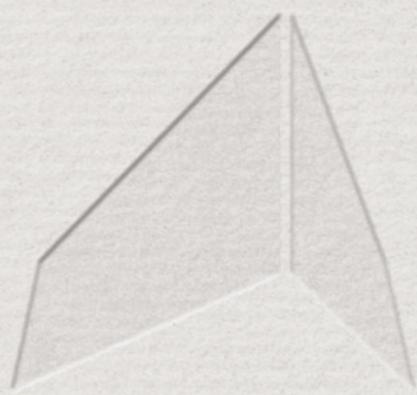




2019/20
Half-Year
Report

Six months to
31 December 2019



2019/20
Half-Year
Report



bwp TRUST

2019/20 Half-Year Report

BWP TRUST
ARSN 088 581 097

RESPONSIBLE ENTITY
BWP Management Limited
ABN 26 082 856 424

AUSTRALIAN FINANCIAL
SERVICES LICENCE
No. 247830

bwptrust.com.au

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An aerial photograph of a coastal city, likely Mentone, Victoria, Australia. The image shows a dense residential area with many houses and streets, leading down to a large, modern retail centre. The retail centre is highlighted with a red rectangular overlay. The coastline is visible, with a sandy beach and clear blue water. The sky is a clear, bright blue.

LARGE FORMAT RETAIL CENTRE
MENTONE, VIC

About us

Established and listed on the Australian Securities Exchange (“ASX”) in 1998, BWP Trust (“BWP” or “the Trust”) is a real estate investment trust investing in and managing commercial properties throughout Australia.

Business approach



Investment themes

Large format retailing property ownership – home improvement/ Bunnings focus

STATUS¹

- > 241 hectares of land
- > 75 properties
- > 89 per cent of income from Bunnings
- > 96 per cent of non-Bunnings income from national tenants

PRIORITIES

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

Sustainable portfolio returns supported by balance sheet flexibility

STATUS¹

- > 10.5 per cent annualised portfolio return on capital
- > 18.0 per cent gearing

PRIORITIES

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

Property location attributes

STATUS¹

- > 79 per cent metropolitan
- > 21 per cent regionally located property
- > 41 per cent of metropolitan properties within 20 kms of a central business district ("CBD")

PRIORITIES

- > Well located properties in local communities, accessible, adjacent to other retail/ community facilities
- > Higher and better use potential
- > Home improvement, supermarkets, activity/ experiences, residential, healthcare, online distribution



Drivers of returns

Annual rental growth

STATUS¹

- > Approximately 56 per cent of the Trust's rental income is subject to Consumer Price Index ("CPI") adjustments
- > 44 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review

PRIORITIES

- > Continued focus on market rent review outcomes

Well priced acquisitions and re-investment

STATUS¹

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

PRIORITIES

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

Cost of funding

STATUS¹

- > S&P A- rating and Moody's A3 ratings in place

PRIORITIES

- > Continue to diversify funding and extend duration of debt

¹ Status as at 31 December 2019



Long-term value creation

Pro-active management of existing properties

STATUS¹

- > Portfolio 97.5 per cent leased
- > Seven properties are being repositioned for alternative use
 - > Two properties are being repositioned for large format retail
 - > One property is being repositioned for industrial development
 - > Two properties are under option agreements to sell subject to town planning approval
 - > One property rezoning was completed
 - > One property rezoning remains in progress

PRIORITIES

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

Portfolio growth

STATUS¹

- > Reviewed a number of acquisition opportunities during the year, none met the preferred property attributes

PRIORITIES

- > Acquisitions as and when value can be created

Effective management of BWP Trust and its capital

STATUS¹

- > Ten year average total unitholder return of 14.5 per cent per annum

PRIORITIES

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



Investment criteria

Preferred property attributes

- > Significant catchment area
- > Visible and accessible from a major road, highway or freeway
- > Ready vehicle access and ample on-site parking
- > Long-term occupancy and/ or higher and better use potential
- > Leases to businesses with strong financial and value creation attributes
- > Geographic diversity
- > Yield commensurate with risk

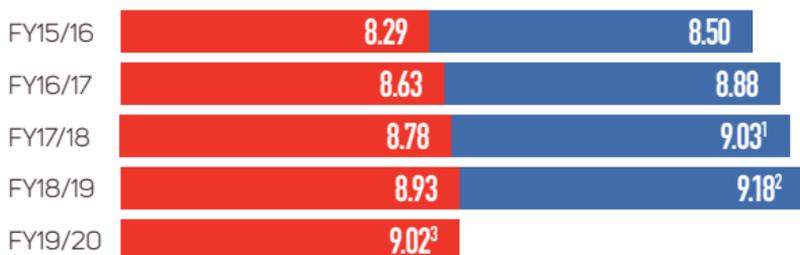
Half-year summary

at 31 December 2019



Distribution per unit (cents)

■ Interim distribution ■ Final distribution



¹ FY17/18 final distribution includes a partial distribution of capital profits of 0.19 of a cent per unit.

