



**bwp** TRUST

# Half-Year Report 2017/18

Six months to  
31 December 2017



**BWP TRUST**  
ARSN 088 581 097

**RESPONSIBLE ENTITY**  
BWP Management Limited  
ABN 26 082 856 424

**AUSTRALIAN FINANCIAL  
SERVICES LICENCE**  
No. 247830

[bwptrust.com.au](http://bwptrust.com.au)

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# Business approach



## INVESTMENT THEMES

### Large format retailing property ownership – home improvement / Bunnings focus

#### Progress as at 31 December 2017

- > 255 hectares of land
- > 79 properties
- > 92 per cent of income from Bunnings

#### Priorities

- > Core portfolio of Bunnings Warehouse properties that meet Bunnings' business model requirements, with annual rent increases and long duration of occupancy



## DRIVERS OF RETURNS

### Annual rental growth

#### Progress as at 31 December 2017

- > Approximately 61 per cent of the Trust's rental income is subject to annual Consumer Price Index ("CPI") adjustments, and
- > 39 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review

#### Priorities

- > Continued focus on market rent review outcomes, the Trust will benefit in terms of rental growth from higher inflation levels



## LONG-TERM VALUE CREATION

### Pro-active management of existing properties

#### Progress as at 31 December 2017

- > Portfolio 99.2 per cent leased
- > Nine properties being re-positioned for alternative use
- > One property divested during the period

#### Priorities

- > Continue to optimise the value of all properties in the portfolio

## Sustainable portfolio returns supported by balance sheet flexibility

### Progress as at 31 December 2017

- > 10.5 per cent annualised portfolio return on invested capital
- > 19.8 per cent gearing

### Priorities

- > Focus on long-term value creation by re-investing in and growing the core portfolio of Bunnings Warehouse properties, and from maximising the alternative use prospects of a number of properties in the portfolio

## Property location attributes

### Progress as at 31 December 2017

- > 80 per cent metropolitan
- > 40 per cent of metropolitan properties within 20 km of a central business district

### Priorities

- > Well located properties in local communities
- > Zoning for future use
- > Home improvement, supermarkets, activity/experiences, mixed use, healthcare

## Well priced acquisitions and re-investment

### Progress as at 31 December 2017

- > No acquisition opportunities met risk adjusted return requirements during the six month period

### Priorities

- > Re-investment in the existing portfolio, and acquisitions as and when it makes commercial sense to do so

## Cost of funding

### Progress as at 31 December 2017

- > S&PA- rating maintained
- > Westpac Banking Corporation bank facility extended for a further year to 30 April 2021

### Priorities

- > Continue to diversify funding and extend duration of debt

## Portfolio growth

### Progress as at 31 December 2017

- > Reviewed a number of acquisition opportunities during the period, none met risk adjusted return requirements

### Priorities

- > Acquisitions as and when value can be created

## Effective management of BWP Trust and its capital

### Progress as at 31 December 2017

- > Ten year average unitholder return of 10.0 per cent per annum

### Priorities

- > Secure and growing income stream
- > Long-term capital growth

# Half-year summary

**\$56.4<sub>m</sub>**

↑1.7%

Distributable profit for 6mths

**8.78** cents per unit

↑1.7%

Interim distribution

**2.4%**

Like-for-like rental growth for 12 months to 31 December 2017

**4.1%**

Weighted average increase in annual rent from market rent reviews (4 sites)

**4.8** years

Weighted average lease expiry at 31 December 2017

**99.2%**

Leased

**19.8%**

Gearing (debt/total assets) at 31 December 2017

**4.65%**pa

Weighted average cost of debt for the six month period

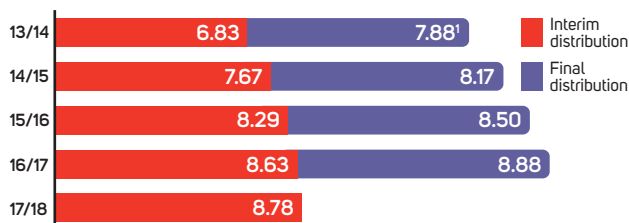
**\$2.3** billion

Portfolio valuation

**\$2.82** per unit

Net Tangible Assets as at 31 December 2017

## DISTRIBUTION PER UNIT (CENTS)



<sup>1</sup> FY13/14 final distribution includes a partial distribution of capital profits of 0.13 cents per unit, resulting from the sale of investment properties.

