

12 February 2014

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

Dear Sir

**Results for the half year ended 31 December 2013**

In accordance with ASX Listing Rule 4.2A, the following documents are attached for release to the market:

- > Appendix 4D – half-year results to 31 December 2013;
- > Half-year results announcement; and
- > Financial statements for the half-year ended 31 December 2013 extracted from the half-year report, which will be released separately today.



**K A Lange**  
Company Secretary

# BWP TRUST

ARSN 088 581 097

## APPENDIX 4D – HALF-YEAR REPORT

Financial half-year ended 31 December 2013

### Results for announcement to the market

		6 months to 31 Dec 13	6 months to 31 Dec 12	Variance (%)
Revenue from ordinary activities	(\$000)	59,756	53,999	10.7
Net profit before unrealised items	(\$000)	42,862	37,361	14.7
Unrealised items – gains in fair value of investment properties	(\$000)	23,835	11,472	107.8
Net profit from ordinary activities attributable to unitholders	(\$000)	66,697	48,833	36.6
Net tangible assets per unit	(\$)	2.02	1.87	8.0

### Commentary on the results for the period

The commentary on the results for the period ended 31 December 2013 is contained in the ASX release dated 12 February 2014 accompanying this statement.

		6 months to 31 Dec 13	6 months to 31 Dec 12	Variance (%)
<b>Distributions</b>				
Interim distribution payable	(\$000)	42,835	37,355	14.7
Interim distribution per unit	cents	6.83	7.00	(2.4)
Record date for determining entitlements to the interim distribution				31 December 2013
Payment date for interim distribution				25 February 2014

There is no conduit foreign income included in the distribution above.

The Distribution Reinvestment Plan (“DRP”) was in effect for the half-year ended 31 December 2013 and will apply to future distributions unless notice is given of its suspension or termination.

Applications to participate in or to cease or vary participation in the DRP were required to be correctly completed and lodged by 5.00pm (AWST) on 31 December 2013 if they were to apply to the interim distribution for 2013/14. Forms received after that time will be effective for subsequent distributions only.

Units issued under the DRP in respect of the interim distribution for 2013/14 will be issued at \$2.2176 per unit, representing no discount to the volume weighted average unit price for the 10 trading days following the record date. Upon issuance, these units rank equally with all other units on issue.

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

# ASX release

12 February 2014

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## HALF-YEAR RESULTS TO 31 DECEMBER 2013

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The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the results of the Trust for the six months to 31 December 2013.

### Highlights

- > Income of \$59.8 million for the six months – up 10.7 per cent on the previous corresponding period
- > Distributable profit of \$42.9 million for the six months – up 14.7 per cent on the previous corresponding period
- > Interim distribution of 6.83 cents per unit – down 2.4 per cent on the previous corresponding period, following the issue of 87.0 million new units during the six months
- > Acquisition of 10 Bunnings Warehouse properties across Australia
- > Portfolio value of \$1,634.8 million – up by \$256.2 million from 30 June 2013 following capital expenditure of \$232.4 million and a net revaluation gain of \$23.8 million for the six months
- > Net Tangible Assets of \$2.02 per unit at 31 December 2013 (30 June 2013: \$1.93)
- > Weighted Average Lease Expiry of 7.0 years at 31 December 2013 (30 June 2013: 6.8 years)
- > Portfolio 99.3 per cent occupied
- > Gearing (debt/total assets) 19.8 per cent at 31 December 2013 (30 June 2013: 21.2 per cent)

### Financial results

#### *Income and expenses*

Total income for the period was \$59.8 million, an increase of 10.7 per cent over the corresponding period last year. The increase in income was mainly due to growth of the property portfolio during or since the corresponding period - from acquisitions and improvements to investment properties (adding approximately \$4.2 million) and rent reviews (adding approximately \$1.3 million). Refer to Property portfolio and Rent reviews sections for further details.

Finance costs of \$9.5 million were 13.6 per cent lower than the previous corresponding six months, due to lower borrowing levels and a lower weighted average cost of debt. The average level of borrowings was 5.6 per cent lower than the previous corresponding period (\$274.1 million compared with \$290.3 million). The weighted average cost of debt for the half-year (finance costs less finance income as a percentage of average borrowings) was 6.65 per cent, compared to 7.46 per cent for the previous corresponding period. The lower cost of debt was the result of lower floating and fixed interest rates and reductions in the rate of bank fees and margins during or since the corresponding period. Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was lower than for the previous corresponding period (63.7 per cent compared with 67.5 per cent) largely due to the additional equity raised during the period to fund the acquisition of a number of Bunnings Warehouse properties.



