

9 August 2012

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**Results for the full-year ended 30 June 2012**

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- > Appendix 4E – full-year results to 30 June 2012;
- > Full-year results announcement; and
- > Financial statements for the year ended 30 June 2012 extracted from the annual report, which will be released separately today.



**K A Lange**  
Company Secretary

# BWP TRUST

ARSN 088 581 097

## APPENDIX 4E

Financial year ended 30 JUNE 2012

### Results for announcement to the market

		Full-year to 30 June 12	Full-year to 30 June 11	Variance (%)
Revenue from ordinary activities	(\$000)	<b>102,091</b>	85,273	19.7
Net profit before unrealised items	(\$000)	<b>70,566</b>	56,169	25.6
Unrealised items – (loss)/gain in fair value of investment properties	(\$000)	<b>(635)</b>	25,328	-
Net profit from ordinary activities attributable to unitholders	(\$000)	<b>69,931</b>	81,497	(14.2)
Net tangible assets per unit	(\$)	<b>1.85</b>	1.90	(2.6)

### Commentary on the results for the year

The commentary on the results for the year is contained in the ASX release dated 9 August 2012 accompanying this statement.

### Audit

This report is based on accounts that have been audited.

### Distributions

Interim distribution paid	(\$000)	<b>34,477</b>	26,391	30.6
Final distribution payable	(\$000)	<b>42,231</b>	30,161	40.0
Interim distribution per unit	cents	<b>6.63</b>	6.18	7.3
Final distribution per unit	cents	<b>8.04</b>	5.80	38.6

Record date for determining entitlements to the final distribution 29 June 2012

Payment date for final distribution 29 August 2012

The Distribution Reinvestment Plan ("DRP") applied for both the interim and final distributions for the year ended 30 June 2012.

This report should be read in conjunction with the annual financial report of the Trust and any announcements made in the period by or on behalf of the Trust in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

# ASX release

9 August 2012

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## FULL-YEAR RESULTS TO 30 JUNE 2012

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The directors of BWP Management Limited, the responsible entity for the BWP Trust (the "Trust"), today announced the results of the Trust for the financial year to 30 June 2012.

### Highlights

- > Income of \$102.1 million for the year – up 19.7 per cent on the previous year
- > Distributable profit of \$76.7 million for the year, including a \$6.2 million distribution of capital profits from the sale of an investment property – up 35.7 per cent on the previous year
- > Full-year distribution per unit of 14.67 cents (including 1.17 cents capital profit from the sale of an investment property) – up 22.5 per cent on the previous year. (13.50 cents per unit excluding capital profit – up 13.5 per cent on the previous year)
- > Market rent reviews on six properties completed during the year - average 6.7 per cent increase in annual rent
- > Three Bunnings Warehouse properties acquired, two Bunnings Warehouses developed on existing Trust-owned land and an upgrade of one of the existing Bunnings Warehouses completed
- > Net Tangible Assets of \$1.85 per unit at 30 June 2012 (2011: \$1.90 per unit)
- > Weighted Average Lease Expiry of 7.7 years at 30 June 2012 (2011: 8.6 years)
- > Gearing (debt/total assets) 21.6 per cent at 30 June 2012 (2011: 17.0 per cent)

### Financial results

Total income for the full-year to 30 June 2012 was \$102.1 million, up by 19.7 per cent from last year. The increase in income was mainly due to growth of the property portfolio during or since last year - from acquisitions and improvements to investment properties (adding approximately \$14.2 million) and rent reviews and other property income (adding approximately \$3.4 million during the year). On a like-for-like basis, excluding rental income from properties acquired or upgraded during or since last year, rental income increased by approximately 3.7 per cent from last year.

Finance costs of \$20.5 million were 7.5 per cent higher than last year, with average borrowings 29.1 per cent higher at \$250.6 million compared with \$194.2 million for 2011. Interest payments on borrowings totalled \$13.5 million, including payments made under interest rate swap arrangements. This is 12.9 per cent higher than last year due to the higher average level of borrowings, which was partially offset by lower interest rates and lower average fixed rates of interest on interest rate swaps. Bank fees and margins were approximately 1.7 per cent lower as a result of restructuring existing bank debt facilities. The average rate of net borrowings (finance costs less finance income/average borrowings) was 7.99 per cent, compared with 9.23 per cent for the previous year.



Distributable profit for the year was \$76.7 million, an increase of 35.7 per cent on the distributable profit last year. Distributable profit for the year ended 30 June 2012 excludes the unrealised net loss of \$0.6 million on the revaluations of the fair value of the portfolio at 30 June 2012, but includes a capital distribution of \$6.2 million on the sale of one of the Trust's properties.

The management expense ratio for the year ended 30 June 2012 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was 0.58 per cent (2011: 0.67 per cent). The reduction in the ratio was due to the waiver of management fees on a portfolio of properties acquired from Bunnings Group Limited ("Bunnings"), most of which settled during the year or late the previous year. The management expense ratio is expected to increase in the year ending 30 June 2013 as the waiver of management fees on the portfolio acquired from Bunnings is reduced from 100 to 50 per cent.

At 30 June 2012 the Trust's total assets were \$1,335.2 million (2011: \$1,242.1 million) with unitholders' equity of \$974.0 million and total liabilities of \$361.2 million. Investment properties made up the majority of total assets, comprising \$1,306.6 million (2011: \$1,225.9 million).

The underlying net tangible asset backing of the Trust's units ("NTA") at 30 June 2012 was \$1.85 per unit, a decrease of 1.1 per cent from \$1.87 per unit at 31 December 2011 (30 June 2011: \$1.90 per unit). The decrease in NTA over the six months to 30 June 2012 is due to the reduction in net assets following the distribution of \$6.2 million of capital profit on the sale of an investment property and the increase in interest rate swap liabilities during the period.

The Trust's gearing ratio (debt to total assets) at 30 June 2012 was 21.6 per cent (2011: 17.0 per cent), which is at the lower end of the board's preferred range of 20 to 30 per cent. Covenant gearing (debt and non-current liabilities to total assets) was 22.8 per cent (2011: 17.1 per cent). The interest cover ratio (earnings before interest and tax/interest expense) was 4.5 times (2011: 4.1 times).

### **Distribution to unitholders**

The Trust pays out 100 per cent of distributable profit each period, in accordance with the requirements of the Trust's constitution. A final distribution of 8.04 cents per ordinary unit (including a distribution of capital profits of 1.17 cents per unit on the sale of an investment property) has been declared and will be made on 29 August 2012 to unitholders on the Trust's register at 5:00 pm on 29 June 2012.

The final distribution takes the total distribution for the year to 14.67 cents per unit (2011: 11.98 cents per unit). The tax advantaged component of the distribution is 19.36 per cent, which is lower than in the past due to the capital gain on the sale of an investment property during the year.

Units issued under the Trust's Distribution Reinvestment Plan ("DRP") in respect of the final distribution will be issued at \$1.8868 per unit, representing the volume weighted average price of the Trust's units for the 10 trading days following the record date, with no discount applied.



## Capital management

During the year, the Trust extended the duration of \$230 million of the Trust's existing \$330 million bilateral bank facilities to five-year terms, expiring late 2016 and early 2017 and secured an additional \$100 million, also for a five-year term. The refinancing has provided the Trust with greater certainty and access to funding for existing and future requirements. As at 30 June 2012, the weighted average duration of the Trust's debt facilities was 3.8 years (2011: 2.4 years) to expiry. Average utilisation of debt facilities (average borrowings/average facility limits) for the year was 66.7 per cent (2011: 58.8 per cent).

Details of the Trust's current debt facilities are provided in the following table.

Bank facilities as at 30 June 2012	Limit \$m	Amount drawn <sup>1</sup> \$m	Expiry date
Australia and New Zealand Banking Group Limited	150.0	88.0	23 January 2017
Commonwealth Bank of Australia	100.0	73.3	14 January 2014
Westpac Banking Corporation	180.0	128.5	22 December 2016
	<b>430.0</b>	<b>289.8</b>	

<sup>1</sup> amount drawn includes accrued interest and borrowing costs of \$0.9 million as at 30 June 2012

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2012. The Trust has continued to maintain an active DRP as a component of longer-term capital management and to allow unitholders flexibility in receiving their distribution entitlements. The DRP provides a measured and efficient means of accessing additional equity capital from existing eligible unitholders.

In order to reduce the volatility of borrowing costs due to changes in market interest rates, the Trust takes out interest rate swaps (hedging) to fix the interest costs of the majority of borrowings over the medium to long-term. At 30 June 2012, the Trust's interest rate hedging cover was 65.6 per cent of borrowings, with \$190.0 million interest rate swaps against interest bearing debt of \$289.8 million. The weighted average term to maturity of hedging was 4.05 years, including delayed start swaps.

Due to the accounting requirement to mark the value of interest rate hedges to market, the Trust's hedging liabilities increased to approximately \$16.0 million as at 30 June 2012 (2011: \$1.3 million). The increase in hedging liability during the year was due to falls in interest rates over the past year. The hedging liability assesses the potential liability if all hedges were to be terminated at 30 June 2012, although this amount is not likely to be realised and the fair value of each interest rate swap (as a liability or asset) is expected to return to zero as it runs its full term.

During the year, management reviewed the Trust's hedging arrangements, including the opportunity to either: terminate the Trust's current swap arrangements and enter into new interest rate swaps at a lower fixed interest rate; or extend existing swaps by "blending" them with new swaps. Neither of these options is considered to offer a material benefit to unitholders over time. However, management took advantage of lower forward interest rates by taking out four delayed-start swaps totalling \$50 million to extend the duration of the existing hedging arrangements.



## Capital expenditure

The following table summarises capital expenditure during the year. Details are provided in following sections.

	\$m
<b>Acquisitions<sup>1</sup></b>	
Browns Plains	25.4
Craigieburn	19.5
Dubbo	16.8
	<b>61.7</b>
<b>Developments</b>	
Greenacre Bunnings Warehouse	16.8
Harrisdale Bunnings Warehouse	8.6
Scoresby Bunnings Warehouse upgrade	5.8
	<b>31.2</b>
<b>Other expenditure</b>	
Roof access and safety	2.4
Other non-income producing	0.4
	<b>2.8</b>
<b>Subtotal</b>	<b>95.7</b>
<b>Divestments<sup>2</sup></b>	
Hoppers Crossing Bunnings Warehouse	(14.4)
<b>Total</b>	<b>81.3</b>

<sup>1</sup> total outlay comprising purchase price and acquisition costs

<sup>2</sup> net proceeds after selling costs, adjusted for rounding

## Property acquisitions/divestments

### *Acquisition of two properties from Bunnings*

In March 2011, unitholders approved a proposal to acquire from Bunnings a portfolio of ten operational Bunnings Warehouses, for lease back to Bunnings, and three properties on which Bunnings will develop Bunnings Warehouses. As at 30 June 2011, the Trust had settled 10 of the 13 properties.

