

2018/19 Half-Year Report

Six months to
31 December
2018



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OVERVIEW

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



Artarmon, NSW

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

- > 249 hectares of land
- > 77 properties
- > 91 per cent of income from Bunnings
- > 95 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
- > 18.4 per cent gearing, positioned for growth

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

Priorities

- > Well located properties in local communities, accessible, adjacent to other retail/ community facilities
- > Rezoning where appropriate
- > Home improvement, supermarkets, activity/ experiences, residential, healthcare, online distribution



Drivers of returns

ANNUAL RENTAL GROWTH

Status¹

- > Approximately 58 per cent of the Trust's rental income is subject to Consumer Price Index ("CPI") adjustments
- > 42 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review

Priorities

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

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- and Moody's A3 ratings in place

Priorities

- > Continue to diversify funding and extend duration of debt

¹ Status as at 31 December 2018



Long-term value creation

PRO-ACTIVE MANAGEMENT OF EXISTING PROPERTIES

Status¹

- > Portfolio 99.1 per cent leased
- > Four properties are being repositioned for large format retail
- > One property is being repositioned for industrial development
- > Joondalup property rezoning is complete
- > Four properties are in the process of being divested

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 15.3 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
- > Geographic diversity
- > 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
- > Appropriate lease structure and terms
- > Yield commensurate with risk

Half-year summary

at 31 December 2018

2.5%

Like-for-like rental growth for the 12 months to 31 December 2018

8.93 cents per unit

↑ **1.7%** on the previous corresponding period

Interim distribution

4.3 years

Weighted average lease expiry

99.1%

Leased

18.4%

Gearing (debt/total assets)

4.3%pa

Weighted average cost of debt for the six month period

\$2.4 billion

Portfolio valuation

\$2.89 per unit

Net tangible assets

Distribution per unit

(cents)



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

Financial and market performance

Financial performance

Half-year ended 31 December		2018	2017
Total income	\$m	79.0	76.9
Total expenses	\$m	(20.2)	(20.5)
Profit before gains in fair value of investment properties	\$m	58.8	56.4
Gains in fair value of investment properties ¹	\$m	20.1	46.9
Net profit	\$m	78.9	103.3
Less: gains in fair value of investment properties ¹	\$m	(20.1)	(46.9)
Amounts credited to undistributed income reserve	\$m	(1.4)	-
Distributable amount for period	\$m	57.4	56.4
Distribution per ordinary unit	cents	8.93	8.78
Total assets	\$m	2,375.3	2,353.3
Borrowings	\$m	437.9	465.5
Unitholders' equity	\$m	1,854.4	1,810.6
Gearing (debt to total assets)	%	18.4	19.8
Number of units on issue	m	642	642
Number of unitholders		21,305	23,503
Net tangible assets backing per unit	\$	2.89	2.82
Unit price at 31 December	\$	3.53	3.09
Management expense ratio ² (annualised)	%	0.62	0.61

¹ FY17/18 includes realised gain on disposal of investment properties of \$2.5 million.

² 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 2018	6 months (%)	1 year (%)	3 years (%) ²	5 years (%) ²	10 years (%) ²
BWP	11.3	20.3	9.4	16.1	15.3
S&P / ASX 200 A-REIT Accumulation Index	-6.8	-2.8	6.7	5.6	9.0

