**6,285**	**9,580**
Investments			
Unrealised gain / (loss) - BWR	5	1,608	(88)
Unrealised gain - WOTSO	5	2,700	-
Share of net profit of IndigoBlack	25	72	-
Other investment income	6	15	658
Total Investments		**4,395**	**570**
WOTSO Franchise			
Franchise income	3	1,434	-
Total WOTSO Franchise		**1,434**	**-**
TOTAL REVENUE		**12,114**	**10,150**
EXPENSES			
Operating expenses	7	(4,526)	(5,218)
Franchise expenses	3	(694)	-
Depreciation - right of use asset	22	(782)	-
Depreciation - property, plant and equipment	12	(249)	(74)
Finance costs - lease liability interest	22	(103)	-
Finance costs - interest expense	22	(8)	-
Other investment expenses	8	-	(477)
TOTAL EXPENSES		**(6,362)**	**(5,769)**
Profit Before Income Tax From Continuing Operations		**5,752**	**4,381**
Income tax expense	9	(1,535)	(981)
Profit After Tax From Continuing Operations		**4,217**	**3,400**
Discontinued operation - WOTSO profit/(loss)	17	1,195	146
Discontinued operation - Kirela profit/(loss)	18	(876)	(423)
Profit for the Year		**4,536**	**3,123**
Other comprehensive income		-	-
Profit and Other Comprehensive Income		**4,536**	**3,123**
Profit and Other Comprehensive Income Attributable to:			
Owners of the Company		4,536	3,189
Non-controlling Interests		-	(66)
Earnings Per Share			
Profit Attributable to the Ordinary Equity Holders:			
Basic and diluted earnings per share	20	7.2 cents	5.2 cents
Basic and diluted earnings per share (continuing operations)	20	6.7 cents	5.5 cents

Balance Sheet at 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		2,724	11,493
Trade and other receivables	10	548	3,479
Performance fee receivable - Penrith	4	598	-
Provision for tax receivable	16	354	-
Total Current Assets		**4,224**	**14,972**
Non-current Assets			
Investment - BWR		16,313	15,509
Investment - WOTSO	11	3,893	-
Investment using equity method - IndigoBlack	25	72	-
Right of use lease asset	22	2,308	-
Property, plant and equipment	12	725	246
Performance fee receivable - Penrith	4	-	433
WOTSO demerged assets		-	6,207
Total Non-current Assets		**23,311**	**22,395**
TOTAL ASSETS		**27,535**	**37,367**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	517	1,962
Right of use lease liability	22	624	-
Provision for employee benefits	14	335	469
Deferred rent payable - WOTSO Franchise	3	62	-
Tenant deposits - WOTSO Franchise		20	150
Provision for tax payable	16	-	778
Interest rate hedge		-	724
Total Current Liabilities		**1,558**	**4,083**
Non-current Liabilities			
Deferred tax liabilities	15	2,373	1,351
Right of use lease liability	22	1,699	-
Provision for employee benefits	14	96	84
Interest rate hedge		-	341
Total Non-current Liabilities		**4,168**	**1,776**
TOTAL LIABILITIES		**5,726**	**5,859**
NET ASSETS		**21,809**	**31,508**
EQUITY			
Share capital		14,080	17,555
Reserves		73	73
Retained earnings		7,656	13,880
TOTAL EQUITY		**21,809**	**31,508**

Statement of Cash Flows for the year ended 30 June 2020

	2020 $'000	2019 $'000
Cash Flows From Operating Activities (Excluding WOTSO Demerger)		
BWF Management receipts	8,303	5,588
WOTSO Franchise receipts	1,510	-
Payroll recovery receipts	737	1,436
Government COVID stimulus	165	-
Bank interest received	8	1
Payments to suppliers and employees	(5,831)	(6,730)
Interest paid	(1,459)	(121)
Income tax paid	(1,079)	(3,267)
WOTSO Franchise expenses	(686)	-
Investment Income receipts	-	315
Fortitude Valley outgoings	-	(125)
Net Cash Flows From Operating Activities (Excluding WOTSO Demerger)	**1,668**	**(2,903)**
Cash Flows From Investing Activities (Excluding WOTSO Demerger)		
Returns of capital from BWR and other investments	804	1,122
Investment in WOTSO	(6,852)	-
Payment for BWF property, plant and equipment	(728)	(70)
Loans repaid	(202)	-
Cash leaving group on disposal of Kirela	(13)	-
Proceeds from sale of Pyrmont Bridge Trust units	-	10,360
Proceeds from sale of Fortitude Valley	-	4,980
Net cash entering group on acquisition of Kirela	-	1,586
Proceeds from sale of Pelathon Management shares	-	108
Advance to WOTSO	-	(932)
Payment for BWR units	-	(187)
Cash leaving group on deconsolidation of Singapore	-	(16)
Payment for Fortitude Valley property fit-out	-	(7)
Net Cash Flows From Investing Activities (Excluding WOTSO Demerger)	**(6,991)**	**16,944**
Cash Flows From Financing Activities (Excluding WOTSO Demerger)		
Proceeds from exercise of options	-	1,237
Dividends paid to shareholders	(2,588)	(2,520)
Repayment of right of use leases	(808)	-
Repayment of NAB borrowings on Brisbane property	-	(2,100)
Net Cash Flows From Financing Activities (Excluding WOTSO Demerger)	**(3,396)**	**(3,383)**
Net Increase / (Decrease) in Cash Held (Excluding WOTSO Demerger)	**(8,719)**	**10,658**
Reconciliation Of Cash Balances (Excluding WOTSO Demerger):		
Cash and cash equivalents at the beginning of the year	11,493	923
Less WOTSO demerger cash balances	(50)	(138)
Beginning Cash Balances	**11,443**	**785**
Net increase / (decrease) in cash held	(8,719)	10,658
Cash at End of the Period (Excluding WOTSO Demerger)	**2,724**	**11,443**
Cash Flow Information – WOTSO Demerger:		
Net cash flows from / (used in) operating activities	1,443	1,549
Net cash flows from / (used in) investing activities	(5,771)	(1,637)
Net cash flows from / (used in) financing activities	5,305	-
Net Increase / (Decrease) in Cash Held - WOTSO Demerger	**977**	**(88)**
Reconciliation of Cash Balances - WOTSO Demerger:		
Cash at the beginning of the year	50	138
Net increase / (decrease) in cash held	977	(88)
Cash at End of the Period (WOTSO Demerger)	**1,027**	**50**

All items inclusive of GST where applicable

Reconciliation of Operating Cash Flows

	2020 $'000	2019 $'000
Profit for the Year	**4,536**	**2,911**
Noncash Flows in Profit:		
Depreciation on property, plant and equipment	249	101
Unrealised gains	(4,308)	-
Equity accounted profit - IndigoBlack	(72)	-
Discontinued operation	(2,134)	-
Performance fee accrual - Penrith	(165)	-
Rent waiver received - WOTSO Franchise	(62)	-
Depreciation on right of use lease asset	782	-
Interest expense on lease liability	103	-
Net gain on investments	-	(4)
Changes in Operating Assets and Liabilities:		
Decrease / (increase) in trade and other receivables	2,586	(3,068)
Increase / (decrease) in deferred tax liabilities	1,588	(253)
Increase / (decrease) in trade and other payables	(264)	(374)
Increase / (decrease) in income taxes payable	(1,132)	(2,035)
Increase / (decrease) in provisions	(39)	(181)
Net Cash Flows from Operating Activities (Excluding WOTSO Demerger)	**1,668**	**(2,903)**