The settlement of two further properties was completed during the year ended 30 June 2012. A property at Dubbo, New South Wales, comprising a Bunnings Warehouse and two other retail tenancies, settled on 5 August 2011, with total costs of \$16.8 million including acquisition costs. On 7 May 2012, a Bunnings Warehouse at Craigieburn in Melbourne's north settled, with total costs of \$19.5 million including acquisition costs. The commencing annual rentals received by the Trust from the properties are \$1.3 million for Dubbo and \$1.4 million for Craigieburn. Rents for the Bunnings Warehouses at both properties will escalate by three per cent per annum for the initial ten-year term and will then be subject to a market rent review.

The settlement of the last of the 13 properties in the portfolio, a development site at Wallsend, New South Wales, on which a Bunnings Warehouse is to be developed, has been delayed due to negotiations between Bunnings and the vendor and development approvals taking longer than



anticipated. Originally expected to be finalised by June 2012, settlement of the development site is now anticipated to occur prior to 31 December 2012, following the issue of a new certificate of title.

*Bunnings Warehouse and bulky goods showrooms, Browns Plains, Queensland*

In April 2012, the Trust purchased an established Bunnings Warehouse and three bulky goods showrooms in the Brisbane suburb of Browns Plains, Queensland. The property was acquired from an institutional owner for \$25.4 million (including acquisition costs). The 4.7 hectare property is situated on the corner of Browns Plains Road and Commerce Drive in Browns Plains, approximately 25 kilometres south of the Brisbane central business district.

The property comprises a total lettable area of 18,704 square metres with approximately 533 car parking spaces. The annual rental of the property at the date of acquisition was \$2.6 million.

*Bunnings Warehouse, Hoppers Crossing, Victoria*

In June 2012, the Trust sold the Bunnings Warehouse at Hoppers Crossing, Victoria. The sale price of \$14.6 million realised a capital profit of \$6.2 million, resulting in a distribution to unitholders of 1.17 cents per unit, to be paid as part of the final distribution for the year ended 30 June 2012. The annual rental of the property at the date of transfer to the new owner was \$1.2 million.

## **Developments and upgrades**

*Completion of development of Bunnings Warehouse, Greenacre, New South Wales*

In April 2012, construction of the Trust's Bunnings Warehouse at Greenacre, New South Wales, was completed at a cost to the Trust of \$16.8 million. The Trust purchased the Greenacre development site for \$14.1 million (including acquisition costs) as part of the portfolio acquired from Bunnings in February 2011. The commencing annual rental received by the Trust is approximately \$2.2 million, which will escalate annually by three per cent for the initial ten-year term and will then be subject to a market rent review.

*Completion of development of Bunnings Warehouse, Harrisdale, Western Australia*

In October 2011, construction of the Trust's Bunnings Warehouse at Harrisdale, Western Australia, was completed at a cost to the Trust of \$8.6 million. The Trust purchased the Harrisdale development site for \$10.6 million (including acquisition costs) as part of the portfolio acquired from Bunnings in February 2011. The commencing annual rental received by the Trust is approximately \$1.4 million, which will escalate annually by three per cent for the initial ten-year term and will then be subject to a market review.

*Completion of upgrade of Bunnings Warehouse, Scoresby, Victoria*

In June 2012, a \$5.8 million upgrade of the Trust's Scoresby Bunnings Warehouse was completed by Bunnings for the Trust. The upgrade extended the fully-enclosed covered area by 3,477 square metres. The annual rental increased by approximately \$492,000 to \$1,763,000 per annum.

Following completion of the upgrade, the parties entered into a new ten-year lease of the Bunnings Warehouse with two five-year options, exercisable by the tenant. The rent will be reviewed to market every five years and by the Consumer Price Index ("CPI") every other year. The rent at each market rent review is to be no less than the rent in the preceding year. All other terms and conditions of the existing lease will remain the same.

*Commitment to upgrade Bunnings Warehouse, Fyshwick, Australian Capital Territory*

In the year ending 30 June 2011, the Trust committed to upgrade its Bunnings Warehouse at Fyshwick, Australian Capital Territory, at an estimated cost of \$15.0 million. The upgrade, utilising the



1.0 hectare site adjoining the Bunnings Warehouse acquired by the Trust in December 2005, increased the fully-enclosed covered area by 4,642 square metres and was expected to be completed in the latter half of the 2012 calendar year.

The upgrade was conditional on receiving an acceptable development approval, which has not been satisfied. Discussions relating to the upgrade are ongoing and Bunnings has exercised its five-year option to continue on at the existing Bunnings Warehouse.

### Other improvements

During the year, the Trust incurred a cost of \$2.4 million for roof access and safety improvements to a number of properties. The works generally comprised improving internal access to the rooves with better stairways, roof hatches and landings and installing or improving walkways to areas on the roof requiring regular or periodic access. These works are to improve safety and working conditions, and reduce damage to the roof. The Trust will receive no additional income from these improvements.

Approximately \$0.4 million was spent on various other non-income producing improvements to the portfolio during the year.

### 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 review. Market reviews occur for most of the Trust's Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

During the year, 67 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 3.4 per cent in the annual rent for these properties.

Market rent reviews were completed on six properties during the year. Market rent reviews for two of the Trust's Bunnings Warehouses due during the year (Geraldton, Western Australia and Oakleigh South, Victoria) have been referred to determination by independent valuers and were not completed by 30 June 2012.

The results of these market rent reviews are shown in the following table.

Property location	Tenant	Passing rent (\$ pa)	Market review <sup>1</sup> (\$ pa)	Uplift (%)	Effective date
Midland, WA	Bunnings	1,377,469	1,510,000	+9.6	5 Sep 11
Mindarie, WA	Bunnings	1,332,855	1,510,000	+13.3	5 Sep 11
Croydon, VIC	Bunnings	1,561,504	1,725,000	+10.5	31 Oct 11
Coffs Harbour, NSW	Bunnings	819,789	827,500	+0.9	26 Nov 11
Frankston, VIC	Bunnings	1,888,419	1,888,419	-	20 Dec 11
Blackburn, VIC <sup>2</sup>	Sleepmaster	800,000	842,500	+5.3	1 Apr 12
<b>Weighted average (%)</b>				<b>+6.7</b>	

<sup>1</sup> Midland, Mindarie and Croydon were determined by independent valuers; Coffs Harbour, Frankston and Blackburn were negotiated between the Trust and the tenant

<sup>2</sup> multi-tenanted industrial property





## Revaluations

The entire Trust portfolio was revalued at 31 December 2011 and again at 30 June 2012, including 25 property revaluations performed by independent valuers (15 at 31 December 2011 and 10 at 30 June 2012). Properties not independently revalued at each balance date are subject to internal valuations, with an independent valuer reviewing the methodology adopted.

The value of the portfolio increased by \$80.7 million to \$1,306.6 million during the year following: capital expenditure of \$95.7 million; the sale of the Bunnings Warehouse at Hoppers Crossing, Victoria for net sale proceeds of \$14.4 million; and a net revaluation loss of \$0.6 million during the year.

The net revaluation loss was predominantly due to an increase in capitalisation rates on the majority of properties and the write-off of acquisition costs from all property acquisitions during the year, which in combination offset the effects of rental growth from annual and market rent reviews. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2012 was 7.91 per cent (December 2011: 7.81 per cent and June 2011: 7.65 per cent).

## Outlook

Two main themes for the Trust's operations will continue in the short-term: capital management to improve the efficiency, security and flexibility of funding; and asset management to continue to drive growth and value from existing properties and add quality new properties to the portfolio selectively.

Recent refinancing of existing bank debt facilities has secured longer-dated and increased limits of debt funding, providing a secure funding platform from which to finance existing operations and growth opportunities. The renewed bank facilities also provide flexibility in the timing and ability to access alternative sources of debt capital to diversify and increase the duration of the Trust's funding base.

The average rate of net borrowings has reduced as a result of increased utilisation of debt facilities and lower interest rates. The responsible entity will continue to manage debt limits to balance the need for financial flexibility by maintaining sufficient liquidity and cost efficiency by not holding excess funding capacity. Interest rate hedging levels are now within the Trust's target range of 50 to 75 per cent of borrowings and management will aim to maintain hedging within this range, while taking advantage of lower longer-term swap rates to provide additional duration and improve the overall fixed rate of borrowings over time.

Property income is expected to increase for 2012/13 as a result of a full year of rental income received from recent additions to the property portfolio. Recent additions include the Bunnings Warehouses with adjoining bulky goods/retail showrooms at Browns Plains and Dubbo, new Bunnings Warehouses developed at Greenacre and Harrisdale, and completion of the upgrade to the Bunnings Warehouse at Scoresby. Additional rental growth is expected from 13 market rent reviews likely to be finalised during the year and annual CPI or fixed reviews on the balance of the portfolio.

The continued expansion by Bunnings of its store network and ongoing investment in its existing stores may generate further upgrades of some of the Trust's existing properties and possibly opportunities for the Trust to acquire additional quality Bunnings Warehouses. Also as the portfolio matures, the responsible entity will continue to assess potential divestments, such as the Hoppers Crossing Bunnings Warehouse sold during the year. While no divestments are imminent, consideration will be given to divesting properties that have reached optimum value and selling provides an opportunity to recycle capital to be reinvested in the portfolio and potentially realise capital profit for distribution to unitholders.



### Further information

The BWP Trust internet site, [www.bwptrust.com.au](http://www.bwptrust.com.au), is a useful source of information for investors and unitholders. It includes details of the Trust's property portfolio, current activities and future prospects.

The site provides access to annual and half-year reports and also contains releases made to the Australian Securities Exchange covering matters of relevance to investors.