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 2018	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
WESTERN AUSTRALIA			
Albany ³	13,660	905	15,100
Australind	13,700	1,366	22,800
Balcatta	25,439	2,337	40,600
Belmont	10,381	1,537	24,600
Bibra Lake	14,141	1,758	26,000
Cockburn	12,839	1,722	27,500
Ellenbrook	15,337	1,988	33,100
Geraldton	17,874	1,319	18,200
Harrisdale	17,124	2,369	36,800
Joondalup	13,358	1,150	15,900
Mandurah	12,097	1,125	20,200
Midland	13,694	1,858	19,500
Mindarie ⁴	14,479	1,706	18,100
Morley ⁴	9,852	1,464	16,900
Port Kennedy	11,675	1,617	24,000
Rockingham	15,188	2,128	35,500
Total	230,838	26,349	394,800
VICTORIA			
Bayswater	17,677	2,483	40,600
Broadmeadows	12,765	1,970	30,300
Caroline Springs	14,319	1,783	28,500
Coburg	24,728	4,988	69,800
Craigieburn	16,764	1,672	26,700
Croydon	13,292	1,977	35,900
Epping ⁴	12,027	1,321	16,200
Fountain Gate	12,624	1,728	28,800
Frankston	13,843	2,120	34,000
Hawthorn	7,462	3,337	49,100
Maribyrnong	17,550	2,776	50,500
Mentone	8,260	497	31,000
Mornington	13,324	1,760	28,300
Northland	13,006	2,003	33,400
Nunawading ⁵	14,766	2,447	46,100
Oakleigh South ⁴	16,949	2,061	21,400
Pakenham	14,867	2,011	29,600
Port Melbourne	13,846	2,117	44,600
Scoresby	12,515	1,918	30,700
Springvale	13,458	2,145	37,300
Sunbury	15,270	1,869	32,500
Vermont South	16,634	2,269	36,300
Total	315,946	47,252	781,600
AUSTRALIAN CAPITAL TERRITORY			
Fyshwick ⁶	6,648	1,264	22,700
Tuggeranong	11,857	1,848	30,800
Total	18,505	3,112	53,500
SOUTH AUSTRALIA			
Mile End	15,065	2,461	42,800
Noarlunga	14,784	1,582	21,100
Total	29,849	4,043	63,900

As at 31 December 2018	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
NEW SOUTH WALES			
Artarmon	5,746	1,705	28,500
Belmont North ⁴	12,640	1,191	9,000
Belrose	8,888	2,112	35,300
Dubbo	16,344	1,627	22,500
Greenacre	14,149	2,704	43,300
Hoxton Park ⁴	26,508	3,899	38,800
Lismore	9,892	1,382	24,000
Maitland	12,797	1,452	17,000
Minchinbury	16,557	2,850	51,800
Port Macquarie ⁴	8,801	1,034	11,000
Rydalmere	16,645	3,163	57,400
Thornleigh	5,301	1,420	21,900
Villawood	10,886	1,739	27,800
Wagga Wagga	13,774	1,476	21,100
Wallsend	16,863	2,092	34,900
Wollongong	10,811	1,470	22,700
Total	206,602	31,316	467,000
QUEENSLAND			
Arundel	15,676	2,458	38,100
Bethania	13,494	1,999	31,900
Brendale	15,035	2,114	36,800
Browns Plains	18,398	3,200	44,600
Cairns ⁷	12,917	-	9,000
Cannon Hill	16,556	2,549	43,300
Fairfield Waters	13,645	1,710	24,500
Gladstone	21,511	3,450	42,100
Hervey Bay	11,824	1,325	17,800
Manly West	13,021	2,307	38,700
Morayfield	12,507	1,861	28,900
Mount Gravatt	11,824	1,366	18,400
North Lakes	18,861	2,805	46,000
Rocklea	14,403	2,173	35,100
Smithfield	13,094	1,599	22,900
Southport	12,431	1,775	27,200
Townsville North	14,038	1,791	28,800
Underwood ⁴	12,245	1,645	16,400
West Ipswich	14,977	2,561	43,200
Total	276,457	38,688	593,700
Grand Total	1,078,197	150,760	2,354,500

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 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$126,935 per annum.
- Includes adjoining property (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of \$301,020 per annum.
- 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 2018.

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

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.

Financial results

FINANCIAL PERFORMANCE

Total income for the period was \$79.0 million, an increase of 2.7 per cent over the previous corresponding period. As required by IFRS 16 *Leases*, the Trust has commenced straight-lining rent, which resulted in rental income increasing by \$2.5 million for the period. This partially offset the impact of rent foregone from divestments and the redevelopment of sites vacated by Bunnings that occurred during prior periods.