Statement of Changes in Equity for the year ended 30 June 2020

	No. of Shares on Issue	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Attributable to Owners of the Parent $'000	Non-controlling Interests $'000	Total $'000
Balance at 1 July 2019	**63,115,445**	**17,555**	**13,880**	**73**	**31,508**	**-**	**31,508**
Profit for the year	-	-	4,536	-	4,536	-	4,536
Other comprehensive income	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**4,536**	**-**	**4,536**	**-**	**4,536**
Transactions with Owners in Their Capacity as Owners:							
Dividend paid	-	-	(2,588)	-	(2,588)	-	(2,588)
Demerger of WOTSO	-	(3,498)	(8,172)	-	(11,670)	-	(11,670)
Issue of shares	26,000	23	-	-	23	-	23
	26,000	**(3,475)**	**(10,760)**	**-**	**(14,235)**	**-**	**(14,235)**
Balance at 30 June 2020	**63,141,445**	**14,080**	**7,656**	**73**	**21,809**	**-**	**21,809**
Balance at 1 July 2018	**61,040,445**	**16,318**	**13,277**	**85**	**29,680**	**(148)**	**29,532**
Profit for the year	-	-	3,189	-	3,189	(66)	3,123
Other comprehensive income	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**3,189**	**-**	**3,189**	**(66)**	**3,123**
Transactions with Owners in Their Capacity as Owners:							
Dividend paid	-	-	(2,520)	-	(2,520)	-	(2,520)
Foreign currency reserve	-	-	-	(1)	(1)	-	(1)
Issue of shares – exercise of employee share options at 60 cents per share	2,075,000	1,245	-	-	1,245	-	1,245
Share issue expenses	-	(8)	-	-	(8)	-	(8)
Deconsolidation of subsidiary	-	-	(66)	(11)	(77)	214	137
	2,075,000	**1,237**	**(2,586)**	**(12)**	**(1,361)**	**214**	**(1,147)**
Balance at 30 June 2019	**63,115,445**	**17,555**	**13,880**	**73**	**31,508**	**-**	**31,508**

Share Capital and Reserves

(a) Summary Table

	2020 $'000	2019 $'000
63,141,445 ordinary shares (June 2019: 63,115,445)	14,080	17,555
Total	**14,080**	**17,555**

(b) Movement in Shares on Issue

	No.	No.
At the beginning of reporting period	63,115,445	61,040,445
Issue of shares to employees	26,000	-
Issue of shares – employee share options at 60 cents per share	-	2,075,000
At Reporting Date	**63,141,445**	**63,115,445**

No further shares have been issued since 30 June 2020. No amounts are unpaid on any of the shares. Ordinary shares participate in dividends. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All shares are fully paid.

(c) Reserves

	2020 $'000	2019 $'000
Share options reserve	73	73
Total	**73**	**73**

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

Options	Expiry date	Exercise price	Number
Employee and Directors options	28 February 2021	$1.00	4,500,000

Notes to the Financial Statements

1. Segment Information ($'000)

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

	Income	Gains / (Losses)	Total Revenue	Expenses	EBITDA	Interest and Depn	Pre-tax
Profit or Loss 2020							
BlackWall	6,285	-	6,285	(3,075)	3,210	(196)	3,014
Investments	87	4,308	4,395	(527)	3,868	(8)	3,860
WOTSO Franchise	1,434	-	1,434	(694)	740	(938)	(198)
Corporate	-	-	-	(924)	(924)	-	(924)
Continuing Operations	**7,806**	**4,308**	**12,114**	**(5,220)**	**6,894**	**(1,142)**	**5,752**
WOTSO demerging	4,070	-	4,070	(2,626)	1,444	(5,157)	(3,713)
Kirela discontinued	1,973	1,065	3,038	(2,170)	868	(1,451)	(583)
TOTAL Operations	**13,849**	**5,373**	**19,222**	**(10,016)**	**9,206**	**(7,750)**	**1,456**
Profit or Loss 2019							
BlackWall	9,580	-	9,580	(4,522)	5,058	(223)	4,835
Investments	658	(88)	570	(57)	513	-	513
Corporate	-	-	-	(967)	(967)	-	(967)
Continuing Operations	**10,238**	**(88)**	**10,150**	**(5,546)**	**4,604**	**(223)**	**4,381**
WOTSO demerging	10,196	-	10,196	(8,935)	1,262	(724)	537
Kirela discontinued	-	-	-	(423)	(423)	-	(423)
TOTAL Operations	**20,434**	**(88)**	**20,346**	**(14,904)**	**5,440**	**(947)**	**4,495**

	2020			2019		
Balance Sheet	**Assets**	**Liabilities**	**Net Assets**	**Assets**	**Liabilities**	**Net Assets**
BlackWall	1,140	(814)	326	1,663	(296)	1,367
Investments	23,487	(2,958)	20,529	29,036	(3,707)	25,329
WOTSO Franchise	2,554	(1,954)	600	-	-	-
Corporate	354	-	354	-	(778)	(778)
	27,535	**(5,726)**	**21,809**	**30,699**	**(4,781)**	**25,918**
WOTSO demerging	-	-	-	6,668	(1,078)	5,590
Consolidated	**27,535**	**(5,726)**	**21,809**	**37,367**	**(5,859)**	**31,508**

2. COVID Impact

BWF has been impacted by COVID in a number of ways.

BWF Management Fees - Property management fees are charged by BWF on a % of gross property income. Most of the properties that BWF manages have provided some form of rent relief to their tenants through the COVID period either through the waivers of rent or rent deferrals. BWF has adopted the mandatory code of conduct between landlords and tenants that was introduced by the federal government in April. This has resulted in a reduction of property management fees for the June quarter of $35,000. This reduction in income adjusts as the rent relief changes and has improved since year end. There has also been less leasing transactions which has meant a reduction in leasing fees in the second half of the year.

WOTSO Franchise Income - All WOTSO sites including the Neutral Bay franchise were effected by COVID. Members were allowed to suspend their membership from mid March to 30 June without penalty. For the Neutral Bay franchise this resulted in a reduction in average revenue of around 60% for these months. Members are now returning to the site and revenue has recovered to 90% of pre-COVID numbers. In line with the requirements of the mandatory code of conduct regarding commercial leasing, the WOTSO Franchise received a rent waiver of $62,000 with a further $62,000 rent deferral in the reporting period. The deferred rent payable will be repaid over the remaining 5 years of the lease.

BWF qualified for the government's JobKeeper and cash flow boost programmes. This resulted in revenue of $243,000 being received to 30 June 2020.

3. WOTSO Franchise

BWF has taken over the management of the WOTSO site at its Neutral Bay head office in Sydney. WOTSO is the Franchisor, and a new BWF subsidiary (BWF Franchise Pty Ltd) is the Franchisee.

BWF pays a franchise fee to WOTSO - currently set at 8% of gross rental income. The franchise fee paid to WOTSO allows for the Franchisee to access branding, website, management systems, marketing, financial analysis, fit-out specifications, and staff training provided or facilitated by WOTSO. BWF records the site revenue, and operating and payroll costs in its own financial records as disclosed on the face of the Profit or Loss and the franchise is now disclosed as a separate segment in the segment report.

4. Management and Performance Fees ($'000)

	2020	2019
Fund management fees	3,096	2,931
Property management fees	747	1,266
Project management fees	226	374
Leasing fees	310	765
Expense recovery and other fees	346	509
Management Fees Total	**4,725**	**5,845**
Performance fee - Penrith (details below)	598	-
Transaction fee - BWR	-	2,424
Performance and Transaction Fees Total	**598**	**2,424**

BWF (as manager of BlackWall Penrith Fund No.3) is entitled to a fee equating to 30% of the property value in excess of $16.5 million (the property value when the fund was established) plus any capital expenditure. The Penrith property was independently valued in June 2020 at $21.5 million with a resulting fee of $1,031,000 due to be paid when the fund terminates in December 2020. An amount of $433,000 accrued in FY18 was paid in the current financial year, and the remainder of $598,000 has been accrued in the current financial year given that there are only a few months until the fund terminates. In the unlikely event of further market changes unitholders' exit unit price will be adjusted.