For further information please contact:

**Grant Gernhoefer**

General Manager

BWP Management Limited

Telephone: +61 8 9327 4318

E-mail: [ggernhoefer@bwptrust.com.au](mailto:ggernhoefer@bwptrust.com.au)

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

An investor briefing and question and answer teleconference call will be held on **Thursday 9 August 2012 at 2.00pm AWST** (4.00pm AEST).

Dial **1800 500 931** from within Australia or +613 9221 4420 from outside Australia.

Ask to join the **BWP Full-Year Results Investor Presentation** (conference ID number **263747**).

(An investor briefing presentation will be released separately).

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Statement of comprehensive income  
 For the year ended 30 June 2012

	Note	June 2012 \$000	June 2011 \$000
Rental income		<b>98,048</b>	81,875
Other property income		<b>3,609</b>	2,236
Finance income	3	<b>434</b>	1,162
<b>Total revenue</b>		<b>102,091</b>	85,273
Finance costs	3	<b>(20,518)</b>	(19,094)
Responsible entity's fees	4	<b>(6,367)</b>	(6,048)
Other operating expenses	5	<b>(4,640)</b>	(3,962)
Net profit before unrealised (losses)/gains in fair value of investment properties		<b>70,566</b>	56,169
Unrealised (losses)/gains in fair value of investment properties	10	<b>(635)</b>	25,328
<b>Net profit attributable to unitholders of BWP Trust</b>		<b>69,931</b>	81,497
<b>Other comprehensive (loss)/ income</b>			
Effective portion of changes in fair value of cash flow hedges:			
- Realised losses transferred to net profit	3	<b>2,091</b>	2,577
- Unrealised (losses)/gains on cash flow hedges	3	<b>(16,796)</b>	61
<b>Total comprehensive income for the period attributable to the unitholders of BWP Trust</b>		<b>55,226</b>	84,135
Basic and diluted earnings (cents per unit) resulting from net profit	7	<b>13.40</b>	17.97

The statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	June 2012 \$000	June 2011 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	8	24,732	8,942
Receivables and prepayments	9	3,871	5,623
<b>Total current assets</b>		<b>28,603</b>	14,565
<b>Non-current assets</b>			
Other receivables	9	-	850
Investment properties	10	1,306,563	1,225,881
Derivative financial instruments		-	833
<b>Total non-current assets</b>		<b>1,306,563</b>	1,227,564
<b>Total assets</b>		<b>1,335,166</b>	1,242,129
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and deferred income	11	14,071	12,664
Derivative financial instruments		248	378
Distribution payable	6	42,231	30,161
<b>Total current liabilities</b>		<b>56,550</b>	43,203
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	12	288,890	210,844
Derivative financial instruments		15,765	1,763
<b>Total non-current liabilities</b>		<b>304,655</b>	212,607
<b>Total liabilities</b>		<b>361,205</b>	255,810
<b>Net assets</b>		<b>973,961</b>	986,319
<b>Unitholders' equity</b>			
Issued capital	13	682,435	673,311
Reserves	14	(16,013)	(1,308)
Undistributed income		307,539	314,316
<b>Total unitholders' equity</b>		<b>973,961</b>	986,319

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

Statement of cash flows  
 For the year ended 30 June 2012

	Note	June 2012 \$000	June 2011 \$000
<b>Cash flows from operating activities</b>			
Rent received		113,673	96,964
Payments to suppliers		(16,028)	(14,011)
Payments to the responsible entity		(6,304)	(5,887)
Finance income		434	1,162
Finance costs		(20,650)	(19,118)
<b>Net cash flows from operating activities</b>	15	<b>71,125</b>	59,110
<b>Cash flows from investing activities</b>			
Proceeds from the sale of an investment property		14,341	7,408
Payments for purchase of, and additions to, investment properties		(93,058)	(211,005)
Loans to related parties	19 (d)(iii)f	850	-
<b>Net cash flows used in investing activities</b>		<b>(77,867)</b>	(203,597)
<b>Cash flows from financing activities</b>			
Proceeds of borrowings		78,046	17,370
Proceeds from issue of units via pro-rata entitlement offer		-	150,005
Expenses incurred in pro-rata entitlement offer		-	(3,647)
Distributions paid		(55,514)	(31,986)
<b>Net cash flows from financing activities</b>		<b>22,532</b>	131,742
Net increase/(decrease) in cash		15,790	(12,745)
Cash at the beginning of the financial year		8,942	21,687
<b>Cash at the end of the financial year</b>	8	<b>24,732</b>	8,942

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

Statement of changes in equity  
For the year ended 30 June 2012

	Issued capital \$000	Undistributed income \$000	Hedge reserve \$000	Total \$000
Balance at 1 July 2010	507,372	289,371	(3,946)	792,797
<b>Total comprehensive income for the year attributable to the unitholders of BWP Trust</b>				
Net profit attributable to unitholders of BWP Trust	-	81,497	-	81,497
Other comprehensive income: effective portion of changes in fair value of cashflow hedges	-	-	2,638	2,638
<b>Transactions with unitholders recorded directly in equity</b>				
Distributions to unitholders	-	(56,552)	-	(56,552)
Equity issued during the year:				
Pro-rata entitlement offer	150,005	-	-	150,005
Distribution Reinvestment Plan	19,581	-	-	19,581
Expenses incurred in pro-rata entitlement offer	(3,647)	-	-	(3,647)
<b>Balance at 30 June 2011</b>	<b>673,311</b>	<b>314,316</b>	<b>(1,308)</b>	<b>986,319</b>
Balance at 1 July 2011	673,311	314,316	(1,308)	986,319
<b>Total comprehensive income for the year attributable to the unitholders of BWP Trust</b>				
Net profit attributable to unitholders of BWP Trust	-	69,931	-	69,931
Other comprehensive loss: effective portion of changes in fair value of cashflow hedges	-	-	(14,705)	(14,705)
<b>Transactions with unitholders recorded directly in equity</b>				
Distributions to unitholders	-	(76,708)	-	(76,708)
Equity issued during the year:				
Distribution Reinvestment Plan	9,124	-	-	9,124
<b>Balance at 30 June 2012</b>	<b>682,435</b>	<b>307,539</b>	<b>(16,013)</b>	<b>973,961</b>

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared in accordance with the requirements of the constitution of BWP Trust ("the Trust") and Australian Accounting Standards. The financial statements have been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value.

The financial statements are presented in Australian dollars, which is 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 Class Order 98/100, unless otherwise stated.

### (b) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Trust comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The Trust has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for financial reporting periods beginning on or before 1 July 2011. The adoption of these standards has given rise to additional disclosure but did not have a material effect on the financial statements of the Trust.

A number of new standards, amendments to standards and interpretations are available for early adoption but have not been applied in preparing these financial statements. The potential impact of the new standards, amendments to standards and interpretations has been considered and they are not expected to have a significant effect on the financial statements.

### (c) Significant judgements and estimates

In applying the Trust's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations about future events that may have an impact on the Trust. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

#### Investment properties – operating leases

The Trust has entered into commercial property leases on its investment portfolio.

The Trust has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases (see Notes 1(e), 1(n), and 10(c)).

#### Investment properties – valuations

Investment properties are revalued each balance date to reflect their fair value according to the Trust's policy on valuing assets and applying generally accepted valuation criteria, methodology and assumptions (see Notes 1(e) and 10(a)).

#### Financial instruments - valuations

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments (see Note 1(m)).



**(d) Finance costs**

Finance costs are recognised as an expense when incurred, with the exception of interest charges on funds invested in properties with substantial development and construction phases, which are capitalised to the property until such times as the construction work is complete.

The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Trust's outstanding borrowings during the year.

**(e) Investment properties**

Initially, investment properties are measured at cost including transaction costs. Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development includes rates, taxes, financing charges and related professional fees incurred, net of sundry income. Subsequent to initial recognition investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Where assets have been revalued, the potential effect of the capital gains tax ("CGT") on disposal has not been taken into account in the determination of the revalued carrying amount. The Trust does not expect to be ultimately liable for CGT in respect of the sale of assets as all realised gains would be distributed to unitholders.

**(f) Cash**

Cash in the statement of financial position, and for the purposes of the statement of cash flows, comprises cash at bank and short-term deposits.

**(g) Interest-bearing loans and borrowings**

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are interest-bearing are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities if the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**(h) Impairment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset 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.

An impairment loss in respect of a financial asset 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.

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

In circumstances where impairment losses are deemed, these are included in the statement of comprehensive income.

**(i) Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not these have been billed to the Trust. These liabilities are normally settled on 30 day terms except for the responsible entity's fees payable, which are settled quarterly in arrears, and retention monies withheld on construction projects which are settled according to the terms of the construction contracts.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Distribution payable**

Each reporting period the directors of the responsible entity are required to determine the distribution entitlement of the unitholders in respect of the period. Any amounts so determined but not paid by the end of the period, are recorded as a liability.

**(k) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific measurement criteria must also be met before revenue is recognised:

**Rental and other property income**

Rental and other property income is recognised at the amount and when due under the terms of the lease. All fixed, Consumer Price Indices-linked and market rent review increases are recognised in income from the date that these are due in accordance with the respective lease terms. This is done to ensure that rental income is matched with the associated cash flows over the term of the lease.

**Interest income**

Revenue is recognised as the interest accrues, using the effective interest method.

**(l) Taxation****Income Tax**

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that its taxable income (including any realised capital gains) is fully distributed to unitholders each year.

**Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(m) Derivative financial instruments**

The Trust enters into derivative financial instruments in the form of interest rate swap agreements, which are used to convert the variable interest rate of its borrowings to fixed interest rates. For the purpose of hedge accounting, these hedges are classified as cash flow hedges. The swaps are entered into with the objective of reducing the risk associated with interest rate fluctuations.

Derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any ineffective portion is considered a finance cost and is recognised in net profit or loss in the statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss, at which point it is transferred to net profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

The Trust manages its financial derivatives (interest rate swaps) to ensure they meet the requirements of a cash flow hedge.

## **(n) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

### **Operating leases**

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the net profit in accordance with the revenue recognition policy at Note 1(k).

Leasing fees incurred in relation to the on-going renewal of major tenancies are deferred and amortised over the lease period to which they relate.

Lease incentives, which may take the form of up-front payments, contributions to certain lessees' costs, relocation costs and fit-outs and improvements, are recognised on a straight line-basis over the lease term as a reduction of rental income.