² FY18/19 final distribution as shown includes a partial distribution of capital profits of 0.08 of a cent per unit, but excludes a special distribution of 1.56 cents per unit.

³ FY19/20 interim distribution includes a partial distribution of capital profits of 0.11 of a cent per unit.

Financial and market performance

Financial performance

Half-year ended 31 December		2019	2018
Total income	\$m	76.2	79.0
Total expenses	\$m	(19.1)	(20.2)
Profit before gains in fair value of investment properties	\$m	57.2	58.8
Gains in fair value of investment properties	\$m	78.5	20.1
Net profit	\$m	135.6	78.9
Less: gains in fair value of investment properties	\$m	(78.5)	(20.1)
Amounts released from/ (credited to) undistributed income reserve	\$m	0.7	(1.4)
Distributable amount for period	\$m	57.9	57.4
Distribution per ordinary unit	cents	9.02	8.93
Total assets	\$m	2,487.1	2,375.3
Borrowings	\$m	447.0	437.9
Unitholders' equity	\$m	1,953.1	1,854.4
Gearing (debt to total assets)	%	18.0	18.4
Number of units on issue	m	642	642
Number of unitholders		20,712	21,305
Net tangible assets backing per unit	\$	3.04	2.89
Unit price at 31 December	\$	3.92	3.53
Management expense ratio ¹ (annualised)	%	0.63	0.62

Figures above subject to rounding.

¹ Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

Market performance

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

TOTAL RETURNS¹ COMPARED TO MARKET

Periods ended 31 Dec 2019	6 months (%)	1 year (%)	3 years (%) ²	5 years (%) ²	10 years (%) ²
BWP	8.9	16.8	15.4	12.8	14.5
S&P / ASX 200 A-REIT Accumulation Index	(0.1)	19.4	9.1	10.9	11.5

Source: UBS Australia

¹ Total returns include movement in security price and distributions (which are assumed to be reinvested).

² Annual compound returns.

Property portfolio

As at 31 December 2019	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
WESTERN AUSTRALIA			
Albany ^{3,4}	13,660	905	11,000
Australind	13,700	1,407	23,400
Balcatta	25,439	2,255	39,200
Belmont	10,381	1,583	26,400
Bibra Lake	14,141	1,758	29,300
Cockburn	12,839	1,773	29,600
Ellenbrook	15,337	2,048	34,100
Geraldton	17,874	1,341	19,200
Harrisdale	17,124	2,469	38,200
Joondalup	13,358	1,168	16,100
Mandurah	8,662	1,361	20,200
Midland	13,694	1,888	17,000
Mindarie ⁴	14,479	1,733	18,100
Morley ⁴	9,852	1,480	16,900
Port Kennedy	11,675	1,666	26,600
Rockingham	15,188	2,161	35,500
Total	227,403	26,996	400,800
VICTORIA			
Bayswater	17,677	2,496	40,800
Broadmeadows	12,765	2,007	33,400
Caroline Springs	14,319	1,837	31,200
Coburg	24,728	5,230	70,000
Craigieburn	16,764	1,722	28,700
Croydon	13,292	2,008	36,500
Fountain Gate	12,624	1,760	30,600
Frankston	13,843	2,156	37,500
Hawthorn	7,462	3,381	53,700
Maribyrnong	17,550	2,859	57,200
Mentone	8,271	2,291	30,400
Mornington	13,324	1,760	30,300
Northland	13,006	2,030	33,800
Nunawading ⁵	14,766	2,493	46,900
Pakenham	14,867	2,073	32,400
Port Melbourne	13,846	2,160	55,000
Scoresby	12,515	1,943	32,400
Springvale	13,458	2,209	40,200
Sunbury	15,270	1,926	33,500
Vermont South	16,634	2,297	39,600
Total	286,981	46,638	794,100
AUSTRALIAN CAPITAL TERRITORY			
Fyshwick ⁶	6,648	1,286	24,300
Tuggeranong	11,857	1,830	32,100
Total	18,505	3,116	56,400
SOUTH AUSTRALIA			
Mile End	15,065	2,505	43,600
Noarlunga	14,784	1,582	25,300
Total	29,849	4,087	68,900