Rental waivers, provided to tenants of managed properties as a result of COVID, had a $35,000 unfavourable impact to property management fees.

5. Net Unrealised Gains on Investments ($'000)

	2020	2019
Unrealised gain / (loss) - BWR	1,608	(88)
Unrealised gain - WOTSO	2,700	-
Total	**4,308**	**(88)**

Further details regarding unrealised gain - WOTSO can be found in Note 11 – Investment - WOTSO.

6. Other Investment Income ($'000)

	2020	2019
Interest income	8	1
Other income	7	2
Distributions from Pyrmont Bridge Trust	-	315
Realised gain - Fortitude Valley	-	300
Rental income from property	-	40
Total	**15**	**658**

7. Operating Expenses ($'000)

	2020	2019
BWF employee and consultant expenses	3,369	3,006
BWF operating expense	1,157	1,142
Bakehouse staff termination expense	-	924
BWF rent expense	-	146
BWF Expenses	**4,526**	**5,218**

Rent expense is now included under right of use asset depreciation and lease liability interest charges as detailed in Note 22 - Adoption of AASB 16 *Leases*.

8. Other Investment Expenses ($'000)

	2020	2019
Property outgoings	-	(166)
Property depreciation	-	(27)
Property finance costs	-	(122)
Loss on sale of investments	-	(162)
Total	**-**	**(477)**

9. Income Tax Expense ($'000)

	2020	2019
Current tax	513	1,257
Deferred tax	1,022	(276)
Total	**1,535**	**981**
Prima Facie Tax Payable on Profit from Ordinary Activities Before Income Tax at 27.5% (2019: 27.5%)	**1,582**	**1,205**
Add / (Less) Tax Effect of:		
Non-deductible items	14	4
Deductible items	(17)	(9)
Change in tax rate - restatement of deferred tax balances	(137)	-
Capital losses	-	47
Franking credits	-	115
Financial assets	-	(381)
Under / (over) provision in prior years	93	-
Total	**1,535**	**981**

10. Current Assets – Trade and Other Receivables ($'000)

	2020	2019
Trade Receivables:		
Related parties – BlackWall Property Trust	136	2,750
Related parties – Pyrmont Bridge Property	19	113
Related parties – various	292	242
Other parties	91	154
Total Trade Receivables	**538**	**3,259**
Other receivables	10	220
Total	**548**	**3,479**

Further information relating to trade and other receivables to related parties is set out in Note 27 - Related Party Transactions. None of the receivables were impaired as at 30 June 2020 (2019: $nil).

11. Investment - WOTSO

WOTSO demerged from the group on 8 January 2020 (refer to Note 17 - Discontinued Operations). BWF continues to own 13% of WOTSO at reporting date. This has decreased from the 14% at demerger due to two private placements completed in January 2020.

Accounting Standard AASB 9 *Financial Instruments* requires financial assets to be fairly valued at each reporting date with the movement in asset value reflected in the Statement of Profit or Loss. WOTSO is an unlisted entity and its shares are not traded on an active market.

After the demerger, WOTSO made two private placements at 47.5 cents per share, indicating a pre-money valuation of $35 million.

Since then, the restrictions created by COVID have had an effect on WOTSO and the broader market. Revenue for WOTSO was down, on average, 60% for the months of April to June. As of August, it has recovered to close to 90% of its pre-COVID revenue.

At June, a revaluation has been undertaken that reflects some of these changes and the subsequent recovery as well as the renegotiation of some leases which are close to being finalised. WOTSO has been valued using a discounted cash flow model, allowing more recent data to be utilised to determine its fair value. The model has relied on several key assumptions, as follows:

- forecast cash flows for the next 5 years to June 2025 have been discounted using a discount rate of 11.2%. This discount rate takes into account management's estimate of WOTSO's weighted average cost of capital, based on the risk-free rate and the volatility of the share price relative to market movements;
- although WOTSO has consistently opened 3 new sites per year in the last few years, only current operations have been included in the valuation; with no growth from new sites forecast within the five year period. The uncertainty over the timing and extent of growth through new sites was considered to be too significant to value accurately;
- all sites are forecast to continue growing to reach maturity by June 2022. Maturity is defined as achieving 85% of the target revenue of a site; where the target revenue is calculated as the target desk price times the total number of desks;
- monthly target desk prices range from $200 (for a flexidesk in Hobart) to $800 (for an office desk in Bondi or Manly) and are considered competitive rates within each site's operating environment; and
- the economy will continue to recover over the next 2 years allowing for WOTSO sites to continue growing revenue. A second COVID lockdown that affects our sites would likely have a material impact on this valuation.

The $30 million discounted cash flow valuation is equivalent to a 5.2 x EBITDA multiple (adjusted for AASB 16 *Leases*), based on FY21 projections. This was found to be comparable with other high growth businesses within the sector. It equates to a value of 37cents per WOTSO share.

The BWF holding of 13% is thus valued (unadjusted for a minority interest discount) at $3.9 million. This is an increase of $2.7 million above the value recognised at demerger according to the ATO methodology.

Sensitivity

The below sensitivity analysis considers several key assumptions within the discounted cash flow and the impact of their movement on the fair value of BWF's investment in WOTSO.

Assumption	Used in Valuation	Sensitivity	Impact to BWF $'000	Sensitivity	Impact to BWF $'000
Maturity revenue as % of target revenue	85%	80%	(480)	90%	480
Maturity date	Jun'22	Dec'21	940	Dec'22	(290)
Discount rate	11.2%	9.5%	180	12.9%	(160)

On 24 July 2020 the Directors released an ASX announcement indicating that they have resolved to proceed with a transaction whereby BWR would acquire WOTSO to form a stapled security structure.

12. Non-current Assets – Property, Plant and Equipment ($'000)

Continuing Operations:	2020	2019
Continuing Operations:		
At cost	2,138	846
Less accumulated depreciation	(1,413)	(600)
Written Down Value	**725**	**246**
WOTSO:		
At cost	-	7,274
Less accumulated depreciation	-	(2,042)
Written Down Value	**-**	**5,232**
Total	**725**	**5,478**

	WOTSO	Continuing Operations	Total
2020			
Carrying amount at the beginning of year	5,232	246	5,478
Additions	-	728	728
Depreciation expense	-	(249)	(249)
Disposal due to demerger	(5,232)	-	(5,232)
Carrying Amount at the End of Year	**-**	**725**	**725**
2019			
Carrying amount at the beginning of year	3,860	250	4,110
Additions	2,096	70	2,166
Depreciation expense	(724)	(74)	(798)
Carrying Amount at the End of Year	**5,232**	**246**	**5,478**

13. Current Liabilities – Trade and Other Payables ($'000)

	2020	2019
Trade Payables:		
Related parties	1	219
Other parties	439	1,445
Total Trade Payables	**440**	**1,664**
Sundry payables and accrued expenses	77	239
Income received in advance from WOTSO tenants	-	59
Total	**517**	**1,962**

Further information relating to trade payables from related parties is set out in Note 27 - Related Party Transactions.

14. Current and Non-current Liabilities – Provisions ($'000)

	2020	2019
Current – employee benefits	335	469
Non-current – employee benefits	96	84
Total Provisions	**431**	**553**
Balance at the beginning of year	553	651
Net additional provision increase (decrease)	(122)	(98)
Balance at the End of Year	**431**	**553**

The number of BWF employees as at 30 June 2020 was 30 (2019: 64). The reduction being a result of WOTSO demerging.