## **(o) Units on issue**

Units on issue are recognised at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of ordinary units are recognised directly in equity as a reduction of the unit proceeds received.

The Trust operates a Distribution Reinvestment Plan ("DRP"). An issue of units under the DRP results in an increase in issued capital.

## **(p) Earnings per unit**

Basic earnings per unit is calculated as net profit attributable to unitholders divided by the weighted average number of units.

The diluted earnings per unit is equal to the basic earnings per unit.

## **(q) Segment Reporting**

The Trust determines and presents operating segments based on the internal information that is provided to the General Manager, who is the Trust's chief operating decision maker.

The Trust operates wholly within Australia and derives rental income from investments in commercial warehouse properties and as such this is considered to be the only segment in which the Trust is engaged. Refer to notes 17 and 19 for further information.

The operating results are regularly reviewed by the General Manager to make decisions about resources to be allocated and to assess performance. There are no reconciling items that exist between the discrete financial information reviewed by the General Manager and the financial statements relating to revenue, profit or loss, assets and liabilities or other material items.

	June 2012 \$	June 2011 \$
<b>2. AUDITOR'S REMUNERATION</b>		
Auditing and review of the financial statements		
KPMG Australia	70,925	69,107
<b>Other services</b>		
KPMG Australia – taxation services	20,430	22,800
	<b>91,355</b>	<b>91,907</b>

	June 2012 \$000	June 2011 \$000
<b>3. FINANCE INCOME AND EXPENSE</b>		
<b>Recognised directly in profit and loss</b>		
Finance income - interest income on bank deposits	434	1,162
Finance expense:		
- Interest expense on financial liabilities measured at amortised cost	(18,427)	(16,517)
- Interest expense on interest rate swaps	(2,091)	(2,577)
Total finance expenses	(20,518)	(19,094)
Net finance income and expense	(20,084)	(17,932)
<b>Recognised in other comprehensive (loss)/income</b>		
Net (losses)/gains on cash flow hedges for the year:		
- Realised losses transferred to net profit	2,091	2,577
- Unrealised (losses)/gains on cash flow hedges	(16,796)	61
Finance expense recognised in other comprehensive income	(14,705)	2,638

#### 4. RESPONSIBLE ENTITY'S FEES

The responsible entity, BWP Management Limited, is entitled to a management fee payable quarterly in arrears of 0.55 per cent per annum of the gross asset value of the Trust.

The responsible entity is also entitled to a fee calculated at the rate of 0.05 per cent per annum of the gross asset value of the Trust up to \$200 million and 0.035 per cent per annum of the amount by which the gross asset value of the Trust exceeds \$200 million.

The responsible entity may waive the whole or any part of the remuneration to which it would otherwise be entitled (see Note 19(d)(ii)e).

	June 2012 \$000	June 2011 \$000
<b>5. OTHER OPERATING EXPENSES</b>		
Recoverable property costs	893	362
Non-recoverable property costs <sup>1</sup>	3,331	2,819
Other operating expenses	416	781
	<b>4,640</b>	<b>3,962</b>

<sup>1</sup> Included in non-recoverable property costs are amounts payable of \$1,507,090 (2011: \$1,448,374) for Queensland Land Tax which under the respective state legislation cannot be on-charged to tenants

## 6. DISTRIBUTIONS PAID OR 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. A reconciliation is provided below:

	June 2012 \$000	June 2011 \$000
6.63 cents (2011: 6.18 cents) per unit, interim distribution paid on 24 February 2012	34,477	26,391
8.04 cents (2011: 5.80 cents) per unit, final distribution provided	42,231	30,161
	<b>76,708</b>	<b>56,552</b>
Net profit attributable to unitholders of BWP Trust	69,931	81,497
Net realised profit on sale of investment property <sup>1</sup>	6,150	376
Net unrealised losses/(gains) in fair value of investment properties	635	(25,328)
Distributable profit for the year	76,716	56,545
Opening undistributed profit	9	16
Closing undistributed profit	(17)	(9)
Distributable amount	<b>76,708</b>	<b>56,552</b>
Distribution (cents per unit)	<b>14.67</b>	11.98

<sup>1</sup> Net sale proceeds less original purchase price and capital expenditure since acquisition

	<b>June 2012</b>	June 2011
<b>7. EARNINGS PER UNIT</b>		
Net earnings used in calculating basic and diluted earnings per unit	<b>\$69,931,000</b>	\$81,497,000
Basic and diluted earnings per unit	<b>13.40 cents</b>	17.97 cents
Basic and diluted earnings per unit excluding unrealised losses/gains in fair value of investment properties	<b>13.52 cents</b>	12.38 cents
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	<b>521,831,842</b>	453,588,624

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
<b>8. CASH</b>		
Cash at bank	<b>24,732</b>	8,942
Weighted average effective interest rates	<b>4.00%</b>	4.59%

The Trust's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are set out in Note 17.

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
<b>9. RECEIVABLES AND PREPAYMENTS</b>		
<b>Current</b>		
Receivables from Wesfarmers Limited subsidiaries	<b>393</b>	130
Other receivables	<b>296</b>	117
Prepayments	<b>3,182</b>	5,376
	<b>3,871</b>	5,623
<b>Non-current</b>		
Loan to Bunnings Group Limited	<b>-</b>	850

Wesfarmers Limited is a related party (see Note 19(d)(i)).

Bunnings Group Limited is a controlled entity of Wesfarmers Limited. The terms and conditions of the loan are disclosed in Note 19(d)(ii)f).

**10. INVESTMENT PROPERTIES (NON-CURRENT)****(a) Cost and fair value of investments**

Property	Acquisition date	Purchase price \$000	Acquisition costs \$000	Capital improvements since acquisition \$000	Fair value adjustment since acquisition \$000	Fair value 30 June 2012 \$000	Fair value 30 June 2011 \$000	Last independent valuation
Albany, WA	01.11.99	4,100	206	14	5,280	9,600	9,900	31.12.10
Altona, VIC	24.09.98	6,800	566	2,781	6,110	16,257	16,157	31.12.09
Artarmon, NSW	10.02.03	14,033	864	212	6,691	21,800	21,800	31.12.11
Balcatta, WA	24.09.98	11,200	555	81	13,264	25,100	24,200	30.06.12
Bayswater, VIC	11.02.03	7,335	796	13,541	3,328	25,000	24,600	30.06.12
Belmont, WA	01.04.11	16,670	921	-	(991)	16,600	16,700	15.01.11
Belmont North, NSW	04.12.06	10,850	634	298	(1,282)	10,500	10,800	31.12.09
Belrose, NSW	10.02.03	17,150	1,054	256	8,140	26,600	25,700	31.12.11
Bibra Lake, WA	29.12.98	1,899	95	6,431	12,075	20,500	19,800	31.12.10
Blackburn, VIC	15.01.08	19,000	1,123	1,080	(3,403)	17,800	17,500	31.12.10
Blacktown, NSW	24.01.07	8,235	540	259	(2,534)	6,500	6,400	31.12.09
Broadmeadows, VIC	24.09.98	7,200	431	6,475	7,594	21,700	21,000	30.06.10
Browns Plains, QLD	05.04.12	24,000	1,401	-	(1,401)	24,000	-	01.04.12
Burleigh Heads, QLD	22.10.98	9,700	195	342	5,863	16,100	15,600	30.06.12
Cairns, QLD	10.02.03	10,000	453	1,927	1,920	14,300	14,200	31.12.11
Cannon Hill, QLD	24.12.98	5,600	313	7,942	10,645	24,500	23,400	30.06.10
Caroline Springs, VIC	23.05.11	19,080	1,098	-	(878)	19,300	19,100	15.01.11
Cockburn, WA	01.04.11	18,670	1,026	-	(496)	19,200	18,700	15.01.11
Coffs Harbour, NSW	05.09.01	1,900	112	4,567	221	6,800	10,200	31.12.11
Croydon, VIC	24.09.98	7,800	518	5,736	8,946	23,000	21,500	31.12.09
Craigieburn, VIC	07.05.12	18,420	1,064	-	(1,384)	18,100	-	15.01.11
Dandenong, VIC	19.04.02	4,000	255	6,746	5,799	16,800	16,800	31.12.10
Dubbo, NSW	05.08.11	15,790	1,004	-	(1,094)	15,700	-	15.01.11
Epping, VIC	12.03.99	7,800	463	88	5,649	14,000	14,500	30.06.10
Fairfield Waters, QLD	01.04.11	16,950	977	-	(127)	17,800	17,300	15.01.11
Fountain Gate, VIC	24.09.98	8,300	505	1,643	8,352	18,800	18,200	31.12.11
Frankston, VIC	26.06.01	7,300	301	9,528	8,071	25,200	26,000	30.06.10
Fyshwick, ACT	23.12.02	10,000	942	3,538	2,720	17,200	16,771	31.12.11
Geraldton, WA	10.12.01	1,250	351	5,301	6,298	13,200	11,900	30.06.10
Geraldton Showrooms, WA	11.09.07	2,897	190	836	(1,323)	2,600	2,500	30.06.10
Greenacre, NSW	01.04.11	13,250	850	16,750	(1,350)	29,500	14,078	15.01.11
Harrisdale, WA	01.04.11	10,000	573	8,656	(629)	18,600	10,571	15.01.11
Hawthorn, VIC	18.04.07	19,337	1,217	24,520	(5,574)	39,500	40,900	31.12.11
Hemmant, QLD	07.05.03	3,000	143	10,557	8,000	21,700	22,300	30.06.12
Hervey Bay, QLD	12.07.02	2,053	122	6,497	3,828	12,500	12,500	30.06.11
Hoppers Crossing, VIC	-	-	-	-	-	-	15,400	30.06.11
Joondalup, WA	24.09.98	8,100	593	67	7,540	16,300	16,200	30.06.12
Lismore, NSW	21.04.04	7,750	447	928	1,075	10,200	10,600	30.06.12
Maitland, NSW	20.08.03	898	489	9,936	4,177	15,500	14,900	31.12.09
Mandurah, WA	24.09.98	3,050	160	5,572	8,618	17,400	17,300	30.06.12
Maribyrnong, (land) VIC	28.06.01	7,100	462	-	-	7,562	7,562	N/A
Mentone, VIC	24.09.98	9,400	542	104	9,954	20,000	20,400	30.06.12
Midland, WA	06.03.01	4,600	255	5,021	10,224	20,100	18,400	31.12.09