Finance costs of \$10.0 million were 10.5 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 4.31 per cent, compared to 4.65 per cent for the previous corresponding period. The average level of borrowings was 3.2 per cent lower than the previous corresponding period (\$460.8 million compared with \$476.3 million). Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was higher than for the previous corresponding period (83.0 per cent compared with 77.5 per cent).

Other operating expenses increased from \$2.9 million in the previous corresponding period to \$3.5 million in the current period, mainly as a result of a significant increase in Queensland Land Tax, and outgoings for properties in the process of being redeveloped.

FINANCIAL POSITION

At 31 December 2018, the Trust's total assets were \$2,375.3 million, with unitholders' equity of \$1,854.4 million and total liabilities of \$520.9 million.

The underlying net tangible asset backing of the Trust's units increased by 4 cents per unit during the period, from \$2.85 per unit at 30 June 2018, to \$2.89 per unit at 31 December 2018.

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 \$57.4 million, an increase of 1.7 per cent on the previous corresponding period, primarily due to increased property revenue from rental increases and lower borrowing costs during the period.

An interim distribution of 8.93 cents per ordinary unit has been declared. This is 1.7 per cent higher than the previous corresponding period (8.78 cents per unit), reflecting the increase in the distributable amount over the previous corresponding period.

The interim distribution will be made on 22 February 2019 to unitholders on the Trust's register at 5:00 pm on 31 December 2018.

Property portfolio

CAPITAL EXPENDITURE

Total capital expenditure on the portfolio during the half-year amounted to \$13.2 million, comprising minor works at various properties and the items outlined below.

Completion of repositioning of ex-Bunnings Warehouse Mentone, Victoria

Following Bunnings surrender of lease in mid-2018, the Trust completed in December 2018 works totalling \$4.1 million to reconfigure the property for use as a large format retail centre at Mentone, Victoria.

Completion of repositioning of ex-Bunnings Warehouse Mandurah, Western Australia

In December 2018, the Trust also completed works totalling \$7.3 million to reconfigure the property vacated by Bunnings in mid-2018, into a large format retail centre at Mandurah, Western Australia.

Report to unitholders

(CONTINUED)

DIVESTMENTS

In September 2018, the Trust completed the sale to unrelated third parties of its Altona North, Victoria and Burleigh Heads, Queensland properties which had previously been occupied by Bunnings. The net sale proceeds were \$14.4 million and \$19.7 million, compared to the last book values before entering into the transactions of \$13.9 million and \$16.6 million respectively.

In December 2018, the Trust entered into conditional option agreements with unrelated third parties to sell the properties at Underwood, Queensland and Belmont North, New South Wales.

In February 2019, The Trust is expected to complete the sale to unrelated third parties of its Oakleigh South, Victoria and Epping, Victoria properties for net sale proceeds of \$21.4 million and \$16.2 million. The last book values before entering into the transactions were \$18.3 million and \$13.1 million respectively.

CAPITAL COMMITMENTS

In December 2018, following a change in the design of the previously Council approved upgrade, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$5.0 million. The annual rental will increase by approximately \$0.2 million.

OCCUPANCY AND AVERAGE LEASE EXPIRY

At 31 December 2018, the portfolio was 99.1 per cent leased with a weighted average lease expiry term of 4.3 years (30 June 2018: 4.5 years, 31 December 2017: 4.8 years).

Rent reviews

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

ANNUAL ESCALATIONS

Forty six 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 2.5 per cent.

MARKET RENT REVIEWS

The market rent reviews that were due for three Bunnings Warehouses during the year ended 30 June 2018 and four that were due during the six months to 31 December 2018 are still being negotiated 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)	Effective date
Artarmon, NSW ^{1,2}	1,705,451	1,705,451	9-Feb-18
Fyshwick, ACT ^{1,3}	1,233,359	1,233,359	24-Dec-17

- ¹ The market rent review was due during the year ended 30 June 2018, but the outcome of the negotiation was only completed during the current financial year.
- ² The parties have agreed to waive the subsequent two CPI annual escalations in February 2019 and 2020.
- ³ As part of the market rent review agreement, Bunnings has committed to an additional two years with the lease now expiring in December 2024 and the Trust has given Bunnings a five year option from that date.

LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired or expanded during or since the previous corresponding period, rental income increased by approximately 2.5 per cent for the 12 months to 31 December 2018 (compared to 2.4 per cent for the 12 months to 31 December 2017).

The unresolved market reviews at 31 December 2018 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 11 properties during the period. The remaining 66 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2018 was 6.40 per cent (30 June 2018: 6.48 per cent; 31 December 2017: 6.50 per cent).

The value of the Trust's portfolio increased by \$1.8 million to \$2,354.5 million during the half-year following: capital expenditure of \$13.2 million and a net revaluation gain of \$22.7 million at 31 December 2018; offset by net proceeds of \$34.1 million from the sale of the Altona North and Burleigh Heads properties.

Report to unitholders

(CONTINUED)

Capital management

The Trust's debt facilities as at 31 December 2018 are summarised below.

	Limit (\$m)	Amount drawn (\$m)	Expiry date
Bank debt facilities			
Commonwealth Bank of Australia	110.0	64.0	31 July 2020
Westpac Banking Corporation	135.0	63.0	30 April 2021
Corporate bonds			
Fixed term five-year corporate bond	200.0	200.0	27 May 2019
Fixed term five-year corporate bond	110.0	110.0	11 May 2022
	555.0	437.0	

During the period the Trust entered into a \$100 million five-year forward start cash advance term facility with Sumitomo Mitsui Banking Corporation ("SMBC"), with an effective start date in May 2019. This facility has been established to provide flexibility in refinancing the \$200 million fixed term corporate bond which matures in May 2019. The remaining \$100 million due to be refinanced during the financial year is expected to be covered through existing debt facilities, proceeds from divestments and/or other financing options.

The weighted average duration of the facilities (including the SMBC facility) at 31 December 2018 was 2.3 years (31 December 2017: 2.7 years).

The Trust's gearing ratio (debt to total assets) at 31 December 2018 was 18.4 per cent (30 June 2018: 19.3 per cent, 31 December 2017: 19.8 per cent) which is slightly below the Board's preferred range of 20 to 30 per cent, providing flexibility to take advantage of upgrade and acquisition opportunities as they occur.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements, to ensure stability of distributions. At 31 December 2018, the Trust's interest rate hedging cover was 84.1 per cent of gross borrowings (excluding accrued interest and borrowing costs), temporarily above the preferred range of between 50 to 75 per cent, with \$57.5 million of interest rate swaps and \$310.0 million of fixed rate corporate bonds against gross borrowings of \$437.0 million. The weighted average term to maturity of hedging

was 1.7 years (30 June 2018: 2.1 years, 31 December 2017: 2.4 years) including delayed start swaps.

Outlook

Rent reviews are expected to contribute incrementally to property income for the half-year to 30 June 2019. There are 41 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of the 2018/19 financial year. There are also 10 market rent reviews of Bunnings Warehouses to be completed by the end of this financial year.

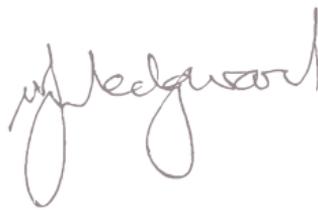
The responsible entity will continue to look to acquire quality investment properties that are value accretive for the Trust. As part of ongoing active portfolio management, the responsible entity will also continue to assess potential divestments where properties have reached optimum value.