15. Non-current Liabilities – Deferred Tax Liabilities ($'000)

	2020	2019
Deferred Tax Liabilities / (Assets) Balance Comprises:		
Financial assets	2,537	1,546
Provision for employee benefits	(112)	(151)
Accrued expenses	(52)	(44)
Total	**2,373**	**1,351**
Movements:		
Balance at the beginning of year	1,351	1,627
Charged to the profit and loss	1,022	(276)
Balance at the End of Year	**2,373**	**1,351**

16. Provision for Tax Payable ($'000)

	2020	2019
Payable at the beginning of year	778	2,813
Current year tax liability	-	1,492
Payments made	(1,235)	(3,519)
Under / (over) provision in prior years	103	(8)
(Refund) Payable at the End of Year	**(354)**	**778**

17. Discontinued Operations ($'000)

In the current financial year two separate subsidiaries of the Group have been discontinued. Firstly, WOTSO was demerged on 8 January 2020, and then separately the Kirela Development Unit Trust (Kirela) subsidiary was discontinued on 30 June 2020. The summarised net impact in the Statement of Profit or Loss is set out below:

Gain on demerger of WOTSO after tax	1,195
(Loss) on disposal of Kirela after tax	(876)
Total Gain After Tax from Discontinued Operations	**319**

Detailed notes and disclosures regarding the WOTSO demerger have been set out in the note below.

Detailed notes and disclosures on the Kirela disposal have been set out in Note 18 - Disposal of Subsidiary.

WOTSO Demerger

(a) Description

On 20 December 2019 BWF shareholders approved the demerger of WOTSO. The completion of the demerger was successfully completed on 8 January 2020. The demerger was detailed in the Explanatory Statement released to the ASX on 19 November 2019. The demerger involved a capital reduction and distribution satisfied by an in-specie distribution of 86% of the shares in WOTSO Limited. BWF retained a 14% interest in WOTSO on 8 January 2020.

As required by AASB 5 *Discontinued Operations*, the activities of WOTSO have been reflected separately as a discontinued operation in the Statement of Profit or Loss with comparatives restated.

(b) Profit or Loss Information – WOTSO Demerger

	To 8 January 2020
REVENUE	
Revenue from members	3,767
Franchise fees	303
Total Revenue	**4,070**
EXPENSES	
Staff costs	(1,362)
Rent expenses	-
Operating expenses	(1,264)
Total Operating Expenses	**(2,626)**
Operating Profit	**1,444**
Other Expenses	
Depreciation on fit-out	(421)
Depreciation on right of use lease assets	(3,602)
Interest on right of use lease liabilities	(972)
Impairment of goodwill – Bondi	(162)
Equity accounting and discontinued operations	-
Total Other Expenses	**(5,157)**
(Loss) / Profit Before Income Tax	**(3,713)**
Income tax	745
(Loss) / Profit From Demerger Operations	**(2,968)**
Intercompany eliminations (fees and income tax)	225
Consolidated (Loss) / Profit	**(2,743)**

(c) Assets and Liabilities Information – WOTSO Demerger

The following are the WOTSO demerger assets and liabilities at the date of demerger:

	At 8 January 2020
Assets	
Cash and cash equivalents	1,027
Receivables and other assets	138
Loan to JV (Malaysia)	371
Rental deposits for leased sites	528
Deferred tax asset	768
Property, plant and equipment	12,750
Right of use lease asset	48,850
WOTSO Demerger Assets	**64,432**
Intercompany eliminations	93
WOTSO Consolidated Assets	**64,525**
Liabilities	
Payables and other liabilities	2,925
Provisions for employee benefits	210
Loan from BWR	600
Right of use lease liability	51,284
WOTSO Demerger Liabilities	**55,019**
Intercompany eliminations	(133)
WOTSO Consolidated Liabilities	**54,886**
WOTSO Demerger Net Assets	**9,413**
WOTSO Consolidated Net Assets	**9,639**

(d) Cash Flow Information – WOTSO Demerger

The cash flows from the WOTSO demerger contained in the Group cash flow statement until date of demerger are as follows:

	To 8 January 2020
Cash Flows from Operating Activities	
Tenant receipts	3,976
Franchise fees	333
Operating expenses	(2,866)
Net Cash Inflow / (Outflow) from Operating Activities	**1,443**
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	(5,722)
Cash acquired on consolidation of Bondi	17
Loan to JV (Malaysia)	(66)
Net Cash Inflow / (Outflow) from Investing Activities	**(5,771)**
Cash Flows from Financing Activities	
Borrowings from BWR	600
Proceeds from issue of shares to BWF	6,852
Repayment of leases	(2,147)
Net Cash Inflow / (Outflow) from Financing Activities	**5,305**
Net Cash Inflow / (Outflow)	**977**

(e) Completion of WOTSO Demerger

The Directors announced the completion of the demerger to the ASX on 14 January 2020. The effective date of the demerger was 8 January 2020.

BWF distributed approximately 86% of the shares in WOTSO to BWF shareholders, with the remaining 14% retained by BWF. WOTSO was treated as a separate reportable segment until demerger date, and is now held as a financial asset. The remaining 86% interest in WOTSO represents a demerger distribution.

The ATO in its class ruling on the demerger apportioned the reduction in BWF's share capital based on the 10 day pre and post demerger Volume Weighted Average Price (VWAP) of BWF shares on the ASX. BWF has adopted the ATO methodology in accounting for the demerger.

This distribution was apportioned between a capital distribution (through share capital) and a demerger dividend (through retained earnings). The reduction of share capital is calculated as 20% of the BWF Share Capital (the proportion of BWF Share Capital attributable to the WOTSO distribution). The remaining value of the distribution is apportioned to retained earnings.

The ATO methodology resulted in the following:

	Treatment in Financial Statements	
Fair Value of WOTSO at Demerger		
Capital distribution	Reduction in share capital	3,498
Demerger dividend	Reduction in retained earnings	8,172
Total Demerged (86%)		**11,670**
Retained investment in WOTSO (14%)	Financial asset (investment)	1,900
Total Fair Value of WOTSO Distribution		**13,570**
Gain on Demerger		
Fair value of WOTSO at demerger		13,570
Less: carrying value of assets at demerger	refer note (c) above	(9,639)
Less: operating losses to date of demerger	refer note (b) above	(2,743)
Less: write down of investment		(707)
Less: demerger costs		(168)
Add: income tax		882
Net Gain on Demerger		**1,195**

18. Disposal of Subsidiary ($'000)

Kirela

On 30 June 2020, the Group disposed of its entire holding in Kirela to WOTSO Limited. Kirela is the entity that previously owned the Bakehouse Quarter property in North Strathfield. Cash proceeds of $50,000 were received for the disposal of Kirela.

Kirela was disposed of as its assets and liabilities relate to the lease that WOTSO holds at the Bakehouse Quarter. WOTSO was therefore the natural owner of the entity.

Assets and liabilities sold were as follows:

	2020
Cash and cash equivalents	63
Receivables and other assets	985
Payables and other liabilities	(209)
Loan payables	(789)
Net Identifiable Assets Sold	**50**
Add: gain on disposal	-
Net Cash Proceeds Received	**50**

The following were the results of Kirela operations to the date of disposal:

	2020	2019
Revenue	3,038	-
Operating expenses	(3,621)	(423)
(Loss) Before Tax	**(583)**	**(423)**
Taxation	(293)	-
(Loss) After Tax	**(876)**	**(423)**

19. Dividends ($'000)

Fully franked dividends paid to members during the financial year were as follows:

	2020	2019
2019 final dividend of 2.1 cents paid on 9 October 2019 (2018 final: 2.1 cents)	1,325	1,291
2020 interim dividend of 2.0 cents paid on 20 March 2020 (2019 interim: 2.0 cents)	1,263	1,229
Total	**2,588**	**2,520**

In addition, the Board has declared a final fully franked dividend of 2.1 cents per share to be paid on 25 September 2020.