**10. INVESTMENT PROPERTIES (NON-CURRENT) (continued)**
**(a) Cost and fair value of investments (continued)**

Property	Acquisition date	Purchase price \$000	Acquisition costs \$000	Capital improvements since acquisition \$000	Fair value adjustment since acquisition \$000	Fair value 30 June 2012 \$000	Fair value 30 June 2011 \$000	Last independent valuation
Mile End, SA	22.03.00	11,250	624	3,083	12,543	27,500	27,600	30.06.11
Minchinbury, NSW	31.12.98	9,200	503	4,332	11,422	25,457	25,455	30.06.11
Mindarie, WA	03.03.00	4,184	209	5,686	9,421	19,500	17,800	31.12.11
Morayfield, QLD	22.03.00	8,000	334	3,719	7,347	19,400	18,600	30.06.11
Morley, WA	04.07.05	11,100	642	474	2,584	14,800	15,000	30.06.11
Mornington, VIC	29.12.98	3,400	204	6,573	9,723	19,900	19,800	31.12.10
Mt Gravatt, QLD	18.12.08	11,215	659	64	(438)	11,500	11,800	31.12.11
Noarlunga, SA	13.04.99	2,305	124	7,442	7,529	17,400	17,300	30.06.11
Northland, VIC	24.09.98	8,600	489	2,977	10,334	22,400	21,700	31.12.11
Nunawading, VIC	24.09.98	13,700	786	3,198	14,203	31,887	31,887	31.12.11
Oakleigh South, VIC	05.04.01	6,650	374	9,146	5,730	21,900	22,600	30.06.10
Pakenham, VIC	01.04.11	20,250	1,187	-	(1,137)	20,300	20,300	15.01.11
Port Kennedy, WA	19.05.11	16,440	916	4	(460)	16,900	16,400	15.01.11
Port Macquarie, NSW	15.11.02	2,100	141	5,460	2,499	10,200	10,500	30.06.11
Port Melbourne, VIC	10.12.10	24,000	1,391	49	(440)	25,000	24,300	31.12.10
Regency Park, SA	24.01.07	4,656	350	218	(524)	4,700	4,600	31.12.09
Rockingham, WA	30.06.00	3,320	166	5,917	10,297	19,700	19,700	31.12.11
Rocklea, QLD	29.10.02	6,225	296	7,477	3,302	17,300	18,300	31.12.11
Sandown, VIC	24.09.98	7,800	446	51	1,703	10,000	13,200	31.12.11
Scoresby, VIC	24.09.98	8,300	473	5,803	8,124	22,700	16,400	31.12.09
Smithfield, QLD	19.05.11	15,250	890	-	(40)	16,100	15,500	15.01.11
Southport, QLD	09.11.98	2,800	188	6,927	6,585	16,500	15,800	30.06.12
Sunshine, VIC	24.09.98	7,000	407	118	4,375	11,900	11,800	30.06.10
Thornleigh, NSW	07.09.04	13,333	782	360	1,925	16,400	15,800	30.06.10
Tuggeranong, ACT	01.12.98	7,900	431	859	10,810	20,000	19,300	31.12.09
Underwood, QLD	22.10.98	3,000	178	6,141	6,381	15,700	15,300	30.06.12
Vermont South, VIC	14.05.03	9,150	635	14,362	2,053	26,200	26,100	31.12.10
Villawood, NSW	14.05.08	18,400	861	48	91	19,400	18,800	30.06.11
Wagga Wagga, NSW	01.04.11	15,000	932	-	(432)	15,500	15,000	15.01.11
Wollongong, NSW	10.02.03	12,000	628	276	4,096	17,000	16,900	31.12.11
		<b>688,995</b>	<b>41,052</b>	<b>268,994</b>	<b>307,522</b>	<b>1,306,563</b>	<b>1,225,881</b>	

**(i) Valuation policy**

Investment properties are carried at fair value.

Fair value is determined by a full independent 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.

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

Initially, each investment property is measured at cost including transaction costs (see Note 1(e)). Subsequent revaluations to fair value according to the Trust's revaluations policy may result in transaction costs appearing as a negative adjustment (loss) in fair value.



**(ii) Methodology and significant assumptions****Independent valuations**

The independent valuer determines the most appropriate valuation method for each property. Methods used for valuations during the year were the discounted cash flow and capitalisation of income valuation methods. Details of the independent valuations conducted as at 30 June 2012 are provided at Note 10(b).

**Directors' valuations**

The directors adopt the capitalisation of income valuation method for all remaining properties including those under development. The capitalisation rate used varies across properties. The methodology of the directors' valuations is subject to an independent review process by Jones Lang LaSalle.

**Discounted cash flow method**

The discounted cash flow method calculates a property's value by using projections of reliable estimates of future cash flows, derived from the term of any existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the asset.

**Capitalisation of income valuation method**

The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments, adjusted to take into consideration a number of factors including:

- > lease term remaining;
- > the relationship of current rent to the market rent;
- > the location;
- > for Bunnings Warehouses, distribution of competing hardware stores;
- > prevailing investment market conditions; and
- > other property specific conditions.

In completing the valuations, reliance was placed on market evidence of broadly comparable Bunnings Warehouses sold within the past 12 months, with capitalisation rates ranging between 7.45 per cent to 8.50 per cent (compared with the Trust's weighted average rate of 7.91 per cent).

**(b) Independent valuations and valuers**

Property	Valuation date	Valuer
Lismore, NSW	30.06.12	Colliers International, Peter Macadam AAPI
Southport, QLD	30.06.12	CBRE, Tom Irving AAPI
Burleigh Heads, QLD	30.06.12	CBRE, Tom Irving AAPI
Underwood, QLD	30.06.12	CBRE, Tom Irving AAPI
Hemmant, QLD	30.06.12	CBRE, Tristan Gasiewski AAPI
Mentone, VIC	30.06.12	JLL, Bernard Sweeney FAPI
Bayswater, VIC	30.06.12	JLL, Bernard Sweeney FAPI
Balcatta, WA	30.06.12	CBRE, Jason Fenner AAPI
Mandurah, WA	30.06.12	Opteon, Mark Christie FAPI
Joondalup, WA	30.06.12	Opteon, Mark Christie FAPI

**10. INVESTMENT PROPERTIES (NON-CURRENT) (continued)****(c) Operating leases**

- (i) All of the properties listed in Note 10(a) are leased by Bunnings Group Limited except Trust properties at Blackburn, Maribyrnong, Blacktown, Regency Park; surplus land adjoining properties at Altona (1.0 hectare), Minchinbury (0.5 hectares), Nunawading (0.1 hectares), Fyshwick (1.0 hectare); Geraldton Showrooms; showrooms co-located with Bunnings Warehouses at Bayswater, Browns Plains, Dubbo and Pakenham; and a pad site at Dubbo.
- (ii) General information regarding the duration of leases is as follows:
  - > Bunnings Warehouse leases generally commit the tenant to an initial term of ten or fifteen years, followed by a number of optional terms of five years each exercisable by the tenant.
  - > Leases to non-Bunnings tenants generally commit the tenant to an initial term of between five and ten years, followed by one or a number of optional terms of five years each exercisable by the tenant.
  - > At 30 June 2012, the minimum lease expiry (being the duration until which the tenants' committed terms expire) for the Trust's investment properties is 0.7 years (2011: 1.3 years) and the maximum lease expiry is 14.3 years (2011: 15.4 years), with a weighted average lease expiry for the portfolio of 7.7 years (2011: 8.6 years).
- (iii) Generally, rents are reviewed annually in line with movements in Consumer Price Indices compiled by the Australian Bureau of Statistics or a fixed percentage increase, except when a market rent review is due. Market rent reviews for most Bunnings Warehouses are due each fifth anniversary of the commencement date and for other leases at the exercise of each option by the tenant. Generally, market rents are agreed by the landlord and tenant or if not agreed, determined by an independent expert in accordance with generally accepted rent review criteria.
- (iv) The tenants are generally responsible for payment of most outgoings, which include all normal rates, taxes and assessments (other than land tax in some instances). At the Browns Plains property, the non-Bunnings tenants do not contribute to outgoings, but each is responsible for payment of all of its respective utilities charges.
- (v) Some of the leases of Bunnings Warehouses allow for the tenant to repurchase the properties in specified circumstances:
  - a) at Bayswater, Morley, Thornleigh and Vermont South properties, the tenant may repurchase the property from the landlord in the event that:
    - (i) the tenant proposes a redevelopment of the relevant property for which the tenant and landlord cannot agree commercial terms and at the time the tenant and landlord are not related bodies corporate; or
    - (ii) the landlord and tenant cease to be related bodies corporate. In respect to the Bunnings Warehouses at Bayswater and Vermont South properties, in the event that the tenant and landlord cease to be related bodies corporate, the tenant may only exercise the right to repurchase at the end of the initial lease term and at the end of each further option term.
  - b) If the right to repurchase is exercised in respect of any of these properties, the purchase price for the property will be a price to be agreed between the parties and failing agreement, a price determined by an appointed valuer based on the market value assuming vacant possession for the relevant property.

- (vi) There are no lease commitments receivable as at the reporting date.
- (vii) There were no contingent rentals recognised as revenues in the financial year.
- (viii) The future minimum non-cancellable rental revenues are:

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
Not later than one year	<b>104,003</b>	92,613
Later than one year not later than five years	<b>380,932</b>	349,524
Later than five years	<b>319,493</b>	357,435
	<b>804,428</b>	799,572

**(d) Reconciliation of movement in investment properties**

Opening balance at the beginning of the financial year	<b>1,225,881</b>	1,000,111
Acquisitions during the year	<b>61,671</b>	196,276
Divestments during the year	<b>(14,341)</b>	(7,500)
Capital improvements	<b>33,987</b>	11,666
Net unrealised (losses)/gains from fair value adjustments	<b>(635)</b>	25,328
Closing balance at the end of the financial year	<b>1,306,563</b>	1,225,881

**11. PAYABLES AND DEFERRED INCOME****Current**

Trade creditors and accruals	<b>3,474</b>	3,034
Responsible entity's fees payable	<b>1,769</b>	1,706
Rent received in advance	<b>8,828</b>	7,924
	<b>14,071</b>	12,664

The Trust's exposure to liquidity risk in respect of payables is disclosed in Note 17.