For any properties vacated, or to be vacated by Bunnings, there are a number of possibilities for their future use. All are considered. Most often, the focus is on re-leasing the existing building as is, or it may involve reconfiguring the building before leasing it. In some cases, the focus might be directed at 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
6 February 2019



MICHAEL WEDGWOOD
Managing Director
6 February 2019



Southport, QLD



Financial statements

FOR THE HALF-YEAR ENDED
31 DECEMBER 2018



Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2018

Note	Dec 2018 \$000	Dec 2017 \$000
Rental income	78,262	76,335
Other property income	620	531
Finance income	146	67
Total revenue	79,028	76,933
Finance costs	(10,011)	(11,180)
Responsible entity's fees	(6,747)	(6,368)
Other operating expenses	(3,486)	(2,948)
Total expenses	(20,244)	(20,496)
Profit before gains on investment properties	58,784	56,437
Realised gains on disposal of investment properties	-	2,500
Unrealised gains in fair value of investment properties	20,113	44,421
Profit for the period attributable to unitholders of BWP Trust	78,897	103,358
Other comprehensive income		
<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	539	1,649
- Unrealised losses on cash flow hedges	(694)	(153)
Total comprehensive income for the period attributable to the unitholders of BWP Trust	78,742	104,854
Basic and diluted earnings (cents per unit) resulting from profit	12.28	16.09
2		

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 2018

	Note	Dec 2018 \$000	Jun 2018 \$000	Dec 2017 \$000
ASSETS				
<i>Current assets</i>				
Cash		16,592	14,230	23,857
Receivables and prepayments		4,261	2,599	3,186
Assets held for sale		54,000	71,700	14,400
Total current assets		74,853	88,529	41,443
<i>Non-current assets</i>				
Investment properties	3	2,300,500	2,281,000	2,311,900
Total non-current assets		2,300,500	2,281,000	2,311,900
Total assets		2,375,353	2,369,529	2,353,343
LIABILITIES				
<i>Current liabilities</i>				
Payables and deferred income		23,234	18,587	17,815
Derivative financial instruments		-	130	837
Distribution payable	4	57,365	58,007	56,401
Interest-bearing loans and borrowings	5	200,757	200,568	-
Total current liabilities		281,356	277,292	75,053
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	5	237,118	257,021	465,507
Derivative financial instruments		2,453	2,167	2,224
Total non-current liabilities		239,571	259,188	467,731
Total liabilities		520,927	536,480	542,784
Net assets		1,854,426	1,833,049	1,810,559
EQUITY				
<i>Equity attributable to unitholders of BWP Trust</i>				
Issued capital	6	945,558	945,558	945,558
Hedge reserve	7	(2,453)	(2,298)	(3,061)
Undistributed income		911,321	889,789	868,062
Total equity		1,854,426	1,833,049	1,810,559

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 2018

	Dec 2018 \$000	Dec 2017 \$000
Cash flows from operating activities		
Rent received	85,963	85,713
Payments to suppliers	(11,625)	(12,455)
Payments to the responsible entity	(6,571)	(6,197)
Finance income	146	67
Finance costs	(10,653)	(11,071)
Net cash flows from operating activities	57,260	56,057
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(9,940)	(1,014)
Receipts from the sale of investment properties	32,763	15,880
Net cash flows from investing activities	22,823	14,866
Cash flows from financing activities		
Repayments of borrowings	(19,714)	(5,633)
Distributions paid	(58,007)	(57,044)
Net cash flows used in financing activities	(77,721)	(62,677)
Net increase in cash	2,362	8,246
Cash at the beginning of the period	14,230	15,611
Cash at the end of the period	16,592	23,857

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 2018

	Issued capital \$000	Hedge Reserve \$000	Undistributed income \$000	Total \$000
Balance at 1 July 2017	945,558	(4,557)	821,105	1,762,106
Profit for the period attributable to unitholders of BWP Trust	-	-	103,358	103,358
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	1,496	-	1,496
Total comprehensive income for the period	-	1,496	103,358	104,854
Distributions to unitholders	-	-	(56,401)	(56,401)
Total transactions with unitholders of BWP Trust	-	-	(56,401)	(56,401)
Balance at 31 December 2017	945,558	(3,061)	868,062	1,810,559
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 income: 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

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 2018

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 2018 were authorised for issue in accordance with a resolution of the directors on 6 February 2019. The Trust was constituted under a Trust Deed dated 18 June 1998 as amended and is managed by BWP Management Limited ("the responsible entity"). Both the Trust and the responsible entity are domiciled in Australia.