# Financial and market performance

## FINANCIAL PERFORMANCE

Half-year ended 31 December		2017	2016
Total income	\$m	76.9	75.8
Total expenses	\$m	(20.5)	(20.3)
Profit before gains in fair value of investment properties	\$m	56.4	55.5
Gains in fair value of investment properties <sup>1</sup>	\$m	46.9	17.9
Net profit	\$m	103.3	73.4
Less: gains in fair value of investment properties <sup>1</sup>	\$m	(46.9)	(17.9)
Distributable profit for period	\$m	56.4	55.5
Distribution per ordinary unit	cents	8.78	8.63
Total assets	\$m	2,353.3	2,218.7
Borrowings	\$m	465.5	470.4
Unitholders' equity	\$m	1,810.6	1,668.0
Gearing (debt to total assets)	%	19.8	21.2
Number of units on issue	m	642	642
Number of unitholders		23,503	23,613
Net tangible assets backing per unit	\$	2.82	2.60
Unit price at 31 December	\$	3.09	2.99
Management expense ratio (annualised)	%	0.61	0.62

<sup>1</sup> Includes realised gain on disposal of investment properties of \$2.5 million

## MARKET PERFORMANCE

BWP Trust's ("BWP" or "the Trust") performance compared to the Australian Real Estate Investment Trust ("A-REIT") sector for total returns over six months, one, three, five and ten year periods, is shown in the following table:

### TOTAL RETURNS<sup>2</sup> COMPARED TO MARKET (SOURCE: UBS AUSTRALIA)

Periods ended 31 Dec 2017	6 months (%)	1 year (%)	3 years (%) <sup>3</sup>	5 years (%) <sup>3</sup>	10 years (%) <sup>3</sup>
BWP	6.6	9.3	9.1	13.7	10.0
S&P / ASX 200 A-REIT Accumulation Index	8.4	11.8	8.6	10.2	4.1

<sup>2</sup> Total returns include movement in security price and distributions (which are assumed to be reinvested).

<sup>3</sup> Annual compound returns.

# Property portfolio

As at 31 December 2017	Gross lettable area <sup>1</sup>	Annual rental <sup>2</sup>	Valuation
Suburb	sqm	\$000	\$000
<b>WESTERN AUSTRALIA</b>			
Albany <sup>3</sup>	13,660	886	14,900
Australind	13,700	1,326	22,100
Balcatta	25,439	2,337	40,600
Belmont	10,381	1,493	24,900
Bibra Lake	14,141	1,722	25,500
Cockburn	12,839	1,672	27,900
Ellenbrook	15,337	1,930	32,200
Geraldton	17,874	1,319	18,200
Harrisdale	17,124	2,328	35,800
Joondalup	13,358	1,524	16,400
Mandurah <sup>7</sup>	12,097	1,588	14,000
Midland	13,694	1,820	22,100
Mindarie <sup>7</sup>	14,479	1,671	19,000
Morley <sup>7</sup>	9,852	1,450	17,000
Port Kennedy	11,675	1,570	22,400
Rockingham	15,188	2,084	34,700
<b>Total</b>	<b>230,838</b>	<b>26,720</b>	<b>387,700</b>
<b>VICTORIA</b>			
Altona <sup>4,7</sup>	9,254	-	14,400
Bayswater	17,677	2,426	37,200
Broadmeadows	12,765	1,935	29,800
Caroline Springs	14,319	1,731	27,700
Coburg	24,728	4,695	67,400
Craigieburn	16,764	1,623	27,000
Croydon	13,292	1,937	33,700
Epping <sup>7</sup>	12,027	1,296	16,200
Fountain Gate	12,624	1,697	28,000
Frankston	13,843	2,081	33,300
Hawthorn	7,462	3,255	49,000
Maribyrnong	17,550	2,695	47,000
Mentone <sup>7</sup>	11,814	1,656	20,800
Mornington	13,324	1,728	27,700
Northland	13,006	1,966	32,900
Nunawading <sup>5</sup>	14,766	2,403	45,300
Oakleigh South <sup>7</sup>	16,949	2,061	21,400
Pakenham	14,867	1,941	28,500
Port Melbourne	13,846	2,071	43,800
Scoresby	12,515	1,882	29,000
Springvale	13,458	2,082	36,200
Sunbury	15,270	1,815	31,600
Vermont South	16,634	2,221	35,500
<b>Total</b>	<b>328,754</b>	<b>47,197</b>	<b>763,400</b>
<b>AUSTRALIAN CAPITAL TERRITORY</b>			
Fyshwick <sup>6</sup>	6,648	1,233	22,000
Tuggeranong	11,857	1,848	30,200
<b>Total</b>	<b>18,505</b>	<b>3,081</b>	<b>52,200</b>
<b>SOUTH AUSTRALIA</b>			
Mile End	15,065	2,415	42,000
Noarlunga	14,784	1,550	21,100
<b>Total</b>	<b>29,849</b>	<b>3,965</b>	<b>63,100</b>