Other operating expenses of \$3.3 million were 61.1 per cent higher than the corresponding six months, due to an additional \$0.4 million non-recoverable outgoings associated with multi-tenanted properties acquired during or since the previous corresponding six months, bad debts of \$0.3 million, and one-off costs of approximately \$0.3 million associated with the acquisition of the portfolio of Bunnings properties announced in August 2013.

The management expense ratio for the 12 months to 31 December 2013 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was 0.66 per cent, compared with 0.59 per cent for the corresponding period. The increase in the ratio was primarily due to the reversion to the full management fee payable to the responsible entity in respect of a portfolio of properties acquired from Bunnings Group Limited in 2011, for which a 50 per cent fee waiver applied during the previous corresponding period, and the non-capitalised costs associated with the acquisition of the portfolio of Bunnings properties announced in August 2013.

#### *Financial position*

At 31 December 2013 the Trust's total assets were \$1,658.8 million, with unitholders' equity of \$1,263.9 million and total liabilities of \$394.9 million.

The underlying net tangible asset backing of the Trust's units increased by nine cents per unit during the period from \$1.93 per unit at 30 June 2013, to \$2.02 per unit at 31 December 2013. This increase was the result of the acquisition of the portfolio of Bunnings properties, which as at 31 December 2013 had been largely funded through the \$200 million capital raising in September 2013, and net unrealised gains on revaluation of investment properties (refer to the Revaluations section).

#### **Interim distribution**

For the half-year the Trust reported a distributable profit of \$42.9 million; an increase of 14.7 per cent on the distributable profit in the corresponding period last year, primarily due to increased property revenue and a lower average cost of debt.

An interim distribution of 6.83 cents per ordinary unit has been declared. This is 2.4 per cent lower than the previous corresponding period (7.00 cents per unit), due to the increase in the number of units on issue following the \$200 million entitlement offer that occurred in September 2013. There were approximately 17.5 per cent more units on issue at 31 December 2013 than at 31 December 2012.

The interim distribution will be made on 25 February 2014 to unitholders on the Trust's register at 5:00 pm on 31 December 2013.

Units issued under the Trust's distribution reinvestment plan ("DRP") in respect of the interim distribution will be issued at \$2.2176 per unit, representing the volume weighted average price of the Trust's units for the 10 trading days following the record date, without the application of a discount.

#### **Property portfolio**

Total capital expenditure on the portfolio during the half-year amounted to \$232.4 million, comprising the items outlined below.

##### *Portfolio acquired from Bunnings*

In September 2013, unitholders approved a proposal for the Trust to acquire from Bunnings a portfolio of 10 properties ("Bunnings Portfolio") comprising two operational Bunnings Warehouses, for leaseback to Bunnings, and eight properties on which Bunnings would develop Bunnings Warehouses. As at 31 December 2013, the Trust had finalised the purchase of completed developments or development sites for nine of the Bunnings Portfolio properties. The remaining property is a development site in Rydalmere, New South Wales, which is awaiting sub-division approval before title can pass to the Trust. The properties acquired as part of the Bunnings Portfolio as at 31 December 2013 resulted in capital expenditure of approximately \$183.7 million.



#### *Acquisition of Bunnings-anchored centre, Hoxton Park Central*

In November 2013, the Trust completed the acquisition of an established Bunnings Warehouse-anchored centre, Hoxton Park Central, New South Wales, for \$43.1 million, including acquisition costs. The net annual rental income of the property is approximately \$3.5 million.

#### *Upgrade of existing Bunnings Warehouse*

In October 2013, a \$5.4 million upgrade of the Trust's Rocklea Bunnings Warehouse was completed by Bunnings for the Trust. The annual rental increased by \$382,000.

#### *Non-income producing capital expenditure*

Non-income producing capital improvements made by the Trust to investment properties during the half-year totalled \$0.2 million. These improvements comprised minor works at various properties.

#### *Agreement to acquire Bunnings-anchored centre, Lincoln Mills*

In addition to the capital expenditure identified above, during the half-year the Trust committed to acquire a Bunnings Warehouse-anchored large format retail centre in Coburg, Victoria for a purchase price of \$57.0 million (plus acquisition costs of approximately \$3.2 million). Settlement of the property occurred in late January 2014. The net annual rental income will be approximately \$4.4 million.