As at 31 December 2019	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
NEW SOUTH WALES			
Artarmon	5,746	1,705	29,700
Belmont North ⁴	12,640	1,211	9,000
Belrose	8,888	2,112	36,800
Dubbo	16,344	1,627	24,000
Greenacre	14,149	2,785	46,400
Hoxton Park	25,639	2,202	58,300
Lismore	9,892	1,423	24,800
Maitland	12,797	1,452	22,300
Minchinbury	16,557	2,901	52,700
Port Macquarie ⁷	8,801	-	14,300
Rydalmere	16,645	3,258	65,000
Thornleigh	5,301	1,420	25,800
Villawood	10,886	1,926	35,000
Wagga Wagga	13,774	1,520	14,000
Wallsend	16,863	2,155	37,500
Wollongong	10,811	1,470	23,500
Total	205,733	29,167	519,100
QUEENSLAND			
Arundel	15,676	2,531	40,900
Bethania	13,494	2,059	32,700
Brendale	15,035	2,177	38,400
Browns Plains	18,398	3,223	46,300
Cairns ⁷	12,917	-	9,000
Cannon Hill	16,556	2,551	45,100
Fairfield Waters	13,645	1,761	26,500
Gladstone	21,516	3,531	43,400
Hervey Bay	11,824	1,347	16,800
Manly West	13,021	2,377	39,900
Morayfield	12,507	1,895	30,700
Mount Gravatt	11,824	1,407	21,300
North Lakes	18,861	2,890	52,100
Rocklea	14,403	2,207	35,600
Smithfield	13,094	1,647	24,500
Southport	12,431	1,778	27,200
Townsville North	14,038	1,845	29,700
Underwood ⁷	12,245	-	16,400
West Ipswich	14,977	2,637	44,600
Total	276,462	37,863	621,100
Grand Total	1,044,933	147,867	2,460,400

Note: Totals and Grand Total adjusted for rounding

- For Bunnings Warehouses this comprises the total retail area of the Bunnings Warehouse.
- Annual rental figures do not include access fees detailed below.
- Includes adjoining land (1.2 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$211,882 per annum.
- Sites that Bunnings has or is in the process of vacating, that are still leased to Bunnings.
- Includes adjoining properties (0.1 hectare) for which Bunnings Group Limited pays the Trust an access fee of \$126,935 per annum.
- Includes adjoining property (1.0 hectare) for which Bunnings Group Limited pays the Trust an access fee of \$301,020 per annum.
- Vacant property that is no longer leased to Bunnings.

Report to unitholders

The directors of BWP Management Limited, the responsible entity for the BWP Trust, are pleased to present this interim report to unitholders covering the financial results and activities of the Trust for the six months to 31 December 2019.

The investment portfolio valuation increased during the period. The prevailing market conditions of low inflation and low interest rates have continued to be positive for the valuation of the Trust's existing portfolio, but have made additional property acquisitions difficult to justify from a value creation perspective. Consequently, no new properties have been added to the portfolio in recent times.

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

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

Alison Quinn was appointed to the Board in December 2019 as a non-executive, external director. Ms Quinn is an experienced director, CEO and executive with an extensive background in property development, aged care, banking and finance.

Rick Higgins retires from the Board in February 2020, after serving as a director since 2007. During his tenure he has provided invaluable advice in the development of the Trust and its portfolio of assets.

Financial results

FINANCIAL PERFORMANCE

Net profit for the period was \$135.6 million, including \$78.5 million of unrealised gains in the fair value of investment properties. This compares with net profit for the previous corresponding period of \$78.9 million which included unrealised gains of \$20.1 million in the fair value of investment properties.

Total income for the period was \$76.2 million, a decrease of 3.5 per cent over the previous corresponding period. The lower income was largely due to the rent foregone from divestments and the redevelopment of sites vacated by Bunnings that occurred during prior periods.

Finance costs of \$7.8 million were 21.9 per cent lower than the previous corresponding six months, due to a lower weighted average cost of debt and lower borrowing levels. The weighted average cost of debt for the half-year (finance costs as a percentage of average borrowings) was 3.53 per cent, compared to 4.31 per cent for the

previous corresponding period. The average level of borrowings was 4.7 per cent lower than the previous corresponding period (\$439.0 million compared with \$460.8 million). Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was lower than for the previous corresponding period (79.1 per cent compared with 83.0 per cent).

Other operating expenses increased from \$3.5 million in the previous corresponding period to \$4.2 million in the current period, mainly as a result of a significant increase in Victorian Land Tax, and outgoings for properties in the process of being redeveloped.

FINANCIAL POSITION

At 31 December 2019, the Trust's total assets were \$2.49 billion, with unitholders' equity of \$1.95 billion and total liabilities of \$534.0 million.

The underlying net tangible asset backing of the Trust's units increased by 12 cents per unit during the period, from \$2.92 per unit at 30 June 2019, to \$3.04 per unit at 31 December 2019. This increase was largely due to the net unrealised gains on revaluation of investment properties (refer to the Revaluations section).

Interim distribution

For the half-year the Trust reported a distributable amount of \$57.9 million, an increase of 1.0 per cent on the previous corresponding period, including a partial release of capital profits from previous years.

An interim distribution of 9.02 cents per ordinary unit has been declared. This is 1.0 per cent higher than the previous corresponding period (8.93 cents per unit), reflecting the increase in the distributable amount over the previous corresponding period.