As at 31 December 2017	Gross lettable area <sup>1</sup>	Annual rental <sup>2</sup>	Valuation
Suburb	sqm	\$000	\$000
<b>NEW SOUTH WALES</b>			
Artarmon	5,746	1,705	28,500
Belmont North	12,640	1,166	9,200
Belrose	8,888	2,112	35,300
Dubbo	16,344	1,579	22,400
Greenacre	14,149	2,626	42,000
Hoxton Park <sup>7</sup>	26,508	3,785	38,400
Lismore	9,892	1,342	22,400
Maitland	12,797	1,423	16,700
Minchinbury	16,557	2,796	50,500
Port Macquarie	8,801	1,034	11,900
Rydalmere	16,645	3,071	55,700
Thornleigh	5,301	1,392	20,600
Villawood	10,886	1,739	25,000
Wagga Wagga	13,774	1,433	20,500
Wallsend	16,863	2,031	33,900
Wollongong	10,811	1,470	22,700
<b>Total</b>	<b>206,602</b>	<b>30,704</b>	<b>455,700</b>
<b>QUEENSLAND</b>			
Arundel	15,588	2,386	37,000
Bethania	13,494	1,940	30,800
Brendale	15,035	2,052	35,700
Browns Plains	18,398	3,110	43,400
Burleigh Heads <sup>7</sup>	12,428	1,775	19,700
Cairns <sup>7</sup>	12,917	1,312	9,000
Cannon Hill	16,556	2,501	42,400
Fairfield Waters	13,645	1,660	24,800
Gladstone	21,511	3,400	41,300
Hervey Bay	11,824	1,300	17,200
Manly West	13,021	2,240	37,600
Morayfield	12,507	1,826	28,800
Mount Gravatt	11,824	1,326	18,000
North Lakes	18,861	2,724	44,600
Rocklea	14,403	2,128	34,200
Smithfield	13,094	1,552	23,400
Southport	12,431	1,775	26,500
Townsville North	14,038	1,739	27,900
Underwood <sup>7</sup>	12,245	1,645	20,000
West Ipswich	14,977	2,486	41,900
<b>Total</b>	<b>288,797</b>	<b>40,877</b>	<b>604,200</b>
<b>Grand Total</b>	<b>1,103,345</b>	<b>152,544</b>	<b>2,326,300</b>

Note: Totals and Grand Total adjusted for rounding

- For Bunnings Warehouses this comprises the total retail area of the Bunnings Warehouse.
- Annual rental figures do not include access fees detailed below.
- Includes adjoining land (1.2 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$211,882 per annum.
- Includes additional land (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$221,636 per annum.
- Includes adjoining properties (0.1 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$126,935 per annum.
- Includes adjoining property (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$301,020 per annum.
- Sites that Bunnings has or is in the process of vacating, that are still leased to Bunnings.

# Report to unitholders

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The directors of BWP Management Limited, the responsible entity for the BWP Trust, are pleased to present this interim report to unitholders covering the financial results and activities of the Trust for the six months to 31 December 2017.

Rental income increased during the period, as did the investment portfolio valuation. The prevailing market conditions of low inflation and low interest rates have been positive for the valuation of the Trust's existing portfolio, but have made additional property acquisitions difficult to justify from a value creation perspective. No new properties were added to the portfolio during the period, whilst one property was divested.

During the period the main focus of the Trust was on progressing the re-leasing/development of any properties vacated, or to be vacated, by Bunnings.

The Trust is continuing to work with Bunnings to improve the core portfolio of properties leased to Bunnings.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

Total income for the period was \$76.9 million, an increase of 1.6 per cent over the previous corresponding period. The increase in income was mainly due to rental growth from the existing property portfolio.

Finance costs of \$11.2 million were 1.0 per cent lower than the previous corresponding six months, due to slightly lower borrowing levels and a lower weighted average cost of debt. The average level of borrowings was 0.2 per cent lower than the previous corresponding period (\$476.3 million compared with \$477.0 million). The weighted average cost of debt for the half-year (finance costs as a percentage of average borrowings) was 4.65 per cent per annum, compared to 4.69 per cent per annum for the previous corresponding period. The lower cost of debt was the result of lower fixed and variable interest rates for the period. Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was lower than for the previous corresponding period (77.5 per cent compared with 86.0 per cent).

Other operating expenses of \$2.9 million were in line with the previous corresponding period.

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## FINANCIAL POSITION

At 31 December 2017, the Trust's total assets were \$2,353.3 million, with unitholders' equity of \$1,810.6 million and total liabilities of \$542.7 million.

The underlying net tangible asset backing of the Trust's units increased by eight cents per unit during the period, from \$2.74 per unit at 30 June 2017, to \$2.82 per unit at 31 December 2017.

This increase was largely due to the result of the net unrealised gains on revaluation of investment properties (refer to the Revaluations section).

## INTERIM DISTRIBUTION

For the half-year the Trust reported a distributable profit of \$56.4 million, an increase of 1.7 per cent on the previous corresponding period, primarily due to increased property revenue from rental increases and lower borrowing costs during the period.

An interim distribution of 8.78 cents per ordinary unit has been declared. This is 1.7 per cent higher than the previous corresponding period (8.63 cents per unit), reflecting the increase in the distributable profit over the previous corresponding period.

The interim distribution will be made on 23 February 2018 to unitholders on the Trust's register at 5:00 pm on 29 December 2017.

## PROPERTY PORTFOLIO

### CAPITAL EXPENDITURE

Total capital expenditure on the portfolio during the half-year amounted to \$0.7 million, comprising minor works at various properties.

### DIVESTMENTS

The Trust divested the property vacated by Bunnings at Dandenong in Victoria to an unrelated third party, for \$16.4 million in November 2017.

### CAPITAL COMMITMENTS

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$4.0 million. The annual rental will increase by approximately \$0.1 million as determined under the terms of the lease.

# Report to unitholders

(CONTINUED)

## OCCUPANCY AND AVERAGE LEASE EXPIRY

At 31 December 2017, the portfolio was 99.2 per cent leased with a weighted average lease expiry term of 4.8 years (30 June 2017: 5.0 years, 31 December 2016: 5.5 years).