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

- > has been prepared in accordance with the requirements of the Trust's constitution, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*;
- > has been prepared by applying the following new standards, amendments to standards and interpretations which have been adopted for the year ending 30 June 2019:
 - > IFRS 9 *Financial Instruments*;
 - > IFRS 15 *Revenue from contracts with customers*; and
 - > IFRS 16 *Leases*

IFRS 9 and IFRS 15 are mandatory for annual reporting periods beginning on or after 1 January 2018, and there has been no material impact on the Trust's financial statements.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Trust has decided to early adopt this Standard. Whilst the adoption of the new Standard does not have a material impact on the Profit attributable to the unitholders of BWP Trust, the Trust is now required to straight-line rent for all leases with fixed rental increases. This results in a reclassification of income between rental income and unrealised gains and losses on investment properties. There is nil impact on the net assets of the Trust.

- > 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 2018, other than those mentioned above;
- > has been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;

Notes to the financial statements

For the half-year ended 31 December 2018

- > 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 2018 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 2018 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

2 INTERIM DISTRIBUTION PER UNIT

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

	Dec 2018	Dec 2017
Basic and diluted earnings per unit (cents per unit)	12.28	16.09
Basic and diluted earnings per unit excluding gains in fair value of properties (cents per unit)	9.15	8.78
Interim distribution per unit (cents per unit)	8.93	8.78
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 2018

3 INVESTMENT PROPERTIES

	Dec 2018 \$000	Dec 2017 \$000
Balance at the beginning of the period	2,281,000	2,259,300
Divestments during the period ¹	-	(15,880)
Reclassification (to)/ from assets held for sale	(16,400)	20,900
Capital improvements during the period	13,234	659
Realised gains on disposal of investment properties	-	2,500
Straight-line lease income	2,553	-
Net unrealised gains from fair value adjustments	20,113	44,421
Balance at the end of the period	2,300,500	2,311,900

¹ During the period, two properties which were included in assets held for sale as at 30 June 2018 were divested.

(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 2018, 11 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 2018 annual financial statements.

(b) Capital expenditure

Total capital expenditure on the portfolio during the half-year amounted to \$13.2 million. This comprised of minor works at various properties, together with \$4.1 million spent on Mentone, Victoria and \$7.3 million on Mandurah, Western Australia, to reconfigure these properties for use as large format retail centres following vacation by Bunnings.

Notes to the financial statements

For the half-year ended 31 December 2018

4 DISTRIBUTION PAYABLE

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

	Dec 2018 \$000	Dec 2017 \$000
Profit for the period attributable to unitholders of BWP Trust	78,897	103,358
Realised gains on disposal of investment properties	-	(2,500)
Net unrealised gains in fair value of investment properties	(20,113)	(44,421)
Distributable profit for the period	58,784	56,437
Opening undistributed profit	6	8
Amount retained in undistributed income reserve	(1,400)	-
Closing undistributed profit	(25)	(44)
Distributable amount	57,365	56,401
Distribution (cents per unit)	8.93	8.78

Notes to the financial statements

For the half-year ended 31 December 2018

5 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2018 the Trust had the following borrowings:

	Expiry date	Limit \$000	Amount drawn \$000
Bank debt facilities			
Commonwealth Bank of Australia	31 July 2020	110,000	64,000
Westpac Banking Corporation	30 April 2021	135,000	63,000
		245,000	127,000
Corporate bonds			
Fixed term five-year corporate bonds ¹	27 May 2019	200,000	200,000
Fixed term five-year corporate bonds	11 May 2022	110,000	110,000
Accrued interest and borrowing costs ¹			875
		310,000	310,875
		555,000	437,875

¹ \$757,000 of accrued interest and borrowing costs, together with the \$200 million fixed term corporate bond have been classified as current liabilities due to maturity in May 2019.

During the period the Trust entered into a \$100 million five-year forward start cash advance term facility with Sumitomo Mitsui Banking Corporation, with an effective start date in May 2019. This facility has been established to provide flexibility in refinancing the \$200 million fixed term corporate bond which matures in May 2019. The remaining \$100 million due to be refinanced during the financial year is expected to be covered through existing debt facilities, proceeds from divestments and/ or other refinancing options.