	2020	2019
Franking credits available for the subsequent periods based on a tax rate of 26.0% (2019: 27.5%)	3,032	2,794

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

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

20. Earnings Per Share

	2020	2019
Basic and diluted earnings per share	7.2 cents	5.2 cents
Basic and diluted earnings per share (continuing)	6.7 cents	5.5 cents
Calculated as Follows:		
Profit attributable to the owners of the Group	$4,536,000	$3,189,000
Profit attributable to the owners of the Group (continuing)	$4,217,000	$3,400,000
Weighted average number of shares for basic EPS	63,129,692	61,370,171
Weighted average number of shares for diluted EPS	63,129,692	61,370,171

21. Auditor's Remuneration ($'000)

	2020	2019
Remuneration of ESV for:		
Audit and assurance services	67	62
Taxation services	44	9
Other services	5	-
Total	**116**	**71**

22. Adoption of AASB 16 *Leases*

The Group has adopted AASB 16 from 1 July 2019 using the modified retrospective approach. BWF Franchise Pty Ltd (a wholly owned subsidiary of BWF) leases part of the office building located at 50 Yeo Street, Neutral Bay, NSW housing the WOTSO Franchise under a five year lease term. BWF has a separate lease for its head office in the same building of around 150 sqm.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.75%.

Right of use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

Practical Expedients Applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application.

BWF's Leasing Activities and Accounting Methodology

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- make-good costs as prescribed in the relevant lease.

The following changes have been made to the financial statements for BWF's continuing operations:

- on initial adoption of AASB 16, on 1 July 2019, BWF recognised right of use lease assets and lease liabilities of $3,090,000 relating to property leases;
- the lease liability was recognised as the present value of all remaining lease payments, discounted using the lessee's incremental borrowing rate of 3.75%; and
- there were no prepaid or accrued lease payments at this date that required an adjustment to the associated right of use assets.

The impact on reporting in the Profit or Loss is illustrated below:

Profit or Loss	Normalised Pre-AASB 16	AASB 16 Impact	Per Financial Statements
Revenue	12,114	-	12,114
Rent expense	(932)	932	-
Other operating expenses	(5,220)	-	(5,220)
EBITDA	**5,962**	**932**	**6,894**
Depreciation - right of use asset	-	(782)	(782)
Depreciation - property, plant and equipment	(249)	-	(249)
EBIT	**5,713**	**150**	**5,863**
Finance cost - lease liability interest	-	(103)	(103)
Finance cost - interest expense	(8)	-	(8)
Profit Before Income Tax	**5,705**	**47**	**5,752**

As shown above EBITDA is higher by an amount of $932,000 after the implementation of AASB 16; however overall impact to profit before income tax is $47,000 due to a difference in the classification of lease expenses.

23. Contingencies

The Group had no contingent assets or liabilities at 30 June 2020 (2019: $nil).

24. Subsequent Events

On 24 July 2020 the BWF directors released an announcement to the ASX outlining a proposal for BWR to acquire the WOTSO WorkSpace business and certain real estate assets currently held by Pelorus Private Equity Limited. This will take the form of a stapled security structure. The transaction will require various shareholder and court approvals and is expected to complete early in the new calendar year.

The impact of the COVID pandemic is ongoing. It is not practical to estimate the potential impact, positive or negative, after the reporting date on the various revenue stream and the performance of the Group. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Board has declared a final fully franked dividend of 2.1 cents per share to be paid on 25 September 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

25. Equity Accounted Investments ($'000)

IndigoBlack Constructions Pty Ltd is a start up construction company that BWF owns 25% of. The entity had not earned material profits until this year. The investment has resulted in a $72,000 share of associates profit being taken up in the current year.

26. Controlled Entities

Name	Country of incorporation	Percentage owned 2020 %	Percentage owned 2019 %
Parent Entity:			
BlackWall Limited	Australia	n/a	n/a
Subsidiaries of Parent Entity:			
BlackWall Management Services Pty Ltd	Australia	100	100
BlackWall Fund Services Limited	Australia	100	100
BWF Franchise Pty Ltd	Australia	100	-
APG Asset Management Pty Ltd	Australia	100	100
BlackWall Management (NZ) Ltd	New Zealand	100	100
Bakehouse Management Pty Ltd	Australia	99.99	99.99
WOTSO Workspace Pty Ltd	Australia	-	100
WOTSO Chermside Pty Ltd	Australia	-	100
WOTSO S.E.A. Pty Ltd	Australia	-	100
WOTSO Coffee Pty Ltd	Australia	-	100
Kirela Development Unit Trust	Australia	-	100

27. Related Party Transactions ($'000)

(a) Related Parties, Associates, Managed Funds

In these financial statements, related parties are parties as defined by AASB 124 *Related Party Disclosures* rather than the definition of related parties under the Corporations Act 2001 and ASX Listing Rules.

Associates

Interests held in associates by the Group are set out in Note 25 - Equity Accounted Investments.

Managed Funds

The Group holds investments in a number of property funds for which it acts as either manager or responsible entity.

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:

- funds management: provision of strategic investment advice, asset management and investment portfolio services; and
- property management: property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, leasing, project management, marketing and risk management services.

The Group recharges its related parties, associates 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 parties, associates and managed funds. In addition, the Group pays the following fees to related parties:

- rent for WOTSO BWF Franchise and BWF head office. The rent paid is determined with reference to arm's length commercial rates; and
- director fees.

Other transactions and outstanding balances with related parties, associates and managed funds relate to loans payable and receivable and distributions from managed funds. All transactions with related parties were made on arm's length commercial terms and conditions and at market rates, and were approved by the Board where applicable.

The following table discloses the revenue and expenses between related parties as well as the balances outstanding at year end between BWF and its related parties.

	2020	2019
Revenue:		
Management fees	4,102	5,146
Transaction and performance fees	458	2,453
Distribution / returns of capital from funds	804	1,437
WOTSO income	-	59
Expenses:		
Rent and outgoings paid	458	4,153
Outstanding Balances:		
Trade and other receivables - current	447	3,105
Trade and other payables - current	1	219

(b) Interests in Related Parties

As at year end the Group owned securities in the following related entities:

	Holdings (No.'000)		Distribution/Returns of Capital/Interest	
Name	**2020**	**2019**	**2020**	**2019**
BWR	11,488	11,488	804	1,079
WOTSO	10,519	-	-	-
Pyrmont Bridge Trust	-	-	-	315
Kirela	-	-	-	43
			804	**1,437**

During the current year Kirela was sold to WOTSO Limited. Refer to Note 18 - Disposal of Subsidiary for further details.

(c) Key Management Personnel Compensation

	2020	2019
Total remuneration paid	1,111	1,072

Detailed remuneration disclosures and relevant interests are provided in the Directors' Report.

28. Parent Entity Information ($'000)

	2020	2019
Results:		
Profit after tax	6,328	1,048
Total Comprehensive Income After Tax	**6,328**	**1,048**
Financial Position:		
Current assets	603	28
Non-current assets	2,737	11,129
Total Assets	**3,340**	**11,157**
Current liabilities	(225)	(136)
Non-current liabilities	-	-
Total Liabilities	**(225)**	**(136)**
Net Assets	**3,115**	**11,021**
Share capital	14,080	17,555
Accumulated losses	(11,024)	(6,593)
Reserves	59	59
Total Equity	**3,115**	**11,021**

The parent entity had no contingencies or capital commitments at 30 June 2020 (2019: Nil).