## RENT REVIEWS

The rent payable for each leased property is increased annually, either by a fixed percentage or by the CPI, except when a property is due for a market rent review.

## ANNUAL ESCALATIONS

Fifty three of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for these leases was 2.4 per cent.

## MARKET RENT REVIEWS

During the period, market rent reviews were concluded on the Bunnings Warehouses at Croydon, Victoria, Scoresby, Victoria, Gladstone, Queensland and Hervey Bay, Queensland. The market rent review for the Gladstone Bunnings Warehouse was determined by an independent valuer and the market rent reviews for the Bunnings Warehouses at Croydon, Scoresby and Hervey Bay were agreed with Bunnings. The market rent review for one Trust-owned Bunnings Warehouse (Fyshwick, Australian Capital Territory) due during the period remains unresolved. The market rent reviews completed during the half-year are shown in the following table.

Property location	Passing rent (\$ pa)	Market review (\$ pa)	Uplift (%)	Effective date
Croydon, VIC <sup>1</sup>	1,868,741	1,900,000	1.7	31-Oct-16
Gladstone, QLD <sup>2</sup>	1,137,903	1,308,588	15.0 <sup>3</sup>	16-Feb-17
Scoresby, VIC <sup>1</sup>	1,881,763	1,881,763	-	1-Jun-17
Hervey Bay, Qld	1,252,063	1,300,000	3.8	23-Dec-17
<b>Weighted Average</b>			<b>4.1</b>	

<sup>1</sup> The market rent review was due during the year ended 30 June 2017, but the outcome of the negotiation was only completed during the current financial year.

<sup>2</sup> The market rent review was due during the year ended 30 June 2017, but was determined by an independent valuer during the current financial year.

<sup>3</sup> The independently determined rent was 25.8 per cent above the passing rent however, the market rent review clause in the lease has a 15.0 per cent cap on the increase.

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## LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired or expanded during or since the previous corresponding period, rental income increased by approximately 2.4 per cent for the 12 months to 31 December 2017 (compared to 2.3 per cent for the 12 months to 31 December 2016 which was previously disclosed as a 2.4 per cent increase, but has now been updated following the finalisation of the two market rent reviews related to that period).

The unresolved market review at 31 December 2017 is not included in the calculation of like-for-like rental growth for the year.

## REVALUATIONS

During the half-year, the Trust's entire investment property portfolio was revalued. Property revaluations were performed by independent valuers for 12 properties during the period. The remaining 67 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2017 was 6.50 per cent (30 June 2017: 6.59 per cent; December 2016: 6.77 per cent).

The value of the Trust's portfolio increased by \$31.7 million to \$2,326.3 million during the half-year following: capital expenditure of \$0.7 million; realised gain on disposal of investment properties of \$2.5 million; a net revaluation gain of \$44.4 million at 31 December 2017; less net proceeds from the sale of the Dandenong property of \$15.9 million.

# Report to unitholders

(CONTINUED)

## CAPITAL MANAGEMENT

The Trust's debt facilities as at 31 December 2017 are summarised below.

	Limit (\$m)	Amount drawn (\$m)	Expiry date
<b>Bank debt facilities</b>			
Commonwealth Bank of Australia	110.0	85.0	31 Jul 2020
Westpac Banking Corporation	135.0	70.0	30 Apr 2021
<b>Corporate bonds</b>			
Fixed term five-year corporate bond	200.0	200.0	27 May 2019
Fixed term five-year corporate bond	110.0	110.0	11 May 2022
	<b>555.0</b>	<b>465.0</b>	

The weighted average duration of the facilities at 31 December 2017 was 2.7 years (2016: 2.7 years).

The Trust's gearing ratio (debt to total assets) at 31 December 2017 was 19.8 per cent (30 June 2017: 20.4 per cent, December 2016: 21.2 per cent) which is slightly below the Board's preferred range of 20 to 30 per cent.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements, to ensure stability of distributions. At 31 December 2017, the Trust's interest rate hedging cover was 94.1 per cent of gross borrowings (excluding accrued interest and borrowing costs), with \$127.5 million interest rate swaps and the \$310.0 million fixed rate corporate bond against gross borrowings of \$465.0 million. The weighted average term to maturity of hedging was 2.38 years (30 June 2017: 2.82 years, December 2016: 2.55 years) including delayed start swaps.

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## OUTLOOK

Rent reviews are expected to contribute incrementally to property income for the half-year to 30 June 2018. There are 41 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of 2017/18. There are also five market rent reviews of Bunnings Warehouses to be completed by the end of this financial year.

The responsible entity will continue to work with Bunnings to upgrade and improve the core portfolio of properties leased to Bunnings.

The responsible entity will continue to look to acquire quality investment properties that are value accretive for the Trust. As part of ongoing active portfolio management, the responsible entity will also continue to assess potential divestments where properties have reached optimum value.