#### *Occupancy and average lease expiry*

At 31 December 2013 the portfolio was 99.3 per cent occupied, with a weighted average lease expiry term of 7.0 years (30 June 2013: 6.8 years, December 2012: 7.2 years).

### **Rent reviews**

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

#### *Annual escalations*

Thirty three of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for these 33 leases was 2.6 per cent.

#### *Market rent reviews*

During the period, market rent reviews were concluded on the Bunnings Warehouse at Port Melbourne, and the showroom occupied by Autobarn at Bayswater, Victoria. Market rent reviews for 12 Trust-owned Bunnings Warehouses due during the period, and a further five of the Trust's Bunnings Warehouses due during the year ended 30 June 2013, are still being negotiated and remain unresolved as at 31 December 2013. The market rent reviews completed during the half-year are shown in the following table.

Property location	Tenant	Passing rent (\$ pa)	Market review <sup>1</sup> (\$ pa)	Uplift (%)	Effective date
Port Melbourne, VIC <sup>1</sup>	Bunnings	1,673,123	1,840,443	+10.0	17 Mar 13
Bayswater, VIC <sup>2</sup>	Autobarn	171,771	205,000	+19.3	1 Nov 13
<b>Weighted Average</b>				<b>+10.9</b>	

<sup>1</sup> The market rent review was due during the year ended 30 June 2013, but the outcome of the negotiation was only completed during the half-year ended 31 December 2013; the review excludes a portion of rental of \$80,308 per annum not subject to the market rent review.

<sup>2</sup> The parties have agreed a new lease for a term of 10 years in conjunction with negotiating the market rent review.



The Bunnings Warehouses at Minchinbury, Rocklea and Sandown and the distribution centre at Hemmant were all due for market rent reviews during the period. The recently agreed upgrades of the Minchinbury and Rocklea Bunnings Warehouses resulted in new 12 year leases at a negotiated rent, making the scheduled market rent review for these properties unnecessary. Both the Sandown and Hemmant leases have expired and are on an over-holding basis until Bunnings vacates these properties in April 2014. In the circumstances a three per cent increase was agreed for both these properties.

#### *Like-for-like rental growth*

Excluding rental income from properties acquired or upgraded during or since the previous corresponding period, rental income increased by approximately 2.8 per cent for the 12 months to 31 December 2013 (compared to 2.4 per cent for the 12 months to 31 December 2012). The result includes slightly higher CPI growth during the 12 month period, averaging approximately 2.3 per cent across 62 per cent of all rent reviews completed for the 12 months and fixed increases greater than three per cent across 35 per cent of all rent reviews completed. Only four market rent reviews have been finalised for the 12 months, representing only 3.0 per cent of the total income for rent reviews completed and resulting in an average 10.7 per cent increase. There are a number of market reviews still unresolved at 31 December 2013, which 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 66 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2013 was 7.71 per cent (30 June 2013: 7.86 per cent; December 2012: 7.91 per cent).

The value of the portfolio increased by \$256.2 million to \$1,634.8 million during the half-year, following capital expenditure of \$232.4 million and a net revaluation gain of \$23.8 million at 31 December 2013. The net revaluation gain was due to growth in rental income and an average decrease in capitalisation rates across the portfolio during the half-year.

#### **Capital management**

At 31 December 2013, the Trust had borrowings of \$328.2 million under debt facilities with a combined limit of \$430.0 million. Details of the facilities at 31 December 2013 are provided below:

- > \$180 million bank bill facilities with Westpac Banking Corporation, committed until 31 December 2017;
- > \$150 million bank bill facilities with Australia and New Zealand Banking Group, committed to 23 January 2017; and
- > \$100 million cash advance facility with the Commonwealth Bank of Australia, committed until 31 July 2016.

The weighted average duration of the facilities at 31 December 2013 was 3.3 years.

Subsequent to the half-year end, the Trust has received a commitment from the Commonwealth Bank of Australia, subject to the finalisation of legal documentation, to extend and increase its \$100 million facility to \$125 million, expiring on 31 July 2017.

The Trust's gearing ratio (debt to total assets) at 31 December 2013 was 19.8 per cent (30 June 2013: 21.2 per cent, December 2012: 21.7 per cent) which is slightly below the Board's preferred range of 20 to 30 per cent, but allows for approximately \$193 million of committed capital expenditure as at 31 December 2013. Covenant gearing (debt and non-current liabilities as a percentage of total assets) was 20.4 per cent (30 June 2013: 22.1 per cent, December 2012: 22.9 per cent), well below the maximum allowable 45 per cent under banking facilities.