29. Financial Risk Management ($'000)

(a) Financial Risk Management

The main risks the Group is 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 overseeing of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets. The Group holds the following major financial instruments:

	2020	2019
Cash and cash equivalents	2,724	11,493
Investment in BWR	16,313	15,509
Investment in WOTSO	3,893	-

(b) Sensitivity Analysis

The Group is not exposed to any material credit, interest or liquidity risks. There are no subsidiaries in the group subject to foreign exchange risk.

Investment in BWR units are subject to price risk, a 10% decrease in the ASX trading price (from the price at 30 June 2020, i.e. $1.42 per unit) would result in an unrealised loss after tax of $1,182,000.

Investments in WOTSO shares are subject to price risk. WOTSO has been valued using a discounted cash flow model which relies on several key assumptions. A sensitivity table is included in Note 11 - Investment - WOTSO.

(c) Capital Management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, buy-back shares, purchase or sell assets.

(d) Liquidity Risk

	Maturing Within 1 Year	Maturing 2-5 Years	Maturing over 5 Years	Total
At 30 June 2020				
Financial Liabilities				
Trade and other payables	517	-	-	517
	517	**-**	**-**	**517**
At 30 June 2019				
Financial Liabilities				
Trade and other payables	1,962	-	-	1,962
Interest rate hedge	724	341	-	1,065
	2,686	**341**	**-**	**3,027**

(e) Fair Value Measurements

(i) Fair Value Hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making measurements. The fair value hierarchy has the following levels:

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

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price.

The following table presents the Group's financial assets measured at fair value as at 30 June. Refer to Note 31 - Critical Accounting Estimates and Judgments for further details of assumptions used and how fair values are measured.

	Level 1	Level 2	Level 3	Total
At 30 June 2020				
Financial assets	16,313	-	3,893	20,206
At 30 June 2019				
Financial assets	15,509	-	802	16,311

(ii) Valuation Techniques Used To Derive Level 3 Fair Values

The fair value of the unlisted securities is determined using a discounted cash flow model. The assumptions of the model are set out in Note 11 - Investment - WOTSO.

(iii) Fair Value Measurements Using Significant Observable Inputs (Level 3)

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

At 30 June 2020	
Balance at the beginning of the year	802
Repayment of loans due to demerger of WOTSO	(802)
Initial investment in WOTSO	1,193
Fair value movement of investment in WOTSO	2,700
Balance at the End of the Year	**3,893**
At 30 June 2019	
Balance at the beginning of the year	11,949
Sale of Pyrmont units	(10,360)
Sale of Kirela units	(871)
Sale of Pelathon Management Group units	(100)
Return of capital	(43)
Repayment by WOTSO Bondi	(45)
Advance to UEM Sunrise	272
Balance at the End of the Year	**802**

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

30. Changes In Liabilities Arising From Financing Activities ($'000)

	Borrowings	Total
Total liabilities from financing activities as at 1 July 2018	(2,100)	(2,100)
Net cash from/(used in) financing activities	-	-
Repayment of debt on disposal of Fortitude Valley property	2,100	2,100
Total liabilities from financing activities as at 30 June 2019	-	-
Net cash from/(used in) financing activities	-	-
Total Liabilities From Financing Activities as at 30 June 2020	**-**	**-**

31. Critical Accounting Estimates and Judgments

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

Key Estimates - Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets.

Key Estimates - Financial Assets

All financial assets at Fair Value Through the Profit or Loss (FVTPL) have been classified as financial assets, with gains and losses recognised as profit or loss.

The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date. The investment in the unlisted WOTSO group has been fair valued using a discounted cash flow model. The assumptions used in that model together with related sensitivity analysis is set out in Note 11 - Investment - WOTSO.

The fair value of financial instruments not traded in an active market is determined using valuation techniques including a discounted cash flow model. The main inputs used include:

- discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a rate that reflects the risk specific to the asset;
- revenue growth rates for locations currently below capacity is based on growth rates achieved in the past or at similar locations where there is no past evidence;
- sales prices for products are related to the product being offered and are adapted for each location with consideration given to economic factors prevailing at the location and competitor prices; and
- current economic environment operates within a range similar to the past. The impact of COVID or similar economic event is not possible to quantify reliably.

32. Statement of Significant Accounting Policies

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

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 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.

BWF is a group of the kind referred to in ASIC Instrument 2016/191 and, in accordance with that Instrument, 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.

Going Concern

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

Segment Reporting

AASB 8 *Operating Segments* 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. 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

BWF has adopted four reporting segments: BlackWall, Investments, WOTSO Franchise and Corporate.

The BlackWall segment engages in funds and asset management as well as property services that include property management, leasing and general property consultancy. Income earned by the segment includes recurring income from fund and asset management mandates and transaction-based income, typically related to those mandates. Management treats these operations as one fee-earning operating segment. The assets assigned to the segment are those it is required to hold to comply with its AFSL capital adequacy requirements.

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.

Presentation of Financial Statements

Both the functional and presentation currency of BWF and its Australian subsidiaries is Australian dollars. Various functional currencies including Singapore Dollars and Malaysian Ringgit results are translated to presentation currency.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of BWF and its subsidiaries. A list of controlled entities is contained in Note 26 - Controlled Entities. 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 28 - Parent Entity Information).

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany Balances

All intercompany balances and transactions between entities within 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.

Joint Ventures

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity accounted investments is tested for impairment in accordance with these policies.

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 profit or loss and other 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 profit or loss and other comprehensive income are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Property, Plant and Equipment

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 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.

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

Furniture, fixtures and fittings	over 2 to 10 years
Office equipment	over 4 to 10 years

Right of use assets are depreciated on a straight-line basis, with reference to the remaining lease term, including options to extend if reasonably certain to extend the lease term.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

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 profit and loss.

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.

Financial Assets

All financial assets at FVTPL have been classified as financial assets, with gains and losses recognised in profit or loss. The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Equity Investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables including loans to related parties 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 or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 profit or loss. 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.

Financial Liabilities

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

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.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus any 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.

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

Other Long Term Employee Benefits

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

Short Term Benefits

Liabilities for employee benefits for wages, salaries and annual 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

BWF Property Fees include management fees and transaction fees. They are recognised when it becomes legally due and payable to the Group.

Investment Income

Finance income comprises interest on funds invested, gains on the disposal of financial assets. Interest income is recognised as interest accrues using the effective interest method. Dividend and distribution revenue is recognised when the right to receive income has been established.

In-specie distributions and returns of capital are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the profit or loss as an unrealised gain.

All revenue is stated net of the amount of GST.

Leases

AASB 16 was adopted by the Group on 1 July 2019, applying the modified retrospective approach. Initial adoption methodology has been detailed in Note 22 - Adoption of AASB 16 *Leases*. Right of use assets and liabilities are recognised for all leases with a lease term of more than 12 months; unless the underlying asset is of a low value. Initial recognition of both the right of use asset and corresponding lease liability is calculated using the present value of remaining lease payments; discounted using the rate implicit in the lease or, if not easily determinable, the lessee's incremental borrowing rate. The right of use asset is adjusted for any prepaid or accrued lease payments or onerous lease contracts.

Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- equity interests issued by the Group; and
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Income Tax

Current Income Tax Expense

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

Accounting for Deferred Tax

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

Deferred Tax Calculation

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

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

Deferred Income Tax Assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit Brought to Account

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

Tax Consolidation

BWF 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 BWF.