The interim distribution will be made on 21 February 2020 to unitholders on the Trust's register at 5:00 pm on 31 December 2019.

Property portfolio

CAPITAL EXPENDITURE

Total capital expenditure on the portfolio during the half-year amounted to \$22.1 million, comprising minor works at various properties and the items outlined below.

Report to unitholders

(CONTINUED)

Completion of expansion of Bunnings Warehouse, Villawood, New South Wales

In December 2019, the Trust completed the expansion of its Villawood Bunnings Warehouse, New South Wales, at a cost of \$5.0 million. The annual rental increased by approximately \$0.2 million. The parties have entered into a new seven year lease with four, five year options, exercisable by Bunnings. The rent will increase by a fixed three per cent per annum. At the end of the initial term and at the exercise of each option by Bunnings, the rent is subject to a market review. Market rent reviews are subject to a 10 per cent cap, meaning the rent cannot increase more than 10 per cent above the preceding year's rent, and a 10 per cent collar, meaning that the rent cannot fall more than 10 per cent below the preceding year's rent.

Completion of repositioning of ex-Bunnings Warehouse Hoxton Park, New South Wales

Following Bunnings' surrender of lease in mid-2019, the Trust completed works totalling \$11.3 million in December 2019 to reconfigure the Hoxton Park, New South Wales property for use as a large format retail centre. The property is 92 per cent leased and we expect to finalise leases for the remaining two tenancies by 30 June 2020.

Part completion of repositioning of ex-Bunnings Warehouse Port Macquarie, New South Wales

During the half, the Trust spent \$3.4 million to reconfigure the ex-Bunnings Warehouse property in Port Macquarie, New South Wales (vacated by Bunnings in early 2019) into a large format retail centre. It is expected that work on this property will be completed by March 2020.

ACQUISITIONS AND DIVESTMENTS

There were no properties acquired or divested during the period.

CAPITAL COMMITMENTS

Commitment to expansion of Bunnings Warehouse, Croydon, Victoria

In August 2019, the Trust committed to expand its Croydon Bunnings Warehouse, Victoria at a cost of \$4.0 million. The annual rental will increase by approximately \$0.3 million.

Commitment to expansion of Bunnings Warehouse, Coburg, Victoria

In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of \$2.5 million. The annual rental will increase by approximately \$0.1 million.

OCCUPANCY AND AVERAGE LEASE EXPIRY

At 31 December 2019, the portfolio was 97.5 per cent leased with a weighted average lease expiry term of 4.3 years (30 June 2019: 4.4 years, 31 December 2018: 4.3 years).

Rent reviews

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

ANNUAL ESCALATIONS

Forty seven of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for these leases was 2.2 per cent.

MARKET RENT REVIEWS

The market rent reviews that were due for three Bunnings Warehouses during the year ended 30 June 2018, two during the year ended 30 June 2019 and six that were due during the six months to 31 December 2019 are still being negotiated or are being determined by an independent valuer and remain unresolved. The market rent reviews completed during the half-year are shown in the following table.

Property location	Passing rent (\$ pa)	Market review (\$ pa)	Variance (%)	Effective date
Balcatta, WA ^{1,2}	2,336,761	2,220,000	(5.0)	23-Sep-18
Coburg, VIC ^{1,3}	1,531,347	1,684,481	10.0	3-Nov-18
Tuggeranong, ACT ^{1,2}	1,847,740	1,800,000	(2.6)	1-Dec-18
Cannon Hill, QLD ^{1,2}	2,548,846	2,550,000	0.1	1-Apr-19
Weighted average	8,264,694	8,254,481	(0.1)	

¹ The market rent review was due during the year ended 30 June 2019, but the outcome was only finalised during the current financial year.

² The market rent review was determined by an independent valuer.

³ The market rent review was agreed between the parties at the 10 per cent cap in the lease.

LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired, upgraded or vacated and re-leased during or since the previous corresponding period, rental income increased by approximately 2.2 per cent for the 12 months to 31 December 2019 (compared to 2.3 per cent for the 12 months to 31 December 2018 which was previously disclosed as a 2.5 per cent increase, but has now been updated following the finalisation of the three market rent reviews related to that period).

Report to unitholders

(CONTINUED)

The unresolved market reviews at 31 December 2019 are not included in the calculation of like-for-like rental growth for the year.

Revaluations

During the half-year, the Trust's entire investment property portfolio was revalued. Property revaluations were performed by independent valuers for 18 properties during the period. The remaining 57 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2019 was 6.08 per cent (30 June 2019: 6.30 per cent; 31 December 2018: 6.40 per cent).

The value of the Trust's portfolio increased by \$102.2 million to \$2,460.4 million during the half-year following capital expenditure of \$22.1 million and revaluation gains of \$78.5 million, after adjusting for the straight-lining of rent of \$1.6 million, at 31 December 2019.

Capital management

The Trust's debt facilities as at 31 December 2019 are summarised below.

