bwp TRUST

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2 August 2017

The Manager
Market Announcements Office
Australian Securities Exchange
20 Bridge St
Sydney NSW 2000

Dear Sir/Madam

BWP results for the full-year ended 30 June 2017

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

> Appendix 4E
> Full-year 2017 results

The following will also be released in conjunction with today's results release:

> Dividend/Distribution – BWP (Actual)
> 2017 Annual Report
> Full-year 2017 results investor presentation
> 2017 Corporate Governance Statement
> Appendix 4G (Key to Corporate Governance disclosures)
> Taxable components final distribution to 30 June 2017

It is recommended that the full-year results announcement be read in conjunction with the Annual Report and accompanying ASX releases for a more detailed review of BWP Trust's activities and financial performance for the year ended 30 June 2017 and the outlook for the year ahead.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **2 August 2017** at **10:30am AEST** (8:30AM AWST).

Investors and analysts wishing to participate should dial **1800 725 000** from within Australia (+612 8373 3610 from outside Australia) and ask to join the **BWP Trust Full-Year Results Investor Presentation** (conference ID number **33510589**). This briefing is recorded and made available via our website.

Yours faithfully

K A Lange
Company Secretary

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ASX release

2 August 2017

APPENDIX 4E — FINANCIAL YEAR ENDED 30 JUNE 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET		30 June 2017	30 June 2016	Variance %
Revenue from ordinary activities	$000	**152,451**	150,196	2
Profit before gains on investment properties	$000	**112,454**	107,871	4
Gains in fair value of investment properties	$000	**111,341**	202,633	(45)
Profit from ordinary activities attributable to unitholders	$000	**223,795**	310,504	(28)
Net tangible assets per unit	$	**2.74**	2.56	7
DISTRIBUTIONS				
Interim distribution paid	$000	**55,438**	53,254	4
Final distribution payable	$000	**57,044**	54,603	4
Interim distribution per unit	cents	**8.63**	8.29	4
Final distribution per unit	cents	**8.88**	8.50	4
Record date for determining entitlements to the final distribution			30th June 2017	
Payment date for final distribution			25th August 2017	

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") applied for both the interim and final distributions for the year ended 30 June 2017.

Audit

This report is based on accounts that have been audited.

Commentary on the results for the year

The commentary on the results for the year is contained in the ASX release dated 2 August 2017 accompanying this statement.

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

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ASX release

2 August 2017

FULL-YEAR RESULTS TO 30 JUNE 2017

The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the results of the Trust for the 12 months to 30 June 2017.

The Trust performed in line with its business objectives during the year, delivering a solid financial result, providing for a 4.3 per cent increase in full year distributions to 17.51 cents per unit and a $111.3 million or 5.1 per cent net increase in the assessed valuation of the Trust's property investment portfolio.

The Trust is well positioned at year end with a core portfolio of well located Bunnings Warehouse properties, balance sheet flexibility, and good future prospects for Trust-owned properties that Bunnings has, or is considering vacating.

The Trust successfully issued $110 million of five year medium term notes at a coupon rate of 3.5 per cent in May this year, further diversifying funding sources and spreading debt maturities over four years commencing in the 2019 financial year.

During the year, Bunnings advised its intention to vacate up to seven Trust-owned properties, and to re-locate its operations in those locations to nearby ex-Masters Home Improvement properties. Although there is still no clarity as to the timing of the proposed vacancies, we are well progressed in finding alternative uses for the properties as and when required. At year end all the likely impacted properties remained leased to Bunnings, with lease expiries between November 2017 and October 2020.

An important feature of the Trust portfolio are properties (with an average land area of 3.2 hectares) that are well located in suburban communities with good access to road and public transport, adjacency to other retail and community facilities, and in strong catchment areas. We expect vacancies in the portfolio to be filled mainly by other home improvement style retailers, supermarket/ convenience retailers, and/or providers of activities/ experiences. We may also consider divesting some properties. In the medium term, a number of properties in the portfolio have higher and better use potential and will be increasingly attractive for mixed uses including retail, residential, aged care and healthcare uses as demographics in suburban communities continue to evolve.

A number of acquisition opportunities to grow the portfolio were reviewed during the year, however none met the Trust's short or longer term return requirements, or were considered to be uniquely valuable from a location perspective.