The Trust has a policy of hedging the majority of its borrowings against interest rate movements, to ensure stability of distributions. At 31 December 2013, the Trust's hedging cover was 64.0 per cent of gross borrowings (excluding accrued interest and borrowing costs), with \$210.0 million interest rate swaps against gross borrowings of \$328.2 million. Hedging levels are currently within the Board's preferred 50 to 75 per cent range. The weighted average term to maturity of hedging was 3.32 years (30 June 2013: 3.43 years, December 2012: 3.72 years) including delayed start swaps.

The Trust's distribution reinvestment plan was active for the interim distribution and applied to approximately 37.5 per cent of issued units.

## **Outlook**

BWP should continue to benefit from improved revenue, from additions to the portfolio and incremental rental growth, and lower average cost of debt.

Property income for the second half of 2013/14 will include a full six months' rental income from the acquisition of the Bunnings Warehouses during the first half of 2013/14. Additional property income will also result from acquisitions and improvements to existing properties that are due for completion during the second half of 2013/14. These include completion of approximately \$116.7 million worth of land and development of properties acquired from Bunnings, and the acquisition from a private investor of a Bunnings-anchored centre in Coburg, Victoria, for \$57.0 million. Authority approvals, tendering process and revised construction programs have delayed the date for completion of some development properties acquired from Bunnings. While these delays will defer the commencement of income to the Trust from these properties, the responsible entity is maintaining the forecast full-year distribution provided in August 2013 of 14.6 cents per unit.

Rent reviews are also expected to contribute incrementally to property income for the half-year to 30 June 2014. There are 37 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of 2013/14. There are also 22 market rent reviews of Bunnings Warehouses to be completed by the end of this financial year, many of which are likely to be referred for independent determination and may not be finalised by year-end.

As a result of more competitively priced debt funding and increased utilisation of existing facilities, the Trust's average cost of debt (being the net finance costs, including interest and bank fees and margins, as a percentage of average borrowings) should reduce further over the second half; subject to interest rates being maintained around current levels and the outcome of additional debt capital raising for committed capital expenditure. The responsible entity is planning to obtain additional funding as required, through debt capital markets or further bank borrowings.

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 continue to assess potential divestments where properties have reached optimum value and selling them provides an opportunity to recycle capital and distribute potential capital profit to unitholders.

## **Board and management changes**

During the half-year a number of changes to the board of directors and management of the responsible entity were announced. As announced previously, in December 2013 Mr Peter Mansell retired from the Board, after having served as one of the original directors of the Trust.

Also in December 2013, the responsible entity announced the resignation of its General Manager, Mr Grant Gernhoefer, who will be leaving in February 2014 after serving eight years in the role of General Manager. The Directors acknowledge the significant contribution made by Mr Gernhoefer during his time with the Trust, which has seen the Trust's market capitalisation increased from \$0.6 billion to \$1.4 billion and the achievement of 14 per cent compound total returns for the five years to 31 December 2013. Grant has elected to leave the Wesfarmers Group during 2014 to pursue other interests and the Board wishes him every success in his future business endeavours.

Mr Gernhoefer will be succeeded by Mr Michael Wedgwood, who has held a number of senior executive roles within the Wesfarmers Group, including General Manager Finance, Chief Financial Officer of Bunnings Group Limited and, most recently, Executive General Manager, Business Improvement for the Wesfarmers Group. Mr Wedgwood will take up this appointment as managing director of the responsible entity with effect from 24 February 2014.



Mr Bryce Denison has also advised his intention to retire from the Board following close of business on 12 February 2014. Mr Denison has been a director of the responsible entity and Chairman of its Audit and Risk Committee since 2009, and prior to that was a consultant to the Board. His responsibilities as Chairman of the Audit and Risk Committee have been assumed by Ms Fiona Harris. The Directors of the responsible entity wish to thank Mr Denison for his valuable contribution to the Board and to BWP Trust and wish him well in his retirement.

### Internet site

The BWP Trust internet site, [www.bwptrust.com.au](http://www.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 provides access to annual and half-year reports and also contains releases made to the Australian Securities Exchange covering matters of relevance to investors.

For further information please contact:

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An investor/analyst briefing teleconference call, with a question and answer session, will be held on **Tuesday 12 February 2014 at 12:30pm AWST** (3:30pm EDST).