	Limit (\$m)	Amount drawn (\$m)	Expiry date
Bank debt facilities			
Westpac Banking Corporation	135.0	69.1	30 April 2022
Commonwealth Bank of Australia	110.0	67.6	31 July 2022
Sumitomo Mitsui Banking Corporation	100.0	100.0	20 May 2024
Corporate bonds			
Fixed term five-year corporate bonds	110.0	110.0	11 May 2022
Fixed term seven-year corporate bonds	100.0	100.0	10 April 2026
	555.0	446.7	

During the period, the Trust extended the debt facility with the Commonwealth Bank of Australia for a further two years. The weighted average duration of the facilities at 31 December 2019 was 3.5 years (31 December 2018: 2.3 years).

The Trust's gearing ratio (debt to total assets) at 31 December 2019 was 18.0 per cent (30 June 2019: 17.3 per cent, 31 December 2018: 18.4 per cent) which is slightly below the Board's preferred range of 20 to 30 per cent.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements. At 31 December 2019, the Trust's interest rate hedging cover was 68.8 per cent of gross borrowings (excluding accrued interest and borrowing costs), with \$97.5 million of interest rate swaps and \$210.0 million of fixed rate corporate bonds against gross borrowings of \$446.7 million. The weighted average term to maturity of hedging was 3.4 years (30 June 2019: 3.9 years, 31 December 2018: 1.7 years) including delayed start swaps.

Outlook

Rent reviews are expected to contribute incrementally to property income for the half-year to 30 June 2020. There are 45 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of the 2019/20 financial year. There are also 16 market rent reviews of Bunnings Warehouses in the process of being finalised.

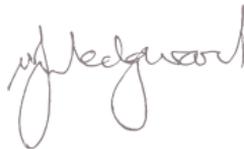
The responsible entity will continue to look to acquire quality investment properties that are value accretive for the Trust, although prevailing market conditions will likely limit opportunities for growth. The responsible entity will also continue to assess potential divestments where properties have reached optimum value.

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

For BWP Management Limited.



ERICH FRAUNSCHIEL
Chairman
4 February 2020



MICHAEL WEDGWOOD
Managing Director
4 February 2020

Financial statements

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2019

Note	Dec 2019 \$000	Dec 2018 \$000
Rental income	75,747	78,262
Other property income	455	620
Finance income	44	146
Total revenue	76,246	79,028
Finance costs	(7,814)	(10,011)
Responsible entity's fees	(7,037)	(6,747)
Other operating expenses	(4,241)	(3,486)
Total expenses	(19,092)	(20,244)
Profit before gains on investment properties	57,154	58,784
Unrealised gains in fair value of investment properties	78,480	20,113
Profit for the period attributable to unitholders of BWP Trust	135,634	78,897
Other comprehensive income/ (loss) <i>Items that may be reclassified subsequently to profit or loss:</i>		
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	954	539
- Unrealised losses on cash flow hedges	(143)	(694)
Total comprehensive income for the period attributable to the unitholders of BWP Trust	136,445	78,742
Basic and diluted earnings (cents per unit) resulting from profit	2	21.11
		12.28

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

Statement of financial position

As at 31 December 2019

	Note	Dec 2019 \$000	Jun 2019 \$000	Dec 2018 \$000
ASSETS				
<i>Current assets</i>				
Cash		20,873	17,911	16,592
Receivables and prepayments		5,873	6,211	4,261
Assets held for sale		-	-	54,000
Total current assets		26,746	24,122	74,853
<i>Non-current assets</i>				
Investment properties	3	2,460,400	2,358,200	2,300,500
Total non-current assets		2,460,400	2,358,200	2,300,500
Total assets		2,487,146	2,382,322	2,375,353
LIABILITIES				
<i>Current liabilities</i>				
Payables and deferred income		26,148	22,251	23,234
Derivative financial instruments		127	368	-
Distribution payable	4	57,943	68,992	57,365
Interest-bearing loans and borrowings	5	-	-	200,757
Total current liabilities		84,218	91,611	281,356
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	5	446,997	412,712	237,118
Derivative financial instruments		2,835	3,405	2,453
Total non-current liabilities		449,832	416,117	239,571
Total liabilities		534,050	507,728	520,927
Net assets		1,953,096	1,874,594	1,854,426
EQUITY				
<i>Equity attributable to unitholders of BWP Trust</i>				
Issued capital	6	945,558	945,558	945,558
Hedge reserve	7	(2,962)	(3,773)	(2,453)
Undistributed income		1,010,500	932,809	911,321
Total equity		1,953,096	1,874,594	1,854,426