2017 full-year highlights

- Final distribution of 8.88 cents per unit, bringing the full year distribution to 17.51 cents per unit, up 4.3 per cent on the previous year
- Six market rent reviews were finalised during the year – weighted average 4.1 per cent increase in annual rent; including five Bunnings Warehouses – weighted average 4.5 per cent increase in annual rent
- Like-for-like rental growth of 2.1 per cent for the 12 months to 30 June 2017
- Weighted average cost of debt of 4.6 per cent for the year, 4.7 per cent at year end
- Weighted average lease expiry ("WALE") of 5.0 years at 30 June 2017, portfolio 99.9 per cent leased
- Net revaluation gain on the property investment portfolio of $111.3 million for the year
- Net tangible assets of $2.74 per unit at 30 June 2017 (2016: $2.56 per unit), up 7.0 per cent on the previous year
- Gearing (debt/total assets) 20.4 per cent at 30 June 2017

Results summary

Year ended 30 June		2017	2016
Total revenue	$m	**152.5**	150.2
Total expenses	$m	**(40.0)**	(42.3)
Profit before gains in fair value of investment properties	$m	**112.5**	107.9
Gains in fair value of investment properties	$m	**111.3**	202.6
Net profit after gains in the fair value of investment properties	$m	**223.8**	310.5
Profit before gains in fair value of investment properties	$m	**112.5**	107.9
Distributable profit	$m	**112.5**	107.9
Distribution per ordinary unit - interim	cents	**8.63**	8.29
- final	cents	**8.88**	8.50
Total distribution per ordinary unit	cents	**17.51**	16.79
Tax advantaged component	%	**22.29**	25.44
Total assets	$m	**2,312.8**	2,200.5
Borrowings	$m	**471.1**	472.3
Unitholders' equity	$m	**1,762.1**	1,645.4
Gearing (debt to total assets)	%	**20.4**	21.5
Number of units on issue	m	**642**	642
Number of unitholders		**23,158**	24,021
Net tangible asset backing per unit	$	**2.74**	2.56
Unit price at 30 June	$	**2.98**	3.64
Management expense ratio[1] (annualised)	%	**0.60**	0.64

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

Total revenue for the full-year to 30 June 2017 was $152.5 million, up by 1.5 per cent from last year. The increase in revenue was mainly due to rental growth from the existing property portfolio, and from completed property developments during the previous year.

Finance costs of $22.0 million were 9.5 per cent lower than last year, due to a lower weighted average cost of debt and a slightly lower average level of borrowings. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 4.6 per cent, compared to 5.0 per cent for the previous year. The reduced cost of debt was the result of lower interest rates compared to the previous year. The average level of borrowings was 0.9 per cent lower than the previous year ($479.1 million compared to $483.4 million).

Other operating expenses of $5.9 million were slightly lower than the previous year of $6.2 million.

The management expense ratio for the year ended 30 June 2017 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was 0.60 per cent (2016: 0.64 per cent).

Profit as disclosed in the Trust's financial statements includes unrealised gains or losses in the fair value of investment properties as a result of the revaluation of the entire property portfolio every six months. The unrealised revaluation gains or losses are recognised as undistributed income as part of unitholders' equity in the financial statements and do not affect the profit available for distribution to unitholders each period.

For the year ended 30 June 2017, net profit was $223.8 million, including $111.3 million in gains in the fair value of investment properties. This compares with net profit last year of $310.5 million which included gains of $202.6 million in the fair value of investment properties.

Distributable profit for the year (excluding unrealised revaluation gains or losses) was $112.5 million, compared to $107.9 million for the previous year.

As at 30 June 2017, the Trust's total assets were $2,312.8 million (2016: $2,200.5 million) with unitholders' equity of $1,762.1 million and total liabilities of $550.7 million.

Capital expenditure

During the year, The Trust incurred a cost of $1.0 million on LED lighting to various properties and the installation of solar panels on the roof at the showrooms in Harrisdale, Western Australia.

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of $4.0 million. Bunnings subsequently revised the design and scope of works and recently received planning approval. A revised funding proposal is being considered.

Property divestments

In August 2016, the Trust completed the sale for net proceeds of $3.3 million of the showroom property at Geraldton, Western Australia.

Occupancy and weighted average lease expiry

As at 30 June 2017, the portfolio was 99.9 per cent leased, with a weighted average lease expiry ("WALE") of 5.0 years. It is the nature of the Bunnings business model that its property requirements for some locations change over time as is the case for 11 properties in the property investment portfolio (including seven properties where Bunnings is proposing to move into ex-Masters Home Improvement stores). In all cases, Bunnings has re-located or is in the process of re-locating to a new nearby site in the same demographic area. In all cases, the properties remain leased to Bunnings for periods ranging from November 2017 to September 2021. For any vacated Bunnings Warehouse, the Trust gives full consideration to re-leasing the property, reinvesting in it to enhance rental outcomes, or divesting it, to ensure the best overall outcome for the Trust is achieved. Good progress is being made on finding alternative uses for the majority of the properties.