Dial **1800 500 931** from within Australia (+613 9221 4420 from outside Australia) and ask to join the **BWP Trust Half-Year Results Investor Presentation** (conference ID number **289342**).

(An investor briefing presentation will be released separately.)

## Condensed statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2013

	Dec 2013 \$000	Dec 2012 \$000
Note	<u>\$000</u>	<u>\$000</u>
Rental income	57,290	53,129
Other property income	2,161	796
Finance income	305	74
<b>Total revenue</b>	<u>59,756</u>	<u>53,999</u>
Finance costs	(9,496)	(10,994)
Responsible entity's fees	(4,123)	(3,611)
Other operating expenses	(3,275)	(2,033)
Profit before unrealised gains in fair value of investment properties	42,862	37,361
Unrealised gains in fair value of investment properties	23,835	11,472
<b>Profit for the period attributable to unitholders of BWP Trust</b>	<u>66,697</u>	<u>48,833</u>
<b>Other comprehensive income/(loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	2,717	2,017
- Unrealised losses on cash flow hedges	(1,133)	(2,964)
<b>Total comprehensive income for the period attributable to the unitholders of BWP Trust</b>	<u>68,281</u>	<u>47,886</u>
Basic and diluted earnings (cents per unit) resulting from profit	2	11.18
		9.20

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

## Condensed statement of financial position

As at 31 December 2013

	Dec 2013 \$000	June 2013 \$000	Dec 2012 \$000
Note	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	13,207	11,063	9,991
Deposits for purchases of investment properties	2,850	4,185	2,277
Receivables and prepayments	7,403	4,897	4,224
Assets held for sale	3,800	4,100	-
<b>Total current assets</b>	<u>27,260</u>	<u>24,245</u>	<u>16,492</u>
<b>Non-current assets</b>			
Derivative financial instruments	553	-	-
Investment properties	3	1,630,986	1,374,444
		1,348,106	1,348,106
<b>Total non-current assets</b>	<u>1,631,539</u>	<u>1,374,444</u>	<u>1,348,106</u>
<b>Total assets</b>	<u>1,658,799</u>	<u>1,398,689</u>	<u>1,364,598</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and deferred income	12,845	14,077	13,671
Derivative financial instruments	-	99	566
Distribution payable	4	42,835	38,396
		37,355	37,355
<b>Total current liabilities</b>	<u>55,680</u>	<u>52,572</u>	<u>51,592</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	5	327,689	296,492
		296,288	296,288
Derivative financial instruments	11,485	12,417	16,394
<b>Total non-current liabilities</b>	<u>339,174</u>	<u>308,909</u>	<u>312,682</u>
<b>Total liabilities</b>	<u>394,854</u>	<u>361,481</u>	<u>364,274</u>
<b>Net assets</b>	<u>1,263,945</u>	<u>1,037,208</u>	<u>1,000,324</u>
<b>UNITHOLDERS' EQUITY</b>			
Issued capital	6	908,654	707,363
		698,267	698,267
Hedge reserve	7	(10,932)	(12,516)
		(16,960)	(16,960)
Undistributed income	366,223	342,361	319,017
<b>Total unitholders' equity</b>	<u>1,263,945</u>	<u>1,037,208</u>	<u>1,000,324</u>

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

## Condensed statement of cash flows

For the half-year ended 31 December 2013

	Dec 2013 \$000	Dec 2012 \$000
<b>Cash flows from operating activities</b>		
Rent received	66,976	60,813
Payments to suppliers	(13,986)	(9,860)
Payments to the responsible entity	(3,831)	(3,369)
Finance income	305	74
Finance costs	(8,957)	(10,789)
<b>Net cash flows from operating activities</b>	<b>40,507</b>	<b>36,869</b>
<b>Cash flows from investing activities</b>		
Payments of deposits for purchases of investment properties	(2,850)	(2,277)
Payments for purchase of, and additions to, investment properties	(229,605)	(30,332)
<b>Net cash flows used in investing activities</b>	<b>(232,455)</b>	<b>(32,609)</b>
<b>Cash flows from financing activities</b>		
Proceeds of borrowings	31,197	7,398
Proceeds from issue of units via pro-rata entitlement offer	200,157	-
Expenses incurred in pro-rata entitlement offer	(4,449)	-
Distributions paid	(32,813)	(26,399)
<b>Net cash flows from/(used in) financing activities</b>	<b>194,092</b>	<b>(19,001)</b>
Net increase/(decrease) in cash	2,144	(14,741)
Cash at the beginning of the period	11,063	24,732
<b>Cash at the end of the period</b>	<b>13,207</b>	<b>9,991</b>