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

Statement of cash flows

For the half-year ended 31 December 2019

	Dec 2019 \$000	Dec 2018 \$000
Cash flows from operating activities		
Rent received	82,237	85,963
Payments to suppliers	(13,696)	(11,625)
Payments to the responsible entity	(6,872)	(6,571)
Finance income	44	146
Finance costs	(7,794)	(10,653)
Net cash flows from operating activities	53,919	57,260
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(16,250)	(9,940)
Receipts from the sale of investment properties	-	32,763
Net cash flows (used in)/from investing activities	(16,250)	22,823
Cash flows from financing activities		
Drawdowns/(repayments) of borrowings	34,285	(19,714)
Distributions paid	(68,992)	(58,007)
Net cash flows used in financing activities	(34,707)	(77,721)
Net increase in cash	2,962	2,362
Cash at the beginning of the period	17,911	14,230
Cash at the end of the period	20,873	16,592

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

Statement of changes in equity

For the half-year ended 31 December 2019

	Issued capital \$000	Hedge Reserve \$000	Undistributed income \$000	Total \$000
Balance at 1 July 2018	945,558	(2,298)	889,789	1,833,049
Profit for the period attributable to unitholders of BWP Trust	-	-	78,897	78,897
Other comprehensive loss: Effective portion of changes in fair value of cash flow hedges	-	(155)	-	(155)
Total comprehensive income for the period	-	(155)	78,897	78,742
Distributions to unitholders	-	-	(57,365)	(57,365)
Total transactions with unitholders of BWP Trust	-	-	(57,365)	(57,365)
Balance at 31 December 2018	945,558	(2,453)	911,321	1,854,426
Balance at 1 July 2019	945,558	(3,773)	932,809	1,874,594
Profit for the period attributable to unitholders of BWP Trust	-	-	135,634	135,634
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	811	-	811
Total comprehensive income for the period	-	811	135,634	136,445
Distributions to unitholders	-	-	(57,943)	(57,943)
Total transactions with unitholders of BWP Trust	-	-	(57,943)	(57,943)
Balance at 31 December 2019	945,558	(2,962)	1,010,500	1,953,096

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

Notes to the financial statements

For the half-year ended 31 December 2019

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

The financial statements of BWP Trust ("the Trust") for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 4 February 2020. The Trust was constituted under a Trust Deed dated 18 June 1998 as amended and is managed by BWP Management Limited ("the responsible entity"). Both the Trust and the responsible entity are domiciled in Australia.

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

- > has been prepared in accordance with the requirements of the Trust's constitution, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*;
- > has been prepared using the same significant accounting policies as those applied by the Trust in its financial statements for the year ended 30 June 2019;
- > has been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;
- > is presented in Australian dollars, the Trust's functional currency, and all values are rounded to the nearest thousand dollars (\$'000) under the option available to the Trust under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated; and
- > does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements of the Trust as at 30 June 2019 which are available upon request from the Trust's registered office at Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth WA 6000 or at bwptrust.com.au and considered together with any public announcements made by the Trust during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Notes to the financial statements

For the half-year ended 31 December 2019

2 INTERIM DISTRIBUTION PER UNIT

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

	Dec 2019	Dec 2018
Basic and diluted earnings per unit (cents per unit)	21.11	12.28
Basic and diluted earnings per unit excluding gains in fair value of properties (cents per unit)	8.90	9.15
Interim distribution per unit (cents per unit)	9.02	8.93
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	642,383,803	642,383,803

Notes to the financial statements

For the half-year ended 31 December 2019

3 INVESTMENT PROPERTIES

	Dec 2019 \$000	Dec 2018 \$000
Balance at the beginning of the period	2,358,200	2,281,000
Reclassification to assets held for sale	-	(16,400)
Capital improvements during the period	22,062	13,234
Straight-line lease income	1,658	2,553
Net unrealised gains from fair value adjustments	78,480	20,113
Balance at the end of the period	2,460,400	2,300,500

(a) Fair value

Investment properties are carried at fair value. Fair value for individual properties is determined by a full valuation completed at least every three years by an independent valuer who holds a relevant professional qualification and has recent experience in the location and category of the investment property. During the six months to 31 December 2019, 18 independent property valuations were performed.

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

All investment properties of the Trust have been categorised on a Level 3 fair value basis under AASB 13 *Fair Value Measurement*, as some of the inputs required to value the properties are not based on "observable market data". For full details of the methodology and the significant assumptions/inputs used please refer to the 30 June 2019 annual financial statements.

(b) Capital expenditure

Total capital expenditure on the portfolio during the half-year amounted to \$22.1 million. This comprised of minor works at various properties, together with \$11.3 million spent on Hoxton Park, New South Wales and \$3.4 million on Port Macquarie, New South Wales, to reconfigure these properties for use as large format retail centres following vacation by Bunnings, and \$5.0 million to complete the expansion of the Bunnings Warehouse at Villawood, New South Wales.