Rent reviews

The rent payable for each leased property is increased annually, either by a fixed percentage or by the CPI, except when a property is due for a market review. Market reviews occur for a majority of the Trust's Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

During the year, 96 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 2.1 per cent in the annual rent for these properties.

During the year, market rent reviews were concluded on five Bunnings Warehouses. The market rent review for three Bunnings Warehouses due during the year are still being negotiated and remain unresolved.

Property revaluations

The entire Trust portfolio was revalued at 31 December 2016 and again at 30 June 2017, including 34 property revaluations performed by independent valuers (23 at 31 December 2016 and 11 at 30 June 2017). Properties not independently revalued at each balance date are subject to internal valuations, with an independent valuer reviewing the methodology adopted. Factors that may affect the valuation of properties from time to time include: the supply of and competition for investment properties; leasing market conditions; the quality and condition of the particular property, including the duration of the lease; and the level of rent paid at the property compared with the broader market.

The value of the Trust's portfolio increased by $110.4 million to $2,294.6 million during the year following: capital expenditure of $2.4 million, less net proceeds from divestments of $3.3 million, and a net revaluation gain of $111.3 million during the year.

The net revaluation gain was due to growth in rental income and an average decrease in capitalisation rates across the portfolio during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2017 was 6.59 per cent (December 2016: 6.77 per cent; June 2016: 6.77 per cent).

Capital management

As at 30 June 2017, the weighted average duration of the Trust's debt facilities was 2.8 years to expiry (2016: 3.2 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was 84.8 per cent (2016: 87.1 per cent).

The Trust takes out interest rate swaps and fixed rate corporate bonds (hedging) to create certainty of the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2017, the Trust's interest rate hedging cover was 95.6 per cent of borrowings, with $140 million of interest rate swaps and the $310 million fixed rate corporate bonds, against interest bearing debt of $470.9 million.

The weighted average term to maturity of hedging was 2.82 years, including delayed start swaps.

The Trust's hedge liabilities decreased to $4.6 million as at 30 June 2017 (2016: $10.0 million) due to the reduction in the average term to maturity of the interest rate swap profile. The hedge liability represents the potential liability if all hedges were to be terminated at 30 June 2017.

The Trust's gearing ratio (debt to total assets) at 30 June 2017 was 20.4 per cent (2016: 21.5 per cent), which is at the lower end of the Board's preferred range of 20 to 30 per cent. The Trust has the balance sheet flexibility to take advantage of opportunities to create long-term value when they arise. The interest cover ratio (earnings before interest/interest expense) was 6.3 times (2016: 5.6 times).

Distribution

A final distribution of 8.88 cents per ordinary unit has been declared and will be made on 25 August 2017 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2017. The final distribution takes the total distribution for the year to 17.51 cents per unit (2016: 16.79 cents per unit). The tax advantaged component of the distribution is 22.29 per cent.

Units allocated under the Trust's Distribution Reinvestment Plan ("DRP") in respect of the final distribution will be issued at $2.91 per unit, representing the average of the daily volume weighted average price of the Trust's units for the 20 trading days from and including 5 July 2017 to 1 August 2017, with no discount applied. Units to be allocated under the DRP were acquired on market during the 20 day trading period mentioned above and will be transferred to participants on 25 August 2017.

Outlook

In the absence of a significant change in the macro-economic environment, resulting in capital flows being re-directed away from the Australian property sector, we expect there will be ongoing strong demand for quality property assets, including Bunnings Warehouse stores, which should continue to support the valuation of the Trust's property portfolio. The Trust remains financially disciplined in terms of growing the portfolio and is focused on acquiring properties with good potential for rental growth, valuation upside over the medium term, and longer term alternative use should Bunnings vacate the property.

Approximately 62 per cent of the Trust's rental income is subject to CPI annual adjustments and 38 per cent is subject to fixed annual increases, other than in years in which respective properties are subject to a market rent review (typically every five years for a majority of the Trust's existing portfolio). The Trust will have lower incremental rental growth while CPI remains low, compared to historical levels. For the year ending 30 June 2018, CPI reviews will apply to 55 per cent of the base rent, leases subject to a market rent review will apply to seven per cent of the base rent, and fixed increases of three to four per cent will apply to the balance of 38 per cent of the base rent.

For the 2018 financial year, the Trust expects further rental growth from its core Bunnings Warehouse property portfolio, but at the same time may be transitioning up to four Bunnings Warehouse stores to alternative uses, which may require different lease terms, rent free periods and capital expenditure to re-position the properties. While there could be a reduction in rental income for some of the impacted properties, we expect to at least maintain distributions equivalent to that paid for the year ended 30 June 2017 during this period. Capital profits could be utilised to support distributions if required.

For further information please contact:

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