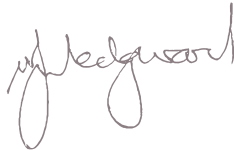
For any properties vacated, or to be vacated by Bunnings, there are a number of possibilities for their future use. All are considered. Most often, the focus is on re-leasing the existing building as is, or it may involve reconfiguring the building before leasing it. In some cases, the focus might be directed at re-zoning certain properties for their highest and best use. Alternatively, if properties are considered to have reached their valuation potential for the Trust's purposes, they may be sold.

For BWP Management Limited



**ERICH FRAUNSCHIEL**

Chairman  
7 February 2018



**MICHAEL WEDGWOOD**

Managing Director  
7 February 2018

**BWP creates value for unitholders by acquiring property on attractive yields, from rental growth, the long duration of occupancy of key customers, and the active management and ongoing capital appreciation of a portfolio of well-located properties**





# Financial statements

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2017



# Statement of profit or loss and other comprehensive Income

For the half-year ended 31 December 2017

	Note	Dec 2017 \$000	Dec 2016 \$000
Rental income		76,335	75,284
Other property income		531	431
Finance income		67	38
<b>Total revenue</b>		<b>76,933</b>	<b>75,753</b>
Finance costs		(11,180)	(11,291)
Responsible entity's fees		(6,368)	(6,032)
Other operating expenses		(2,948)	(2,971)
<b>Total expenses</b>		<b>(20,496)</b>	<b>(20,294)</b>
Profit before gains on investment properties		56,437	55,459
Realised gains on disposal of investment properties		2,500	-
Unrealised gains in fair value of investment properties		44,421	17,901
<b>Profit for the period attributable to unitholders of BWP Trust</b>		<b>103,358</b>	<b>73,360</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges:			
- Realised losses transferred to profit or loss		1,649	2,291
- Unrealised (losses)/gains on cash flow hedges		(153)	2,365
<b>Total comprehensive income for the period attributable to the unitholders of BWP Trust</b>		<b>104,854</b>	<b>78,016</b>
<b>Basic and diluted earnings (cents per unit) resulting from profit</b>	2	<b>16.09</b>	11.42

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Statement of financial position

As at 31 December 2017

	Note	Dec 2017 \$'000	Jun 2017 \$'000	Dec 2016 \$'000
<b>ASSETS</b>				
<i>Current assets</i>				
Cash		23,857	15,611	15,176
Receivables and prepayments		3,186	2,559	3,656
Assets held for sale		14,400	35,300	-
<b>Total current assets</b>		<b>41,443</b>	<b>53,470</b>	<b>18,832</b>
<i>Non-current assets</i>				
Investment properties	3	2,311,900	2,259,300	2,199,900
<b>Total non-current assets</b>		<b>2,311,900</b>	<b>2,259,300</b>	<b>2,199,900</b>
<b>Total assets</b>		<b>2,353,343</b>	<b>2,312,770</b>	<b>2,218,732</b>
<b>LIABILITIES</b>				
<i>Current liabilities</i>				
Payables and deferred income		17,815	17,923	19,599
Derivative financial instruments		837	756	127
Distribution payable	4	56,401	57,044	55,438
<b>Total current liabilities</b>		<b>75,053</b>	<b>75,723</b>	<b>75,164</b>
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	5	465,507	471,140	470,423
Derivative financial instruments		2,224	3,801	5,195
<b>Total non-current liabilities</b>		<b>467,731</b>	<b>474,941</b>	<b>475,618</b>
<b>Total liabilities</b>		<b>542,784</b>	<b>550,664</b>	<b>550,782</b>
<b>Net assets</b>		<b>1,810,559</b>	<b>1,762,106</b>	<b>1,667,950</b>
<b>EQUITY</b>				
<i>Equity attributable to unitholders of BWP Trust</i>				
Issued capital	6	945,558	945,558	945,558
Hedge reserve	7	(3,061)	(4,557)	(5,322)
Undistributed income		868,062	821,105	727,714
<b>Total equity</b>		<b>1,810,559</b>	<b>1,762,106</b>	<b>1,667,950</b>

The statement of financial position should be read in conjunction with the accompanying notes.

# Statement of cash flows

For the half-year ended 31 December 2017

	Dec 2017 \$000	Dec 2016 \$000
<b>Cash flows from operating activities</b>		
Rent received	85,713	84,737
Payments to suppliers	(12,455)	(12,201)
Payments to the responsible entity	(6,197)	(5,963)
Finance income	67	38
Finance costs	(11,071)	(11,120)
<b>Net cash flows from operating activities</b>	<b>56,057</b>	<b>55,491</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of, and additions to, investment properties	(1,014)	(1,083)
Receipts from the sale of investment properties	15,880	3,252
<b>Net cash flows from investing activities</b>	<b>14,866</b>	<b>2,169</b>
<b>Cash flows from financing activities</b>		
Net repayments of borrowings and drawdowns	(5,633)	(1,910)
Distributions paid	(57,044)	(54,603)
<b>Net cash flows used in financing activities</b>	<b>(62,677)</b>	<b>(56,513)</b>
Net increase in cash	8,246	1,147
Cash at the beginning of the period	15,611	14,029
<b>Cash at the end of the period</b>	<b>23,857</b>	<b>15,176</b>

The statement of cash flows should be read in conjunction with the accompanying notes.