Notes to the financial statements

For the half-year ended 31 December 2019

4 DISTRIBUTION PAYABLE

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

	Dec 2019 \$000	Dec 2018 \$000
Profit for the period attributable to unitholders of BWP Trust	135,634	78,897
Capital profits released from undistributed profit	731	-
Net unrealised gains in fair value of investment properties	(78,480)	(20,113)
Distributable profit for the period	57,885	58,784
Opening undistributed profit	58	6
Amount retained in undistributed income reserve	-	(1,400)
Closing undistributed profit	-	(25)
Distributable amount	57,943	57,365
Distribution (cents per unit)	9.02	8.93

Notes to the financial statements

For the half-year ended 31 December 2019

5 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2019 the Trust had the following borrowings:

	Expiry date	Limit \$000	Amount drawn \$000
Bank debt facilities			
Westpac Banking Corporation	30 April 2022	135,000	69,100
Commonwealth Bank of Australia	31 July 2022	110,000	67,600
Sumitomo Mitsui Banking Corporation	20 May 2024	100,000	100,000
		345,000	236,700
Corporate bonds			
Fixed term five-year corporate bonds	11 May 2022	110,000	110,000
Fixed term seven-year corporate bonds	10 April 2026	100,000	100,000
Accrued interest and borrowing costs			297
		210,000	210,297
		555,000	446,997

6 ISSUED CAPITAL

During the period no new units (2018: nil) were issued under the Trust's distribution reinvestment plan therefore the number of ordinary units on issue as at 31 December 2019 remained at 642,383,803. The distribution reinvestment plan was active for the interim distribution for the half-year ended 31 December 2019 with units acquired on-market.

Notes to the financial statements

For the half-year ended 31 December 2019

7 HEDGE RESERVE

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

	Dec 2019 \$000	Jun 2019 \$000
Balance at the beginning of the financial period	(3,773)	(2,298)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	954	1,080
- Unrealised losses on cash flow hedges	(143)	(2,555)
Balance at the end of the financial period	(2,962)	(3,773)

8 SEGMENT REPORTING

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

Notes to the financial statements

For the half-year ended 31 December 2019

9 FINANCIAL INSTRUMENTS

(a) Fair value

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

	Dec 2019 \$000	Jun 2019 \$000
Corporate bonds – book value	(210,297)	(210,112)
Corporate bonds – fair value	(217,823)	(217,552)

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

LOANS AND RECEIVABLES, AND PAYABLES AND DEFERRED INCOME

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

CASH AND SHORT-TERM DEPOSITS

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

BANK DEBT FACILITIES AND CORPORATE BONDS

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

INTEREST RATE SWAPS

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

(b) Financial risk management – credit risk

During the period no (2018: \$nil) rental income was deemed non-recoverable and therefore no income has been written off. There are no other allowances for impairment in respect of receivables during the current or previous period.

Other aspects of the Trust's financial risk management objectives and policies are consistent with those disclosed in the 30 June 2019 annual financial statements.

Notes to the financial statements

For the half-year ended 31 December 2019

10 CAPITAL EXPENDITURE COMMITMENTS

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

	Dec 2019 \$000	Jun 2019 \$000
Not later than one year:		
Related parties	6,500	5,000
Non-related parties	3,800	10,150
	10,300	15,150

Capital commitments to related parties

CROYDON, VICTORIA

In August 2019, the Trust committed to expand its Croydon Bunnings Warehouse, Victoria at a cost of \$4.0 million. The annual rental will increase by approximately \$0.3 million.

COBURG, VICTORIA

In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of \$2.5 million. The annual rental will increase by approximately \$0.1 million.

Capital commitments to non-related parties

PORT MACQUARIE, NEW SOUTH WALES

In July 2019, the Trust commenced construction with a third party at Port Macquarie, to reposition the property previously occupied by Bunnings into a large format retail centre. As at 31 December 2019 \$3.4 million has been spent with \$3.8 million remaining. It is expected that work on this property will be completed by March 2020.

11 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2019 annual financial statements, along with Note 10 of these financial statements.

Directors' report

For the half-year ended 31 December 2019

In accordance with the *Corporations Act 2001*, BWP Management Limited (ABN 26 082 856 424), the responsible entity for BWP Trust, provides this report for the financial half-year that commenced 1 July 2019 and ended 31 December 2019 and review report thereon. The information on pages 12 to 17 forms part of this directors' report and is to be read in conjunction with the following information:

DIRECTORS

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

- > Erich Fraunschiel (Chairman)
- > Fiona Harris
- > Rick Higgins (retired 4 February 2020)
- > Tony Howarth AO
- > Alison Quinn (appointed 3 December 2019)
- > Mike Steur
- > Michael Wedgwood

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

REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the six months to 31 December 2019 and the results of those operations are reviewed on pages 12 to 17 of this report and the accompanying financial statements.