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

## Condensed statement of changes in equity

As at 31 December 2013

	Issued capital \$000	Undis- tributed income \$000	Hedge Reserve \$000	Total \$000
Balance at 1 July 2012	682,435	307,539	(16,013)	973,961
<b>Total comprehensive income for the period attributable to the unitholders of BWP Trust</b>				
Profit for the period attributable to unitholders of BWP Trust	-	48,833	-	48,833
Other comprehensive loss: effective portion of changes in fair value of cash flow hedges	-	-	(947)	(947)
Total comprehensive income for the period	-	48,833	(947)	47,886
<b>Transactions with unitholders recorded directly in equity</b>				
Distributions to unitholders	-	(37,355)	-	(37,355)
Equity issued during the period: Distribution reinvestment plan	15,832	-	-	15,832
Total transactions with unitholders of BWP Trust	15,832	(37,355)	-	(21,523)
<b>Balance at 31 December 2012</b>	<b>698,267</b>	<b>319,017</b>	<b>(16,960)</b>	<b>1,000,324</b>
Balance at 1 July 2013	707,363	342,361	(12,516)	1,037,208
<b>Total comprehensive income for the period attributable to the unitholders of BWP Trust</b>				
Profit for the period attributable to unitholders of BWP Trust	-	66,697	-	66,697
Other comprehensive income: effective portion of changes in fair value of cash flow hedges	-	-	1,584	1,584
Total comprehensive income for the period	-	66,697	1,584	68,281
<b>Transactions with unitholders recorded directly in equity</b>				
Distributions to unitholders	-	(42,835)	-	(42,835)
Equity issued during the period:				
- Pro-rata entitlement offer	200,157	-	-	200,157
- Distribution reinvestment plan	5,583	-	-	5,583
- Expenses incurred in pro-rata entitlement offer	(4,449)	-	-	(4,449)
- Total transactions with unitholders of BWP Trust	201,291	(42,835)	-	158,456
<b>Balance at 31 December 2013</b>	<b>908,654</b>	<b>366,223</b>	<b>(10,932)</b>	<b>1,263,945</b>

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

## 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 2013 were authorised for issue in accordance with a resolution of the directors on 12 February 2014. The Trust was constituted under a Trust Deed dated 18 June 1998 as amended. The Trust is managed by BWP Management Limited. Both the Trust and the responsible entity are domiciled in Australia.

The half-year financial statements do 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.

The half-year financial statements should be read in conjunction with the annual financial statements of the Trust as at 30 June 2013 which are available upon request from the Trust's registered office at Level 11, 40 The Esplanade, Perth WA 6000 or at [www.bwptrust.com.au](http://www.bwptrust.com.au).

It is also recommended that the half-year financial statements be considered together with any public announcements made by the Trust during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of accounting

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

The financial statements are presented in Australian dollars, which is the Trust's functional currency and all values are rounded to the nearest thousand dollars (\$'000) under the option available to the Trust under ASIC Class Order 98/100, unless otherwise stated.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

### (b) Statement of compliance

The half-year financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Except as described below, the significant accounting policies applied by the Trust in these interim financial statements are the same as those applied by the Trust in its financial statements as at and for the year ended 30 June 2013.

### Changes in accounting policies

The Trust has adopted AASB 13 Fair Value Measurement with a date of initial application of 1 July 2013. AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Trust has included additional disclosures in this regard (see Note 9). In accordance with the transitional provisions of AASB 13, the Trust has applied the new fair value measurement guidance for the current half-year reporting period but not for prior periods and therefore has not disclosed any comparative information. The adoption of this standard has had no significant impact on the measurement of the Trust's assets and liabilities.