## 12. INTEREST-BEARING LOANS AND BORROWINGS

	Expiry date	June 2012		June 2011	
		Limit \$000	Amount drawn \$000	Limit \$000	Amount drawn \$000
Australia and New Zealand Banking Group Limited	23 January 2017	150,000	88,000	100,000	36,900
Commonwealth Bank of Australia	14 January 2014	100,000	73,300	100,000	49,900
Westpac Banking Corporation	22 December 2016	180,000	128,500	80,000	75,000
National Australia Bank Limited <sup>1</sup>		-	-	50,000	50,000
Less: accrued interest and borrowing costs			(910)		(956)
<b>Bank loans: non-current</b>		<b>430,000</b>	<b>288,890</b>	<b>330,000</b>	<b>210,844</b>

<sup>1</sup> During the year, the Trust closed its facility with National Australia Bank Limited

At 30 June 2012 the minimum duration of the facilities was 19 months (2011: 25 months) and the maximum was 55 months (2011: 33 months) with a weighted average duration of 45.6 months (2011: 29.2 months). The borrowings under the facilities are not secured by assets of the Trust, but are subject to reporting and financial undertakings by the Trust to the banks under negative pledge agreements with each bank.

Refer to Note 17 for information on interest rate and liquidity risk.

## 13. ISSUED CAPITAL

### (a) Book value of units on issue

	June 2012 \$000	June 2011 \$000
Book value at the beginning of the financial year	673,311	507,372
Equity issued during the year – DRP:		
– August 2011, the DRP was suspended	-	11,413
– February 2012, 5,242,300 units at \$1.7404 per unit	9,124	8,168
Equity issued during the year – pro-rata entitlement offer:		
– March 2011, 88,238,459 units at \$1.70 per unit	-	150,005
Expenses incurred in pro-rata entitlement offer	-	(3,647)
Book value at the end of the financial year	682,435	673,311

**(b) Number of ordinary units on issue**

	<b>June 2012</b>	June 2011
Number of fully paid units on issue at the beginning of the financial year	<b>520,012,793</b>	420,711,773
Issue of units during the year – DRP	<b>5,242,300</b>	11,062,561
Issue of units during the year – Pro-rata entitlement offer	-	88,238,459
Number of fully paid units on issue at the end of the financial year	<b>525,255,093</b>	520,012,793

**(c) Rights**

The Trust is a unit trust of no fixed duration and the units in the Trust have no right of redemption.

Each unit entitles the unitholder to receive distributions as declared and, in the event of winding up the Trust, to participate in all net cash proceeds from the realisation of assets of the Trust in proportion to the number of and amounts paid up on units held.

**(d) Distribution Reinvestment Plan**

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2012.

For the year ended 30 June 2011, the DRP was in place for the interim distribution but was suspended in respect of the final distribution in view of the uncertainty and volatility being experienced in the Australian equity markets and the prevailing market price of BWP Trust units.

**14. RESERVES**

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
Opening balance at the beginning of the financial year	<b>(1,308)</b>	(3,946)
Net (loss)/gain on cash flow hedges for the year	<b>(14,705)</b>	2,638
Closing balance at the end of the financial year	<b>(16,013)</b>	(1,308)

	June 2012 \$000	June 2011 \$000
<b>15. CASH FLOW</b>		
<b>(a) Reconciliation of operating profit to the net cash flows from operation</b>		
Net profit	69,931	81,497
Net fair value change on investment properties	635	(25,328)
(Increase)/decrease in receivables and prepayments	(763)	1,110
Increase in payables and deferred income	1,322	1,831
Net cash flows from operating activities	<b>71,125</b>	59,110
<b>(b) Reconciliation of cash</b>		
Cash balance comprises:		
Cash (see Note 8)	<b>24,732</b>	8,942

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Trust has exposure to the following risks from its use of financial instruments:

- > credit risk;
- > liquidity risk; and
- > interest rate risk.

This Note and Note 17 present information about the Trust's exposure to each of these risks, and the Trust's objectives, policies and processes for measuring and managing risk, and managing capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors of the responsible entity has overall responsibility for the establishment and oversight of the Trust's risk management framework.

Risk management policies are established to identify and analyse all risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems contained in the Trust's compliance plan are reviewed regularly to reflect changes in internal operations and market conditions.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The Trust's principal financial instruments are bank loans. The main purpose of the bank loans is to raise finance for the Trust's operations. To assist in minimising the risk associated with maintaining adequate finance for the Trust's operations, the Trust sources borrowings from a range of reputable financial institutions under facilities with differing maturity dates.

The Trust has various other financial assets and liabilities such as other receivables and payables, which arise directly from its operations. The Trust also enters into derivative transactions (interest rate swaps) to manage the interest rate risks arising from the Trust's operations. The main risk arising from the Trust's financial instruments is interest rate risk. The board of directors of the responsible entity reviews and agrees policies for managing this risk and this is summarised in Note 17.

## 17. FINANCIAL INSTRUMENTS

The Trust has recognised certain financial instruments in the accounts. These financial instruments are disclosed in Notes 8, 9, 11 and 12. The main risks associated with the Trust's financial instruments and the means by which these risks are managed, the measurement of financial instruments and how capital is managed are outlined below:

### (a) Concentration of credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers, cash, and payments due to the Trust under interest rate swaps.

#### Receivables

The credit risk associated with 96.6 per cent (2011: 96.8 per cent) of the rental income is with three tenants, Bunnings Group Limited 95.0 per cent (2011: 95.3 per cent), J Blackwood and Son Pty Limited 1.2 per cent (2011: 1.4 per cent) and Officeworks Superstores Pty Ltd 0.4 per cent (2011: 0.1 per cent), wholly owned subsidiaries of Wesfarmers Limited. Bunnings Group Limited, J Blackwood and Son Pty Limited, Officeworks Superstores Pty Ltd and Wesfarmers Limited are currently subject to a Deed of Cross Guarantee under which they covenant with a trustee for the benefit of each creditor that they guarantee to each creditor payment in full of any debt in the event of any entity that is included in the Deed of Cross Guarantee being wound up. Wesfarmers Limited has been assigned a credit rating of A-(stable)/A2 by Standard & Poor's (Baa1(positive)/P2 – Moody's).

#### Cash

The Trust limits its exposure to credit risk associated with its cash by maintaining limited cash balances and having cash deposited with reputable, major financial institutions subject to regulation in Australia.

#### Derivative financial instruments

The Trust limits its exposure to credit risk associated with future payments from its interest rate swaps by contracting with reputable major financial institutions subject to regulation in Australia.

#### Exposure to credit risk

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

	Note	Carrying amount	
		June 2012 \$000	June 2011 \$000
Cash and short-term deposits	8	24,732	8,942
Loans and receivables	9	689	1,097
Interest rate swaps assets		-	833
		<b>25,421</b>	<b>10,872</b>

**17. FINANCIAL INSTRUMENTS (continued)****(a) Concentration of credit risk (continued)**

The Trust's maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	Carrying amount	
	June 2012 \$000	June 2011 \$000
<b>Tenants</b>		
Wesfarmers Limited subsidiaries	393	130
Other tenants	296	117
<b>Loans</b>		
Bunnings Group Limited – (see Note 19(d)(ii)f))	-	850
	<b>689</b>	<b>1,097</b>

**Impairment losses**

Rental receivables of approximately \$28,040 were overdue at 30 June 2012 (2011: \$1,995).

There was no allowance for impairment in respect of receivables during the current year or the previous year.

Based on historic default rates, the Trust believes that no impairment allowance is necessary in respect of receivables.



**(b) Liquidity risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. The Trust regularly updates and reviews its cash flow forecasts to assist in managing its liquidity.

The following are the contractual maturities of financial liabilities (including estimated interest payments) and receipts or payments of interest rate swaps. The amounts disclosed in the table below are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amount disclosed in the statement of financial position:

	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<b>30 June 2012</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans - principal	(288,890)	(289,800)	-	(73,300)	(216,500)	-
Bank loans - future interest	-	(57,109)	(14,032)	(12,904)	(30,173)	-
Payables and deferred income	(14,071)	(14,071)	(14,071)	-	-	-
<b>Derivative financial liabilities</b>						
Interest rate swaps	(16,013)	(18,662)	(4,179)	(4,640)	(8,938)	(905)
	<b>(318,974)</b>	<b>(379,642)</b>	<b>(32,282)</b>	<b>(90,844)</b>	<b>(255,611)</b>	<b>(905)</b>
<b>30 June 2011</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans - principal	(210,844)	(211,800)	-	-	(211,800)	-
Bank loans - future interest	-	(34,331)	(13,254)	(13,484)	(7,593)	-
Payables and deferred income	(12,664)	(12,664)	(12,664)	-	-	-
<b>Derivative financial liabilities</b>						
Interest rate swaps	(1,308)	255	(1,167)	(553)	1,421	554
	<b>(224,816)</b>	<b>(258,540)</b>	<b>(27,085)</b>	<b>(14,037)</b>	<b>(217,972)</b>	<b>554</b>

**(c) Interest rate risk**

Interest rate risk is the risk that the Trust's finances will be adversely affected by fluctuations in interest rates. To help reduce this risk in relation to bank loans, the Trust has employed the use of interest rate swaps whereby, the Trust agrees with various banks to exchange at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps are recognised as adjustments to interest expense over the life of each contract swap, thereby effectively fixing the interest rate on the underlying obligations. At 30 June 2012 the fixed rates varied from 4.25 per cent to 5.82 per cent (2011: 5.15 per cent to 7.72 per cent) and the floating rates were at bank bill rates plus a bank margin.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements to ensure stability of distributions. At 30 June 2012, the Trust's hedging cover was 65.6 per cent of borrowings, which is within the board's preferred 50 per cent to 75 per cent range.

**17. FINANCIAL INSTRUMENTS (continued)**
**(c) Interest rate risk (continued)**

The Trust's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

	Carrying amount	
	June 2012	June 2011
	\$000	\$000
<b>Variable rate instruments</b>		
Cash and short-term deposits	24,732	8,942
Bank loans	(288,890)	(210,844)

**Fair value sensitivity analysis for fixed rate instruments**

The Trust does not have any fixed rate financial assets and liabilities.