	Dec 2019 \$000	Dec 2018 \$000
Profit for the period attributable to unitholders of BWP Trust	135,634	78,897
Capital profits released from undistributed profit	731	-
Net unrealised gains in fair value of investment properties	(78,480)	(20,113)
Distributable profit for the period	57,885	58,784
Opening undistributed profit	58	6
Amount retained in undistributed income reserve	-	(1,400)
Closing undistributed profit	-	(25)
Distributable amount	57,943	57,365

The interim distribution is 9.02 cents per ordinary unit (2018: 8.93 cents). This interim distribution will be paid on 21 February 2020.

UNITS ON ISSUE

At 31 December 2019, 642,383,803 units of BWP Trust were on issue (30 June 2019: 642,383,803).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

AUDITOR INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 35 and forms part of the directors' report for the half-year ended 31 December 2019.

ROUNDING OFF

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

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



ERICH FRAUNSCHIEL

Chairman
BWP Management Limited
Perth, 4 February 2020

Directors' declaration

For the half-year ended 31 December 2019

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

In the opinion of the directors:

- (a) the financial statements and notes of the Trust are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



ERICH FRAUNTSCHIEL

Chairman
BWP Management Limited
Perth, 4 February 2020

Auditor's independence declaration



For the half-year ended 31 December 2019

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

To the Directors of BWP Management Limited the responsible entity of BWP Trust

I declare that, to the best of my knowledge and belief, in relation to the review of BWP Trust for the half-year ended 31 December 2019 there have been:

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

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

KPMG
Perth, 4 February 2020

A handwritten signature in black ink that reads 'Derek Meates'.

DEREK MEATES
Partner

Independent auditor's review report



To the unitholders of BWP Trust

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

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

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

- i) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The *Half-year Financial Report* comprises the:

- > statement of financial position as at 31 December 2019
- > statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date
- > notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- > Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

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

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of BWP Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



KPMG
Perth, 4 February 2020



DEREK MEATES
Partner

Directory



BETHANIA
QUEENSLAND

RESPONSIBLE ENTITY

BWP Management Limited

ABN 26 082 856 424

Level 14, Brookfield Place
Tower 2, 123 St Georges
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DIRECTORS

Erich Fraunschiel
(Chairman)

Michael Wedgwood
(Managing Director)

Fiona Harris

Rick Higgins
(retired 4 February 2020)

Tony Howarth AO

Alison Quinn
(appointed 3 December 2019)

Mike Steur

COMPANY SECRETARY

Karen Lange

REGISTRY MANAGER

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AUDITOR

KPMG

235 St Georges Terrace
Perth WA 6000



Investor information

STOCK EXCHANGE LISTING

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

ELECTRONIC PAYMENT OF DISTRIBUTIONS

Unitholders may nominate a bank, building society or credit union account for the payment of distributions by direct credit. Payments are electronically credited on the distribution date and confirmed either by an electronic or mailed payment advice.

Unitholders wishing to take advantage of payment by direct credit can provide their banking instructions online by logging onto www.investorcentre.com/au. Alternatively, unitholders can request the relevant forms by contacting the registry.

Since September 2018, all distributions to unitholders in Australia have only been paid by direct credit to a unitholder's nominated account.

PUBLICATIONS

The annual report is the main source of information for unitholders. In addition, unitholders are sent a half-year report in February each year providing a review, in summary, of the six months to December.

Periodically, the Trust may also send releases to the ASX covering matters of relevance to investors.

WEBSITE

The Trust's website, bwptrust.com.au provides information on each property in the portfolio, and an overview of the Trust's approach to investment, corporate governance and sustainability. The site also provides unit price information and access to annual and half-year reports and releases made to the ASX.

ANNUAL TAX STATEMENTS

Accompanying the final distribution payment in August or September each year will be an annual tax statement which details tax advantaged components of the year's distribution, if applicable.

PROFIT DISTRIBUTIONS

Profit distributions are paid twice yearly, normally in February and August.

UNITHOLDER ENQUIRIES

Please contact the Registry Manager if you have any questions about your unitholding or distributions.

COMPLAINTS HANDLING

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

EXTERNAL DISPUTES RESOLUTION

Should a complainant be dissatisfied with the decision made by the responsible entity in relation to a complaint, the complainant is entitled to lodge a dispute with the Australian Financial Complaints Authority (AFCA), an independent external dispute resolution (EDR) scheme authorised by the Minister for Revenue and Financial Services to deal with complaints from consumers in the financial system. AFCA can be contacted by telephone on 1800 931 678 (free call), by email to info@afca.org.au, by fax to (03) 9613 6399, by mail addressed to Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne VIC 3001, or by visiting their website at www.afca.org.au.



bwp TRUST

2019/20 Half-Year Report

bwptrust.com.au

This Half-Year Report is printed on Neenah Classic Laid which is FSC® Mix Certified and produced with ECF Pulp, and Pacesetter Laser Recycled Digital SPX, a PEFC certified paper containing 30% recycled fibre. Publication design: gallowaydesign.com.au