## 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. The following shows the effect on earnings per unit of excluding unrealised gains or losses and the resulting distribution per unit:

	<b>Dec 2013</b>	Dec 2012
Basic and diluted earnings per unit for the half-year	<b>11.18 cents</b>	9.20 cents
Basic and diluted earnings per unit for the half-year excluding unrealised gains in fair value of properties	<b>7.18 cents</b>	7.04 cents
Interim distribution per unit for the half-year	<b>6.83 cents</b>	7.00 cents
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	<b>596,616,145</b>	530,955,295

**3 INVESTMENT PROPERTIES**

	Balance at 30 June 2013 \$000	Movement during the period \$000	Balance at 31 Dec 2013 \$000
Purchase price	714,109	216,500	<b>930,609</b>
Acquisition costs	42,500	10,323	<b>52,823</b>
Capital improvements since acquisition	274,386	5,584	<b>279,970</b>
Cumulative fair value adjustment	343,449	24,135	<b>367,584</b>
Fair value	<u>1,374,444</u>	<u>256,542</u>	<b>1,630,986</b>

Investment properties are carried at fair value. Fair value for individual properties is determined by a full independent valuation completed at least every three years by an independent valuer who holds a relevant professional qualification and has recent experience in the location and category of the investment property. During the six months to 31 December 2013, 18 property valuations were performed by independent valuers.

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

During the half-year the Trust's capital expenditure on investment properties totalled \$232.4 million.

**Portfolio acquired from Bunnings Group Limited ("Bunnings")**

In September 2013, unitholders approved a proposal for the Trust to acquire from Bunnings a portfolio of 10 properties ("Bunnings Portfolio") comprising two operational Bunnings Warehouses, for leaseback to Bunnings, and eight properties on which Bunnings would develop Bunnings Warehouses. As at 31 December 2013, the Trust had completed the purchase of either land or completed developments for nine of the Bunnings Portfolio properties totalling \$183.7 million including acquisition costs. The remaining property is a development site in Rydalmere, New South Wales, which is still awaiting sub-division.

**Acquisition of Bunnings-anchored centre, Hoxton Park Central**

In November 2013, the Trust completed the acquisition of an established Bunnings Warehouse-anchored centre, Hoxton Park Central, New South Wales for \$43.1 million, including acquisition costs.

**Upgrade of existing Bunnings Warehouse**

In October 2013, a \$5.4 million upgrade of the Trust's Rocklea Bunnings Warehouse was completed by Bunnings for the Trust.

**Miscellaneous**

Other capital improvements made by the Trust to investment properties during the half-year totalled \$0.2 million.

**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. A reconciliation is provided below:

	Dec 2013 \$000	Dec 2012 \$000
Profit for the period attributable to unitholders of BWP Trust	<b>66,697</b>	48,833
Net unrealised gains in fair value of investment properties	<b>(23,835)</b>	(11,472)
Distributable profit for the period	<b>42,862</b>	37,361
Opening undistributed profit	<b>34</b>	17
Closing undistributed profit	<b>(61)</b>	(23)
Distributable amount	<b>42,835</b>	37,355
Distribution (cents per unit)	<b>6.83</b>	7.00

**5 INTEREST-BEARING LOANS AND BORROWINGS**

As at 31 December 2013 the Trust has the following loan facilities:

	Limit \$000	Amount drawn \$000	Expiry date
Australia and New Zealand Banking Group Limited	<b>150,000</b>	<b>112,300</b>	23 January 2017
Commonwealth Bank of Australia	<b>100,000</b>	<b>92,200</b>	31 July 2016
Westpac Banking Corporation	<b>180,000</b>	<b>123,700</b>	31 December 2017
Less: accrued interest and borrowing costs		<b>(511)</b>	
	<b>430,000</b>	<b>327,689</b>	

Subsequent to the half-year end, the Trust has received a commitment from the Commonwealth Bank of Australia, subject to the finalisation of legal documentation, to extend and increase its \$100 million facility to \$125 million expiring on 31 July 2017.

The Trust is also planning to obtain additional funding through the debt capital markets and/or additional bank debt funding over the course of the next 12 months. The additional debt will be used to fund future capital expenditure including that referred to in Note 10.

**6 ISSUED CAPITAL**

During the period, the Trust undertook a \$200 million pro-rata entitlement offer which resulted in an additional 87,024,515 units being issued. Also during the period, 2,387,450 units (2012: 8,390,697 units) were issued under the Trust's distribution reinvestment plan, bringing the number of ordinary units on issue as at 31 December 2013 to 627,165,919. The distribution reinvestment plan remained active for the interim distribution for the half-year ended 31 December 2013.

**7 RESERVES**

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 2013 \$000	June 2013 \$000
Opening balance at the beginning of the financial period	(12,516)	(16,013)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	2,717	4,349
- Unrealised losses on cash flow hedges	(1,133)	(852)
Closing balance at the end of the financial period	(10,932)	(12,516)

The movement in the half-year was due to the increase in future variable interest rates during the half-year.