In addition to its own current and deferred tax amounts, BWF 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.

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.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

The final dividend for June period is declared and authorised after the end of the reporting period, therefore provision for dividend is not booked in the current year accounts.

EPS

The Group presents basic and diluted 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.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

New Accounting Standards and Interpretations

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

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019 using the modified retrospective approach. Under the new standard leases are recognised on the balance sheet with no distinction between operating and finance leases. It also requires that a right of use asset and financial liability for future rental payments be recognised. For more details, refer to Note 22 - Adoption of AASB 16 *Leases*.

Directors' Report

Continued

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The shareholder information set out below was current as at 14 August 2020.

1. Shareholders

BWF's top 20 largest shareholdings were:

	Investor	Ordinary Shares (No.)	Shares (%)
1	Vintage Capital Pty Limited	5,734,678	9.08
2	Seno Management Pty Ltd	5,488,000	8.69
3	Frogstorm Pty Ltd	4,608,338	7.30
4	Lymkeesh Pty Ltd	4,351,488	6.89
5	Sandhurst Trustees Ltd	2,762,000	4.37
6	Glenahilty Pty Ltd	2,724,515	4.31
7	Koonta Pty Ltd	2,401,625	3.80
8	SAO Investments Pty Ltd	2,225,000	3.52
9	Truebell Capital Pty Ltd	2,194,894	3.48
10	National Nominees Limited	2,163,858	3.43
11	Kiut Investments Pty Ltd	1,976,175	3.13
12	Frolic Events Pty Ltd	1,456,537	2.31
13	Bin24 Business Advisors Pty Limited	1,275,000	2.02
14	Mr Richard Hill and Mrs Evelyn Hill	1,183,295	1.87
15	Pinnatus Pty Ltd	1,178,434	1.87
16	Mr Archibald Geoffrey Loudon	986,973	1.56
17	Methuselah Capital Management Pty Ltd	939,263	1.49
18	Tampopo Pty Ltd	777,983	1.23
19	Mr Simon Charles Farr	735,374	1.16
20	Balpina Pty Ltd	600,000	0.95

2. Distribution of Shareholders

The distribution of shareholders by size of holding was:

Category (Shares Held)	No. of Shareholders
1 – 1,000	266
1,001 – 5,000	436
5,001 – 10,000	197
10,001 – 100,000	254
100,001 and over	61
Total Number of Shareholders	**1,214**

BWF has 63,141,445 ordinary shares on issue. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Securities Exchange (ASX: BWF).

3. Substantial Shareholders

BWF's substantial shareholders are set out below:

Investor	Ordinary Shares (No.)	Shares (%)
Joseph (Seph) Glew	9,237,770	14.63
Robin Tedder	8,150,424	12.91
Paul Tresidder	8,103,258	12.83
Stuart Brown	4,614,038	7.31
Archibald Geoffrey Loudon	4,505,959	7.14

4. Directors and KMPs' Relevant Interests

Details of each KMP's relevant interests in BWF is shown below:

Investor	16 August 2019	Net Change	14 August 2020
Seph Glew (non-executive director)	8,920,000	317,770	9,237,770
Timothy Brown (joint MD and CFO)	1,453,141	3,396	1,456,537
Jessie Glew (joint MD and COO)	535,000	-	535,000
Richard Hill (non-executive director)	1,969,278	-	1,969,278
Robin Tedder (non-executive director)	9,237,424	(1,087,000)	8,150,424
Stuart Brown (non-executive director) – resigned 24 January 2020	5,689,038	(1,075,000)	4,614,038
Total	**27,803,881**	**(1,840,834)**	**25,963,047**

Information on Officeholders

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

Joseph (Seph) Glew

Non-Executive Director and Chairman

Seph has worked in the commercial property industry in New Zealand, the USA and Australia and has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many “turn around” processes in relation to distressed properties and property structures for both private and institutional property owners.

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 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown

Joint Managing Director and CFO

Tim is Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. Tim joined the Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He has a Bachelor of Commerce from the University of New South Wales and is a member of the Institute of Chartered Accountants of Australia. With over 20 years experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy’s Preparatory School.

Jessie Glew

Joint Managing Director and COO

Jessie is Joint Managing Director and Chief Operating Officer for the BlackWall Group and its funds. Jessie has been with the Group since early 2011. Prior to her appointment as Joint Managing Director, Jessie was the Group’s General Manager of Property. She has a Bachelor of International Communication from Macquarie University and is finalising a Bachelor of Property Economics at the University of Technology Sydney.

Richard Hill

Non-Executive Director

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young and Associates. Richard has invested in the Group’s projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities and Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formally listed on ASX.

Robin Tedder

Non-Executive Director

Robin began his career on the dealing desk of a merchant bank in 1976. In 1981 he founded Hatmax Capital Markets which grew rapidly through organic development and merger with Australian Gilt Securities in 1988, such that by the time he departed after 14 years as CEO in 1995, over 80 people were employed across debt capital markets, both the Sydney Futures Exchange and ASX, in asset management and corporate finance. In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare and logistics. He has been an investor in the Group’s projects since 1997, is a former member of ASX, and has served on various boards of both listed and private companies since 1984. He is the Chairman of the Group’s Board Audit Committee.

Alex Whitelum - Appointed 23 April 2020

Company Secretary

Alex joined the BlackWall Group in 2020 and executes all aspects of the Group’s corporate and fund transactions, is responsible for corporate governance functions and oversees investor relations. Previously, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Stuart Brown - Resigned 24 January 2020

Non-Executive Director

Stuart Brown was a member of the BlackWall family for the last 20 years and resigned from the Group in January. Stuart has been an integral part of the business. He helped drive the establishment of BlackWall and later WOTSO. More recently, Stuart identified and negotiated the acquisition of 55 Pyrmont Bridge Road, Pyrmont.

Sophie Gowland - Resigned 27 March 2020

Company Secretary

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Seph Glew	10	10
Timothy Brown	10	10
Jessie Glew	10	10
Richard Hill	10	10
Robin Tedder	10	10
Stuart Brown - resigned 24 January 2020	5	5

The Audit Committee, comprised of Seph Glew (first half FY20), Richard Hill (second half FY20) and Robin Tedder, met twice during the reporting period. Each committee member attended each meeting.

Environmental Regulation

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. However, the Group believes that it has adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Group.

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 wilful 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.

Corporate Governance Statement

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be accessed at blackwall.com.au

Auditor and Non-audit Services

An amount of $49,000 was paid to the auditor for non-audit services during the year (2019: $9,400) as detailed in Note 21 - Auditor's Remuneration. 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.

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

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

Rounding of Amounts

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

Remuneration Report (Audited)

The Board is responsible for determining the remuneration of KMP. For the reporting period the Board has determined that KMP included the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and the Chief Operating Officer (COO). KMP determine the employees' remuneration.

When determining the remuneration of KMP, senior executives or 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 remuneration payable to KMP is reviewed at times deemed appropriate by the Board. There are no performance conditions for Board members or contracts for KMP. Any performance payments are at the discretion of the Board. The nature and the amount of each element of remuneration paid to the Board members and KMP for the reporting period are listed below:

	Short Term				Post-employment			
	Directors' Fees		Salary and Other		Superannuation		Total	
	2020 ($)	2019 ($)	2020 ($)	2019 ($)	2020 ($)	2019 ($)	2020 ($)	2019 ($)
Seph Glew	95,833	75,000	-	-	-	-	95,833	75,000
Timothy Brown	-	-	251,142	220,320	23,858	24,535	275,000	244,855
Jessie Glew	-	-	251,142	219,224	23,858	20,826	275,000	240,050
Stuart Brown	-	-	276,469	326,606	18,959	24,999	295,428	351,605
Richard Hill	85,000	85,000	-	-	-	-	85,000	85,000
Robin Tedder	85,000	75,000	-	-	-	-	85,000	75,000
Total	**265,833**	**235,000**	**778,753**	**766,150**	**66,675**	**70,360**	**1,111,261**	**1,071,510**

For Timothy Brown an amount of $85,308 was cashed out from leave entitlement balances during the 2019 year.