# Statement of changes in equity

For the half-year ended 31 December 2017

	Issued capital \$000	Hedge Reserve \$000	Undistributed income \$000	Total \$000
<b>Balance at 1 July 2016</b>	945,558	(9,978)	709,792	1,645,372
Profit for the period attributable to unitholders of BWP Trust	-	-	73,360	73,360
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	4,656	-	4,656
<b>Total comprehensive income for the period</b>	-	4,656	73,360	78,016
Distributions to unitholders	-	-	(55,438)	(55,438)
<b>Total transactions with unitholders of BWP Trust</b>	-	-	(55,438)	(55,438)
<b>Balance at 31 December 2016</b>	945,558	(5,322)	727,714	1,667,950
<b>Balance at 1 July 2017</b>	<b>945,558</b>	<b>(4,557)</b>	<b>821,105</b>	<b>1,762,106</b>
Profit for the period attributable to unitholders of BWP Trust	-	-	103,358	103,358
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	1,496	-	1,496
<b>Total comprehensive income for the period</b>	-	1,496	103,358	104,854
Distributions to unitholders	-	-	(56,401)	(56,401)
<b>Total transactions with unitholders of BWP Trust</b>	-	-	(56,401)	(56,401)
<b>Balance at 31 December 2017</b>	<b>945,558</b>	<b>(3,061)</b>	<b>868,062</b>	<b>1,810,559</b>

The statement of changes in equity should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the half-year ended 31 December 2017

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## 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

The financial statements of BWP Trust (“the Trust”) for the half-year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 7 February 2018. The Trust was constituted under a Trust Deed dated 18 June 1998 as amended and is managed by BWP Management Limited (“the responsible entity”). Both the Trust and the responsible entity are domiciled in Australia.

The half-year financial statements are a general purpose financial report which:

- > has been prepared in accordance with the requirements of the Trust’s constitution, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*;
- > has been prepared by applying the same significant accounting policies as those applied by the Trust in its financial statements for the year ended 30 June 2017;
- > has been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;
- > is presented in Australian dollars, the Trust’s functional currency, and all values are rounded to the nearest thousand dollars (\$’000) under the option available to the Trust under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, unless otherwise stated; and
- > does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements of the Trust as at 30 June 2017 which are available upon request from the Trust’s registered office at Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth WA 6000 or at [bwptrust.com.au](http://bwptrust.com.au) and considered together with any public announcements made by the Trust during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

# Notes to the financial statements

For the half-year ended 31 December 2017

## 2 INTERIM DISTRIBUTION PER UNIT

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties are not included in the profit available for distribution to unitholders, as well as other items as determined by the directors. The following shows the effect on earnings per unit of excluding gains or losses in fair value of investment properties and the resulting distribution per unit:

	Dec 2017	Dec 2016
Basic and diluted earnings per unit (cents per unit)	16.09	11.42
Basic and diluted earnings per unit excluding gains in fair value of properties (cents per unit)	8.78	8.63
Interim distribution per unit (cents per unit)	8.78	8.63
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	642,383,803	642,383,803

## 3 INVESTMENT PROPERTIES

	Dec 2017 \$000	Dec 2016 \$000
Balance at the beginning of the period	2,259,300	2,164,700
Reclassification from assets held for sale	20,900	19,450
Proceeds from divestments during the period	(15,880)	(3,252)
Capital improvements since acquisition	659	1,101
Realised gains on disposal of investment properties	2,500	-
Net unrealised gains from fair value adjustments	44,421	17,901
<b>Balance at the end of the period</b>	<b>2,311,900</b>	<b>2,199,900</b>

### (a) Fair value

Investment properties are carried at fair value. Fair value for individual properties is determined by a full valuation completed at least every three years by an independent valuer who holds a relevant professional qualification and has recent experience in the location and category of the investment property. During the six months to 31 December 2017, twelve independent property valuations were performed.

Properties that have not been independently valued as at a balance date are carried at fair value by way of directors' valuation.

All investment properties of the Trust have been categorised on a Level 3 fair value basis under AASB 13 *Fair Value Measurement*, as some of the inputs required to value the properties are not based on "observable market data". For full details of the methodology and the significant assumptions/inputs used please refer to the 30 June 2017 annual financial statements.

# Notes to the financial statements

For the half-year ended 31 December 2017

## 3 INVESTMENT PROPERTIES (CONTINUED)

### (b) Capital expenditure

Total capital expenditure on the portfolio during the half-year amounted to \$0.7 million, comprising minor works at various properties.