**Cash flow sensitivity analysis for variable rate instruments**

The analysis below considers the impact on equity and net profit or loss due to a reasonably possible increase or decrease in interest rates. This analysis assumes that all other variables remain constant. Due to changes in market conditions since the last report, the analysis used for 2012 differs from the previous year.

	Net profit		Equity	
	50 basis points increase \$000	50 basis points decrease \$000	50 basis points increase \$000	50 basis points decrease \$000
<b>30 June 2012</b>				
Variable rate instruments	(1,449)	1,449	-	-
Interest rate swaps	950	(950)	4,070	(4,489)
<b>Net impact on net profit and equity</b>	<b>(499)</b>	<b>499</b>	<b>4,070</b>	<b>(4,489)</b>
	Net profit		Equity	
	100 basis points increase \$000	50 basis points decrease \$000	100 basis points increase \$000	50 basis points decrease \$000
<b>30 June 2011</b>				
Variable rate instruments	(2,118)	1,059	-	-
Interest rate swaps	1,800	(900)	7,503	(3,901)
<b>Net impact on net profit and equity</b>	<b>(318)</b>	<b>159</b>	<b>7,503</b>	<b>(3,901)</b>

**(d) Net fair values**

The carrying amounts of financial assets and financial liabilities recorded in the financial statements have been determined in accordance with the accounting policies disclosed in Note 1 of the financial statements and are as follows:

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
	<b>Book value and fair value</b>	Book value and fair value
	<b>_____</b>	<b>_____</b>
<b>Assets and liabilities held at amortised costs</b>		
Loans and receivables	<b>689</b>	1,097
Cash and short-term deposits	<b>24,732</b>	8,942
Bank loans	<b>(288,890)</b>	(210,844)
Payables and deferred income	<b>(14,071)</b>	(12,664)
<b>Liabilities held at fair value</b>		
Interest rate swaps	<b>(16,013)</b>	(1,308)

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.

**Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, where applicable, are based on current market rates for similar instruments and were as follows:

	<b>2012</b>	2011
	<b>_____</b>	<b>_____</b>
Interest rate swaps	<b>3.12% to 4.10%</b>	4.98% to 6.22%

**(e) Capital management**

Capital requirements are assessed based on budgeted cash flows, capital expenditure commitments and potential growth opportunities and are monitored on an ongoing basis. Information on capital and equity markets is reviewed on an ongoing basis to ascertain availability and cost of various funding sources.

In order to maintain a manageable level of debt, the responsible entity has established a preferred range of 20 to 30 per cent for the Trust's gearing ratio (debt to total assets), which is monitored on a monthly basis. At 30 June 2012, the gearing level was 21.6 per cent (2011: 17.0 per cent).

The Trust's DRP was suspended for the final distribution for the year ended 30 June 2011 due to the uncertainty and volatility being experienced in the Australian equity markets and the prevailing market price of BWP Trust units. The DRP was reinstated for the interim distribution for the year ended 30 June 2012, and applied to the final distribution for the year ended 30 June 2012 and will apply to subsequent distributions until notice is given of its suspension or termination.

## 18. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date, but not provided for, as being payable was:

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
Estimated capital expenditure contracted for at balance date, but not provided for in the financial statements, which is payable:		
<b>Not later than one year:</b>		
Unrelated Parties	<b>2,923</b>	1,312
Related Parties	<b>3,840</b>	71,513
<b>Later than one year and not later than five years:</b>		
Related Parties	<b>18,520</b>	33,790
	<b>25,283</b>	106,615

### Capital Commitments to unrelated parties

#### *Wallsend*

In March 2011, as part of a portfolio of properties that the Trust agreed to acquire from Bunnings Group Limited, the Trust committed to acquire for \$2.9 million, including acquisition costs, from an unrelated party a development site on which a Bunnings Warehouse is to be developed.

### Capital Commitments to related parties

#### *Rocklea*

In February 2011, the Trust committed to upgrade works at the Rocklea property with an estimated cost of \$3.8 million. On completion of the upgrade, the parties will enter into a new ten-year lease of the Bunnings Warehouse with one ten-year option, exercisable by the tenant.

#### *Wallsend*

Following the acquisition of the development site at Wallsend from an unrelated party, the Trust is committed to the development of a Bunnings Warehouse at a cost of \$18.5 million. On completion of the development, the parties will enter into a new ten-year lease of the Bunnings Warehouse with five, five-year options, exercisable by the tenant.

**19. DIRECTOR AND EXECUTIVE DISCLOSURES AND RELATED PARTY DISCLOSURES****(a) Details of key management personnel**

The following persons were key management personnel of the responsible entity, BWP Management Limited, during the financial year:

**Chairman – non-executive**

J A Austin

**Non-executive directors**

B J H Denison

R D Higgins

P J Johnston

P J Mansell

**General Manager**

G W Gernhoefer

**(b) Remuneration policy**

Remuneration expenses of the directors and executives of the responsible entity are not borne by the Trust. Directors are remunerated by the responsible entity and management services are provided to the responsible entity by Wesfarmers Limited.

The right of the responsible entity to be remunerated and indemnified by the Trust is set out in the constitution of the Trust and summarised in Note 4. The constitution is lodged with ASIC and is available to unitholders on request.

For the financial year ended 30 June 2012, each director was entitled to director's fees and/or superannuation for their services and the reimbursement of reasonable expenses. The fees paid reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to establish that the fees are in line with market standards. Directors do not receive option or bonus payments, nor do they receive retirement benefits in connection with their directorships. There are no equity incentive schemes in relation to the Trust.

Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

**(c) Unit holdings**

Directors	Balance at the beginning of the year	Acquired during the year	Sold during the year	Balance at the end of the year
J A Austin	295,967	-	-	295,967
B J H Denison	11,205	-	-	11,205
P J Johnston	78,431	-	-	78,431
P J Mansell	199,351	18,649	-	218,000
<b>Total</b>	<b>584,954</b>	<b>18,649</b>	<b>-</b>	<b>603,603</b>

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

**19. DIRECTOR AND EXECUTIVE DISCLOSURES AND RELATED PARTY DISCLOSURES  
(continued)****(d) Transactions with related parties**

## (i) Relationship with the Wesfarmers Group

Wesfarmers Investments Pty Limited, a controlled entity of Wesfarmers Limited, holds 123,419,543 [2011: 121,112,668] units in the Trust, representing 23.50 per cent of the units on issue at 30 June 2012 [2011: 23.29 per cent].

## (ii) Transactions with the Wesfarmers Group

During the year ended 30 June 2012, the Trust had the following transactions with Wesfarmers Limited subsidiaries:

- a) Following approval by unitholders in March 2011, the Trust agreed to acquire a property portfolio, comprising 13 Bunnings Warehouse properties, from Bunnings Group Limited, a controlled entity of Wesfarmers Limited. During the year ended 30 June 2011 the Trust paid \$161,560,000 following settlement of 10 of the 13 properties. A further \$59,563,364 was paid during the year ended 30 June 2012 relating to the completion of developments of Bunnings Warehouses on two of the ten properties acquired during 2011 and the settlement of two more properties. A further \$18,520,000 relating to the development of the Wallsend Bunnings Warehouse is expected to be payable in the year ending 30 June 2014, subject to the Trust finalising the acquisition of the development site from an unrelated party.
- b) Rent and other property income of \$96,607,448 [2011: \$81,725,715] was received from Bunnings Group Limited. The amount includes an amount received in advance of \$7,986,259 [2011: \$7,713,509]. As at 30 June 2012 there was also a rent receivable of \$19,909 [2011: \$655].
- c) Rent of \$1,316,544 [2011: \$1,179,984] was received from J Blackwood and Son Pty Limited, a controlled entity of Wesfarmers Limited. The amount includes an amount received in advance of \$102,879 [2011: nil]. As at 30 June 2012 there was no rent receivable [2011: \$94,908].
- d) Rent of \$381,049 [2011: \$83,532] was received from Officeworks Superstores Pty Ltd, a controlled entity of Wesfarmers Limited. As at 30 June 2012 there was also a rent receivable of \$35,627 [2011: \$34,423].
- e) The responsible entity's fee of \$6,367,371 [2011: \$6,047,659] is paid or payable to the responsible entity. During the year ended 30 June 2011, as part of the agreement to acquire 13 Bunnings Warehouse properties from Bunnings Group Limited, the responsible entity waived its entitlement to fees in respect of properties at: Greenacre, Dubbo and Wagga Wagga in New South Wales; Fairfield Waters and Smithfield in Queensland; Caroline Springs, Craigieburn and Pakenham in Victoria; Belmont, Cockburn, Harrisdale and Port Kennedy in Western Australia. For the year ended 30 June 2012 the amount of fees the responsible entity had waived was \$1,126,071 [2011: \$344,586]. Under the agreement the fee waiver was for 100 per cent of the management fee payable up to the 30 June 2012 and a 50 per cent reduction in the management fee payable from 1 July 2012 to 30 June 2013.
- f) In January 2012, Bunnings Group Limited repaid the Trust a loan of \$850,000. The loan was first provided during the year ended 30 June 2006 to fund the purchase of a parcel of land adjacent to the Vermont South Bunnings Warehouse. The land was exchanged at fair value and the terms of the agreement included charging Bunnings Group Limited an access fee of eight per cent annually until such time as the parcel of land is sold to an external party. The sale of the parcel of land occurred during the year ended 30 June 2012 resulting in the repayment of the loan to the Trust.
- g) The Trust reimbursed Bunnings Group Limited \$5.8 million for the completion of an upgrade to the Trust's Scoresby Bunnings Warehouse.
- h) The Trust reimbursed Bunnings Group Limited for minor capital works and repairs and maintenance incurred to the Trust's properties for which the Trust had a contractual obligation to incur.
- i) The Trust paid \$146,920 [2011: \$105,084] to Wesfarmers Limited for insurance premiums on a number of the Trust's properties.

## 20. ADDITIONAL INFORMATION

**(a) Principal activities and investment policy of the Trust**

To invest in well located, geographically diversified properties with long-term leases to substantial tenants, predominantly in the bulky goods retail sector, with the purpose of providing unitholders with a secure, growing income stream and capital growth.

**(b) Commencement and life of the Trust**

The Trust is a unit trust of no fixed duration and was constituted under a Trust Deed dated 18 June 1998 as amended. The Trust is managed by BWP Management Limited. Both the Trust and the responsible entity are domiciled in Australia.