Stuart Brown resigned 24 January 2020.

Share Options

(a) Unissued ordinary options

The following options are currently on issue.

	Expiry Date	Issue Price of Shares	Number Under Option
Employees and Directors	28 February 2021	100 cents	4,500,000

(b) Shares issued on the exercise of options

The following ordinary shares were issued during the year in the exercise of B Options. No further shares have been issued since 30 June 2020. No amounts are unpaid on any of the shares on issue.

	Exercise Date	Issue Price of Shares	Number of Shares Issued
Employees	n/a	n/a	n/a

Subsequent Events and Significant Changes in Affairs

On 24 July 2020 the BWF directors released an announcement to the ASX outlining a proposal for BWR to acquire the WOTSO WorkSpace business and certain real estate assets currently held by Pelorus Private Equity Limited. This will take the form of a stapled security structure. The transaction will require various shareholder and court approvals and is expected to complete early in the new calendar year.

The impact of the COVID pandemic is ongoing. It is not practical to estimate the potential impact, positive or negative, after the reporting date on the various revenue stream and the performance of the Group. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Board has declared a final fully franked dividend of 2.1 cents per share to be paid on 25 September 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

Tim Brown
Director
Sydney, 26 August 2020

Jessica Glew
Director
Sydney, 26 August 2020

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes 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 Group's financial position as at 30 June 2020 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.

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

The Directors have been given the declarations by the Joint Managing Directors 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.

Tim Brown
Director
Sydney, 26 August 2020

Jessica Glew
Director
Sydney, 26 August 2020

Auditors Independence Declaration and Audit Report

Business advice
and accounting

ESV

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of BlackWall Limited and its Controlled Entities for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 26th of August 2020

ESV

ESV Business advice and accounting

David Robinson
Partner

Level 13, 68 York Street Sydney NSW 2000
Telephone. +61 2 9283 1666 | Email. admin@esvgroup.com.au

esvgroup.com.au

Business advice
and accounting

ESV

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKWALL LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the year then ended on pages 7,8,9, notes comprising a summary of significant accounting policies and other explanatory information on pages 10 to 26, and the directors' declaration of the Group.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Level 13, 68 York Street Sydney NSW 2000
Telephone. +61 2 9283 1666 | Email. admin@esvgroup.com.au

esvgroup.com.au

A member of TIAG®, a worldwide alliance of independent accounting firms, a division of TAG Alliances.
Liability limited by a scheme approved under Professional Standards Legislation.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue Recognition Revenue for the Group consists primarily of: - Asset Management Fees - Property Management Fees - WOTSO Workspace Income - Transaction Fees - Investment Income Revenue from Asset Management Fees, Property Management Fees and Transaction Fees are primarily received from Property Funds that, Blackwall Fund Services Limited, a subsidiary of the Group acts as a responsible entity for. These fees are based on a fixed amount or a percentage of the total assets under management or total rental income. Revenue from WOTSO Workspace Income is received from third parties and is considered a key audit risk given the nature of the WOTSO co-sharing leasing operations, which is short-term, high volume and with differential pricing. There is a possibility of unrecorded revenue, as well as incorrect recording of revenue earned by WOTSO. The Group also earns revenue in the form of dividends/distributions and interest income. Given the number of different revenue streams that the Group has, there is a risk that revenue is incorrectly recorded.	Our procedures included but were not limited to: For Asset Management Fees and Property Management Fees, we have performed substantive analytical procedures by creating an expectation and comparing with the actual fees recorded and investigating material variances. For Transaction Fees, we have verified the underlying calculation for the fees to be charged and if revenue recognition criteria have been met. For WOTSO Workspace Income, we have performed tests in order to obtain comfort over the completeness and occurrence of revenue by confirming management oversight of detailed monthly revenue from WOTSO sites. On a sample basis, we have tested the invoicing and collection of rent from tenants and have performed substantive analytical review procedures for each WOTSO site. For Investment Income, we verified the revenue with supporting dividend/ distribution statements. We also considered whether the revenue recognition policies adopted and followed by the Group as disclosed in Note 32 of the consolidated financial report are consistent with the accounting standards.
Discontinued operations - WOTSO During the period to 31 December 2019, the board decided to demerge WOTSO operations/business from the Group and operate it as a stand-alone business. The demerger was completed on 8 January 2020. The following entities (WOTSO related entities) were included as discontinued operations from the Group: - WOTSO Limited	Our procedures included, but were not limited to: Verifying management's consolidation workings to ensure all WOTSO related entities have been accounted for separately from the continuing operations of the business. Verifying the financial statements to ensure the WOTSO operations/business have been accounted/recorded and disclosed correctly under AASB 101 and AASB 5 as a discontinued operation. Assessing the valuation provided by Directors

Business advice
and accounting

- WOTSO Workspace Pty Ltd - WOTSO Chermside Pty Ltd - WOTSO Bondi Junction Pty Ltd - WOTSO S.E.A Pty Ltd - WOTSO Coffee Pty Ltd - JV with UEM Sunrise Berhard (Malaysia) 50% As a result of the demerger, the above entities have been accounted for as a discontinued operation, with results of 6 months of operations being disclosed separately in the income statement.	of the WOTSO operations at the demerger date and the resulting calculation and recording of gain on demerger with underlying documentation. This also included reviewing it against the ATO private ruling. Verifying the disclosures included in the financial statements to ensure all relevant information is disclosed in accordance with the Standards. Based on our procedures, we can conclude that the accounting and disclosure of the WOTSO operations/business as a discontinued operation are not materially misstated as at yearend.
Valuation of unlisted investments – WOTSO As at year end, the Group has valued its investments in WOTSO Limited at fair value resulting in the amount being $3,892,719. The investments held by the Group represent 12.98% of the total issued share capital of WOTSO Limited. WOTSO management has prepared a 5-year discounted cash flow income model to value the WOTSO business and accordingly the Group has valued its investment in WOTSO Limited based on the valuation prepared. The valuation model was prepared using certain key assumptions such as: - Recovery of site revenues to pre-COVID levels - Maturity level projection - Discount rate used - Target rates - EBITDA multiple	Our procedures included, but were not limited to: Obtaining and verifying the discounted cash flow model for arithmetical accuracy. Discussion with management in relation to underlying assumptions and the achievability. Noted that in respect of BWF's shareholding, no minority interest adjustment has been made. Performing sensitivity analysis. Reviewing the key judgement paper prepared by management for the Board. Verifying the presentation and disclosure included in the financial statements to ensure in compliance with the accounting standards, including disclosures of assumptions and key judgement areas. Based on our procedures, we can conclude that the value of investments held in WOTSO at year end is free from material misstatements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 30 of the directors' report for the year ended 30 June 2020.

Business advice
and accounting

In our opinion, the Remuneration Report of Blackwall Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Dated at Sydney the 26th of August 2020

ESV

ESV Business advice and accounting

David Robinson
Partner

743 Military Road, Mosman, NSW

Notes

BlackWall Limited

ACN
146 935 131

TELEPHONE
+61 2 9033 8611

ADDRESS
50 Yeo Street,
Neutral Bay, NSW, 2089

EMAIL
info@blackwall.com.au

WEBSITE
www.blackwall.com.au

REGISTRY
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
www.computershare.com.au