## 4 DISTRIBUTION PAYABLE

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties are not included in the profit available for distribution to unitholders, as well as other items as determined by the directors. A reconciliation is provided below:

	Dec 2017 \$000	Dec 2016 \$000
Profit for the period attributable to unitholders of BWP Trust	103,358	73,360
Realised gains on disposal of investment properties	(2,500)	-
Net unrealised gains in fair value of investment properties	(44,421)	(17,901)
Distributable profit for the period	56,437	55,459
Opening undistributed profit	8	36
Closing undistributed profit	(44)	(57)
<b>Distributable amount</b>	<b>56,401</b>	<b>55,438</b>
<b>Distribution (cents per unit)</b>	<b>8.78</b>	<b>8.63</b>

## 5 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2017 the Trust had the following borrowings:

	Expiry date	Limit \$000	Amount drawn \$000
<b>Bank debt facilities</b>			
Commonwealth Bank of Australia	31 July 2020	110,000	85,000
Westpac Banking Corporation	30 April 2021	135,000	70,000
		<b>245,000</b>	<b>155,000</b>
<b>Corporate bonds</b>			
Fixed term five-year corporate bond	27 May 2019	200,000	200,000
Fixed term five-year corporate bond	11 May 2022	110,000	110,000
Accrued interest and borrowing costs			507
		<b>310,000</b>	<b>310,507</b>
		<b>555,000</b>	<b>465,507</b>



# Notes to the financial statements

For the half-year ended 31 December 2017

## 6 ISSUED CAPITAL

During the period no new units (2016: nil) were issued under the Trust's distribution reinvestment plan therefore the number of ordinary units on issue as at 31 December 2017 remained at 642,383,803. The distribution reinvestment plan remained active for the interim distribution for the half-year ended 31 December 2017 with units acquired on-market.

## 7 HEDGE RESERVE

This reserve records the portion of the change in fair values of a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	Dec 2017 \$000	Jun 2017 \$000
Balance at the beginning of the financial period	(4,557)	(9,978)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	1,649	3,933
- Unrealised (losses)/gains on cash flow hedges	(153)	1,488
<b>Balance at the end of the financial period</b>	<b>(3,061)</b>	<b>(4,557)</b>

The movement in the half-year was largely due to the decrease in the weighted average term to maturity of the hedging instruments.

## 8 SEGMENT REPORTING

The Trust operates wholly within Australia and derives rental income from investments in commercial property.

# Notes to the financial statements

For the half-year ended 31 December 2017

## 9 FINANCIAL INSTRUMENTS

### (a) Fair value

The fair values and carrying amounts of the Trust's financial assets and financial liabilities recorded in the financial statements are materially the same with the exception of the following:

	Dec 2017 \$000	Jun 2017 \$000
Corporate bonds – book value	(310,507)	(310,240)
Corporate bonds – fair value	(313,481)	(313,616)

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

#### LOANS AND RECEIVABLES, AND PAYABLES AND DEFERRED INCOME

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimates to represent their fair values.

#### CASH AND SHORT-TERM DEPOSITS

The carrying amount is fair value due to the liquid nature of these assets.

#### BANK DEBT FACILITIES AND CORPORATE BONDS

Market values have been used to determine the fair value of corporate bonds using a quoted market price. The fair value of bank debt facilities have been calculated discounting the expected future cash flows at prevailing interest rates using market observable inputs.

#### INTEREST RATE SWAPS

Interest rate swaps are measured at fair value by valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

### (b) Financial risk management – credit risk

During the period no (2016: \$nil) rental income was deemed non-recoverable and therefore no income has been written off. There are no other allowances for impairment in respect of receivables during the current or previous period.

Other aspects of the Trust's financial risk management objectives and policies are consistent with those disclosed in the 30 June 2017 annual financial statements.

# Notes to the financial statements

For the half-year ended 31 December 2017

## 10 CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date, but not provided for in the financial statements, which is payable:

	Dec 2017 \$000	Jun 2017 \$000
<b>Not later than one year:</b>		
Related parties	4,000	4,000
	4,000	4,000

### *Capital commitments to related parties*

#### VILLAWOOD

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$4.0 million. The development is expected to be completed by late 2018.

## 11 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2017 annual financial statements, along with Note 10 of these financial statements.

# Directors' report

For the half-year ended 31 December 2017

In accordance with the *Corporations Act 2001*, BWP Management Limited (ABN 26 082 856 424), the responsible entity for BWP Trust, provides this report for the financial half-year that commenced 1 July 2017 and ended 31 December 2017 and review report thereon. The information on pages 8 to 13 forms part of this directors' report and is to be read in conjunction with the following information:

## DIRECTORS

The names of directors of the responsible entity in office during the financial half-year and until the date of this report were:

- > Erich Fraunschiel (Chairman)
- > Fiona Harris
- > Rick Higgins
- > Tony Howarth AO
- > Mike Steur
- > Michael Wedgwood

Directors were in office for the entire period unless otherwise stated.

## REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the six months to 31 December 2017 and the results of those operations are reviewed on pages 8 to 13 of this report and the accompanying financial statements.

	Dec 2017 \$000	Dec 2016 \$000
Profit for the period attributable to unitholders of BWP Trust	103,358	73,360
Realised gains on disposal of investment properties	(2,500)	-
Net unrealised gains in fair value of investment properties	(44,421)	(17,901)
Distributable profit for the period	56,437	55,459
Opening undistributed profit	8	36
Closing undistributed profit	(44)	(57)
<b>Distributable amount</b>	<b>56,401</b>	<b>55,438</b>

The interim distribution is 8.78 cents per ordinary unit (2016: 8.63 cents). This interim distribution will be paid on 23 February 2018.