6 ISSUED CAPITAL

During the period no new units (2017: nil) were issued under the Trust's distribution reinvestment plan therefore the number of ordinary units on issue as at 31 December 2018 remained at 642,383,803. The distribution reinvestment plan remained active for the interim distribution for the half-year ended 31 December 2018 with units acquired on-market.

Notes to the financial statements

For the half-year ended 31 December 2018

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 2018 \$000	Jun 2018 \$000
Balance at the beginning of the financial period	(2,298)	(4,557)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	539	2,797
- Unrealised losses on cash flow hedges	(694)	(538)
Balance at the end of the financial period	(2,453)	(2,298)

8 SEGMENT REPORTING

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

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 2018 \$000	Jun 2018 \$000
Corporate bonds – book value	(310,875)	(310,589)
Corporate bonds – fair value	(311,131)	(311,897)

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.

Notes to the financial statements

For the half-year ended 31 December 2018

9 FINANCIAL INSTRUMENTS (CONTINUED)

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 (2017: \$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 2018 annual financial statements.

Notes to the financial statements

For the half-year ended 31 December 2018

10 CAPITAL EXPENDITURE COMMITMENTS

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

	Dec 2018 \$000	Jun 2018 \$000
Not later than one year:		
Related parties	5,000	4,000
	5,000	4,000

Capital commitments to related parties

VILLAWOOD

In December 2018, following a change in the design of the previously Council approved upgrade, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$5.0 million.

11 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2018 annual financial statements, along with Note 10 of these financial statements.

Directors' report

For the half-year ended 31 December 2018

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 2018 and ended 31 December 2018 and review report thereon. The information on pages 10 to 15 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)
- > Michael Wedgwood (Managing Director)
- > Fiona Harris
- > Rick Higgins
- > Tony Howarth AO
- > Mike Steur

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 2018 and the results of those operations are reviewed on pages 10 to 15 of this report and the accompanying financial statements.

	Dec 2018 \$000	Dec 2017 \$000
Profit for the period attributable to unitholders of BWP Trust	78,897	103,358
Realised gains on disposal of investment properties	-	(2,500)
Net unrealised gains in fair value of investment properties	(20,113)	(44,421)
Distributable profit for the period	58,784	56,437
Opening undistributed profit	6	8
Amount retained in undistributed income reserve	(1,400)	-
Closing undistributed profit	(25)	(44)
Distributable amount	57,365	56,401

The interim distribution is 8.93 cents per ordinary unit (2017: 8.78 cents). This interim distribution will be paid on 22 February 2019.

UNITS ON ISSUE

At 31 December 2018, 642,383,803 units of BWP Trust were on issue (30 June 2018: 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 2018.

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 FRAUNSCHEL**

Chairman
BWP Management Limited
Perth, 6 February 2019

Directors' declaration

For the half-year ended 31 December 2018

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 2018 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 FRAUNSCHEL

Chairman
BWP Management Limited
Perth, 6 February 2019

Auditor's independence declaration



For the half-year ended 31 December 2018

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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018 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.

KPMG
Perth, 6 February 2019

DEREK MEATES
Partner

Independent auditor's review report

To the unitholders of BWP Trust

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

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

- i) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

The Half-year Financial Report comprises:

- > the statement of financial position as at 31 December 2018
- > income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date
- > notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- > the Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

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

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



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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have 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 2018 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of BWP Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

KPMG
Perth, 6 February 2019

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

DEREK MEATES
Partner

Directory

RESPONSIBLE ENTITY

BWP Management Limited

ABN 26 082 856 424

Level 14, Brookfield Place Tower 2
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DIRECTORS

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

COMPANY SECRETARY

- > Karen Lange

REGISTRY MANAGER

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Perth WA 6000

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computershare.com.au

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.

UNITHOLDER ENQUIRIES

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

WEBSITE

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

COMPLAINTS HANDLING

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

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.

2018/19 Half-Year Report



bwptrust.com.au

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