**(c) Economic dependency**

96.6 per cent (2011: 96.8 per cent) of the Trust's rental income received during the year was from Bunnings Group Limited, J Blackwood and Son Pty Limited and Officeworks Superstores Pty Ltd, all controlled entities of Wesfarmers Limited.

**(d) Corporate information**

The financial report of the Trust for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 9 August 2012.

In accordance with the Corporations Act 2001, BWP Management Limited (ABN 26 082 856 424), the responsible entity of BWP Trust, provides this report for the financial year that commenced 1 July 2011 and ended 30 June 2012. The information on pages 5 to 9 forms part of this directors' report and is to be read in conjunction with the following information:

**Results and distributions**

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
Net profit attributable to unitholders	<b>69,931</b>	81,497
Net realised profit on sale of investment property <sup>1</sup>	<b>6,150</b>	376
Net unrealised losses/(gains) in fair value of investment properties	<b>635</b>	(25,328)
Distributable profit for the year	<b>76,716</b>	56,545
Opening undistributed profit	<b>9</b>	16
Closing undistributed profit	<b>(17)</b>	(9)
Distributable amount	<b>76,708</b>	56,552

<sup>1</sup> Net sale proceeds less original purchase price and capital expenditure since acquisition

**Distributions**

The following distributions have been paid by the Trust or declared by the directors of the responsible entity since the commencement of the financial year ended 30 June 2012:

	<b>June 2012</b>	June 2011
	<b>\$000</b>	\$000
(a) Out of the profits for the year ended 30 June 2011 on ordinary units as disclosed in last year's directors' report Final distribution of 5.80 cents per ordinary unit paid on 26 August 2011.	<b>30,161</b>	25,159
(b) Out of the profits for the year ended 30 June 2012 (see Note 6 of the Notes to the financial statements):		
(i) Interim distribution of 6.63 cents per ordinary unit paid on 24 February 2012.	<b>34,477</b>	26,391
(ii) Final distribution of 8.04 cents per ordinary unit declared by the directors for payment on 29 August 2012.	<b>42,231</b>	30,161

**Units on issue**

At 30 June 2012, 525,255,093 units of BWP Trust were on issue (2011: 520,012,793).

**Principal activity**

The principal activity is property investment.

There has been no significant change in the nature of this activity during the financial year.



**Trust assets**

At 30 June 2012, BWP Trust held assets to a total value of \$1,335.2 million (2011: \$1,242.1 million). The basis for valuation of the assets is disclosed in Note 1 of the notes to and forming part of the financial statements.

**Fee paid to the responsible entity and associates**

Management fees totalling \$6,367,371 (2011: \$6,047,659) were paid or payable to the responsible entity out of Trust property during the financial year.

**Trust information**

BWP Trust is a Managed Investment Scheme registered in Australia. BWP Management Limited, the responsible entity of the Trust, is incorporated and domiciled in Australia and holds an Australian Financial Services Licence. The responsible entity's parent company and ultimate parent company is Wesfarmers Limited.

The registered office of the responsible entity is Level 11, 40 The Esplanade, Perth, Western Australia, 6000. The principal administrative office of the responsible entity is Level 6, 40 The Esplanade, Perth, Western Australia, 6000.

The Trust had no employees during the financial year (2011: Nil). Management services are provided to the responsible entity by Wesfarmers Limited. Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

**Directors****Information on directors**

J A Austin  
B J H Denison  
R D Higgins  
P J Johnston  
P J Mansell

Details of the directors appear on pages 18 and 19.

No director is a former partner or director of the current auditor of the Trust.

**Company secretary**

K A Lange, FCIS, MBus

Ms K A Lange has been the company secretary since 9 April 2008. Ms Lange has more than 25 years' company secretarial experience including company secretary of Woodside Petroleum Limited and Wesfarmers Limited.

**Directors' unitholdings**

Units in the Trust in which directors had a relevant interest at the date of this report were:

	<b>Units in the Trust</b>
J A Austin	295,967
P J Johnston	78,431
P J Mansell	218,000

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

**Insurance and indemnification of directors and officers**

During or since the end of the financial year insurance has been maintained covering the entity's directors and officers against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

Directors and officers are indemnified by the responsible entity against the costs and expenses of defending civil or criminal proceedings in their capacity as directors and officers in which judgement is given in favour of, or acquittal is granted to, a director or officer, unless the liability arises out of conduct involving a lack of good faith.

No indemnity payment has been made under any of the arrangements referred to above during or since the end of the financial year.

**Review and results of operations**

The operations of the Trust during the financial year and the results of those operations are reviewed on pages 5 to 9 of this report and in the accompanying financial statements. This includes information on the financial position of the Trust and its business strategies and prospects for future financial years.

**Significant changes in the state of affairs**

During the financial year, the value of the Trust's investment properties increased by \$80,682,000 (2011: \$225,770,000 increase) to \$1,306,563,000 (2011: \$1,225,881,000), and the number of investment properties increased from 70 to 72 properties at financial year end.

There were no other significant changes in the state of affairs of the Trust during the financial year.

**Significant events after the balance date**

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

**Likely developments and expected results**

Likely developments in and expected results of the operations of the Trust in subsequent years are referred to elsewhere in this report, particularly on pages 5 to 9. In the opinion of the directors, further information on those matters could prejudice the interests of the Trust and has therefore not been included in this report.

**Corporate governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of BWP Management Limited support and comply with the majority of the ASX Corporate Governance Principles and Recommendations. The responsible entity's corporate governance statement is contained on pages 20 to 24 of this annual report.

**Environmental regulation and performance**

The Trust's operations are not subject to any particular significant environmental regulations under either Commonwealth or State legislation. The Trust is not aware of any breach of environmental regulations.

**Board committees**

As at the date of this report, the responsible entity had an Audit and Risk Committee and Remuneration and Nomination Committee. Each committee is comprised of all of the board members of the responsible entity.

There were two Audit and Risk Committee and four Remuneration and Nomination Committee meetings held during the year.

**Rounding**

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars under the option available to the Trust under ASIC Class Order 98/100, unless otherwise stated. The Trust is an entity to which the Class Order applies.

**Auditor independence**

The lead auditor's independence declaration is set out on page 59 and forms part of the Directors' Report for the year ended 30 June 2012.

**Non-audit services**

KPMG provided the following non-audit services to the Trust during the year ended 30 June 2012 and received, or is due to receive, the following amount for the provision of these services:

Taxation services	\$20,430
Total	<u>\$20,430</u>

The Audit and Risk Committee has, following the passing of a resolution, provided the board with written advice in relation to the provision of non-audit services by KPMG.

The board has considered the Audit and Risk Committee's advice, and the non-audit services provided by KPMG, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act 2001. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work or acting in a management or decision making capacity for the Trust.

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



**J A Austin**  
**Chairman**

BWP Management Limited  
Perth, 9 August 2012

## Directors' declaration

For the year ended 30 June 2012

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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:

1. 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 30 June 2012 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards 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; and
  - c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(b).
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2012.

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



**J A Austin**  
**Chairman**  
BWP Management Limited  
Perth, 9 August 2012

## Auditor's independence declaration

**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 audit for the financial year ended 30 June 2012 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

**KPMG**  
Perth, 9 August 2012

A handwritten signature in black ink that reads 'D P McComish'.

**D P McComish**  
**Partner**

# Independent auditor's report to the unitholders of BWP Trust



## **Report on the financial report**

We have audited the accompanying financial report of BWP Trust (the Trust), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of BWP Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Trust's financial position and of its performance.

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

## Independent auditor's report to the unitholders of BWP Trust

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of BWP Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

A handwritten signature in black ink, appearing to read 'KPMG'.

**KPMG**  
Perth, 9 August 2012

A handwritten signature in black ink, appearing to read 'D P McComish'.

**D P McComish**  
**Partner**

## Unitholder information

### Substantial unitholders

The number of units held by the Trust's substantial unitholders and the date on which the last notice was lodged with the Trust, were as follows:

	Date of notice	Units
Wesfarmers Limited, its subsidiaries and their associates	24 March 2011	121,112,668

### Distribution of unitholders

As at 31 July 2012

Range of holding	Holders	Units	%
1 - 1,000	1,823	910,908	0.17
1,001 - 5,000	4,455	12,814,194	2.44
5,001 - 10,000	3,420	24,905,862	4.74
10,001 - 100,000	5,264	126,844,222	24.15
101,000 - over	200	359,779,907	68.50
<b>Total</b>	<b>15,162</b>	<b>525,255,093</b>	<b>100.00</b>
Unitholders holding less than a marketable parcel (254 units)	436	33,585	

### Voting rights

Each fully paid ordinary unit carries voting rights at one vote per unit.



## Unitholder information

**Twenty largest unitholders**

The twenty largest holders of ordinary units in the Trust as at 31 July 2012 were:

	<b>Number of units</b>	<b>Percentage of capital held</b>
Wesfarmers Investments Pty Ltd	123,419,543	23.50
HSBC Custody Nominees (Australia) Ltd	52,568,816	10.01
JP Morgan Nominees Australia Ltd	49,122,529	9.35
National Nominees Ltd	19,762,861	3.76
Cogent Nominees Pty Ltd <DRP>	15,389,166	2.93
RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	12,002,805	2.29
RBC Dexia Investor Services Australia Nominees Pty Ltd <APN A/C>	9,128,524	1.74
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	8,918,833	1.70
Citicorp Nominees Pty Ltd	7,992,716	1.52
AMP Life Ltd	3,407,357	0.65
Sandhurst Trustees Ltd <SISF A/C>	1,888,259	0.36
Cogent Nominees Pty Ltd	1,859,940	0.35
Bond Street Custodians Ltd <ENH Property Securities A/C>	1,699,193	0.32
Milton Corporation Ltd	1,363,394	0.26
Cogent Nominees Pty Ltd <SMP Accounts>	1,354,637	0.26
Australian Executor Trustees Ltd <No 1 Account>	1,282,692	0.24
RBC Dexia Investor Services Australia Nominees Pty Ltd <NMSMT A/C>	1,128,590	0.21
JP Morgan Nominees Australia Ltd <Cash Income A/C>	978,420	0.19
UBS Wealth Management Australia Nominees Pty Ltd	975,557	0.19
RE GL CM & JE Adshead Pty Ltd	923,251	0.18
<b>Total</b>	<b>315,167,083</b>	<b>60.00</b>