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## UNITS ON ISSUE

At 31 December 2017, 642,383,803 units of BWP Trust were on issue (30 June 2017: 642,383,803).

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operations, results of operations or state of affairs of the Trust in subsequent financial periods.

## AUDITOR INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 29 and forms part of the directors' report for the half-year ended 31 December 2017.

## ROUNDING OFF

The amounts contained in this report and the financial statements have been rounded to the nearest thousand dollars under the option available to the Trust under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated. The Trust is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors of BWP Management Limited.



**ERICH FRAUNSCHIEL**

Chairman

BWP Management Limited

Perth, 7 February 2018

## Directors' declaration

For the half-year ended 31 December 2017

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In accordance with a resolution of the directors of BWP Management Limited, responsible entity for the BWP Trust ("the Trust"), I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Trust are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of the board of BWP Management Limited.



**ERICH FRAUNSCHIEL**

Chairman

BWP Management Limited

Perth, 7 February 2018

# Auditor's independence declaration



For the half-year ended 31 December 2017

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

To: the directors of BWP Management Limited the responsible entity of BWP Trust.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

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

A stylized, handwritten signature of the KPMG firm.

KPMG  
Perth, 7 February 2018

A handwritten signature in cursive script, appearing to read 'Derek Meates'.

DEREK MEATES  
Partner

# Independent auditor's review report



To the unitholders of BWP Trust

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## REPORT ON THE HALF-YEAR FINANCIAL REPORT

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of BWP Trust is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Half-year Financial Report of BWP Trust.

The Half-year Financial Report comprises:

- > the statement of financial position as at 31 December 2017
- > income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date
- > notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- > the Directors' Declaration.

### Responsibilities of the Directors for the Half-year Financial Report

The Directors of BWP Management Limited (the Responsible Entity) are responsible for:

- > the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- > for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have





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become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2017 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of BWP Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the Half-year consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten-style logo of the letters 'KPMG' in a dark grey or black color.

KPMG  
Perth, 7 February 2018

A handwritten signature in dark ink, appearing to read 'Derek Meates'.

DEREK MEATES  
Partner

# Directory

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## RESPONSIBLE ENTITY

*BWP Management Limited*

ABN 26 082 856 424

Level 14, Brookfield Place Tower 2  
123 St Georges Terrace  
Perth WA 6000

Telephone: +61 8 9327 4356

Facsimile: +61 8 9327 4344

[bwptrust.com.au](http://bwptrust.com.au)

## DIRECTORS AND SENIOR MANAGEMENT

- > Erich Fraunschiel (Chairman)
- > Michael Wedgwood (Managing Director)
- > Fiona Harris (Director)
- > Rick Higgins (Director)
- > Tony Howarth AO (Director)
- > Mike Steur (Director)
- > Karen Lange (Secretary)

## REGISTRY MANAGER

*Computershare Investor Services Pty Limited*

Level 11, 172 St Georges Terrace  
Perth WA 6000

Telephone: 1300 136 972 (within Australia)

Telephone: +61 3 9415 4323 (outside Australia)

Facsimile: 1800 783 447 (within Australia)

Facsimile: +61 3 9473 2500 (outside Australia)

[computershare.com.au](http://computershare.com.au)

## AUDITOR

*KPMG*

235 St Georges Terrace  
Perth WA 6000

# Investor information

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## STOCK EXCHANGE LISTING

The BWP Trust is listed on the Australian Securities Exchange ("ASX") and reported in the "Industrial" section in daily newspapers – code BWP.

## UNITHOLDER ENQUIRIES

Please contact the registry manager if you have any questions about your unitholding or distributions.

## WEBSITE

The Trust's website, [bwptrust.com.au](http://bwptrust.com.au) is a useful source of information for unitholders. It includes details of the Trust's property portfolio, current activities and future prospects. The site also provides access to annual and half-year reports and releases made to the ASX.

## COMPLAINTS HANDLING

Complaints made in regard to BWP Trust should be directed to The Managing Director – BWP Management Limited, Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000. The procedure for lodgement of complaints and complaints handling is set out under the **Contact Us** tab of the BWP Trust website at [bwptrust.com.au](http://bwptrust.com.au).

Should a complainant be dissatisfied with the decision made by the Responsible Entity in relation to a complaint, the complainant is entitled to take the matter up with the Financial Ombudsman Service ("FOS"), an external and independent industry complaint handling scheme. FOS is located at Level 12, 717 Bourke Street, Docklands, Victoria, 3008. FOS can be contacted by telephone on 1800 367 287, by facsimile on +61 3 9613 6399, by mail at GPO Box 3, Melbourne, Victoria, 3001, by email at [info@fos.org.au](mailto:info@fos.org.au), or by visiting their website at [fos.org.au](http://fos.org.au).



RECYCLED CONTENT



FOREST MANAGEMENT



RENEWABLE ENERGY



ELEMENTAL  
CHLORINE FREE



FOREST MANAGEMENT



CERTIFICATION

This Half Year Report is printed on Monza Recycled Satin containing 55% recycled fibre and is FSC Mix Certified, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. Monza Recycled is manufactured by an ISO 14001 certified mill.

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