**8 SEGMENT REPORTING**

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

**9 FINANCIAL INSTRUMENTS****(a) Fair values**

The fair values and carrying amounts of financial assets and financial liabilities recorded in the financial statements are as follows:

	Dec 2013 \$000
	<u>Book value and fair value</u>
<b>Assets and liabilities held at amortised cost</b>	
Loans and receivables	770
Cash and short-term deposits	13,207
Bank loans	(327,689)
Payables and deferred income	(12,845)
<b>Assets and liabilities held at fair value</b>	
Interest rate swaps assets	553
Interest rate swaps liabilities	(11,485)

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.

**(b) Financial risk management - credit risk**

During the period, \$302,500 (2012: nil) of rental income was deemed non-recoverable and has been written off. There are no other allowances for impairment in respect of receivables during the current period or the previous period.

Other aspects of the Trust's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2013.

**10 CAPITAL EXPENDITURE COMMITMENTS**

	Dec 2013 \$000	June 2013 \$000
Estimated capital expenditure contracted for at balance date, but not provided for in the financial statements, which is payable:		
Not later than one year		
Unrelated parties	61,886	38,792
Related parties	131,316	23,360
	<u>193,202</u>	<u>62,152</u>

**10 CAPITAL EXPENDITURE COMMITMENTS (CONTINUED)****Capital commitments to unrelated parties***Coburg*

In December 2013, the Trust committed to acquire a Bunnings Warehouse-anchored large format retail centre in Coburg, Victoria for a purchase price of \$57.0 million (plus acquisition costs of approximately \$3.2 million). A deposit of \$2.85 million was paid in December 2013 with the remaining amounts settled in late January 2014.

*Harrisdale*

Also in December 2013, the Trust committed to building showrooms totalling \$4.5 million on its additional land adjoining its Bunnings Warehouse property at Harrisdale, Western Australia.

**Capital commitments to related parties***Portfolio acquisition*

Following approval by unitholders in September 2013, the Trust is in the process of acquiring a property portfolio, comprising 10 Bunnings Warehouse properties from Bunnings Group Limited, a controlled entity of Wesfarmers Limited, as well as committing to upgrading three of its existing Trust-owned Bunnings Warehouses. The total purchase price for the portfolio and upgrades is \$291.1 million plus acquisition costs, of which \$181.0 million was paid to Bunnings Group Limited during the period. Subject to the achievement of conditions precedent in respect to one property and on completion of the development and upgrades of Bunnings Warehouses on six of the properties, a further \$110.1 million is expected to be payable within the next 12 months.

*Wallsend*

Following the acquisition of the development site at Wallsend from an unrelated party, the Trust is committed to Bunnings Group Limited for the development of a Bunnings Warehouse at a cost of \$21.2 million.

**11 RELATED PARTIES**

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2013 annual financial statements, along with Notes 3 and 10 of these financial statements.

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 2013 and ended 31 December 2013 and review report thereon. The information on pages 6 to 13 forms part of this directors' report and is to be read in conjunction with the following information:

**Directors**

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

Mr J A Austin (Chairman)

Mr B J H Denison

Ms F E Harris

Mr R D Higgins

Mr A J Howarth

Mr P J Mansell (until 4 December 2013)

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 2013 and the results of those operations are reviewed on pages 6 to 13 of this report and the accompanying financial statements.

	<b>Dec 2013 \$000</b>	Dec 2012 \$000
Profit for the period attributable to unitholders of BWP Trust	<b>66,697</b>	48,833
Net unrealised gains in fair value of investment properties	<b>(23,835)</b>	(11,472)
Distributable profit for the period	<b>42,862</b>	37,361
Opening undistributed profit	<b>34</b>	17
Closing undistributed profit	<b>(61)</b>	(23)
Distributable amount	<b>42,835</b>	37,355

The interim distribution is 6.83 cents per ordinary unit (2012: 7.00 cents). This interim distribution will be paid on 25 February 2014.

**Units on issue**

At 31 December 2013, 627,165,919 units of BWP Trust were on issue (30 June 2013: 537,753,954).

**Events subsequent to reporting date**

In January 2014, the Trust completed the acquisition of the Bunnings Warehouse-anchored property at Coburg, Victoria.

Also in January 2014, the Trust received a commitment from the Commonwealth Bank of Australia, subject to the finalisation of legal documentation, to extend and increase its \$100 million facility to \$125 million, expiring on 31 July 2017.

**Auditor independence declaration**

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the half-year ended 31 December 2013.

**Rounding off**

The responsible entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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


**J A Austin**

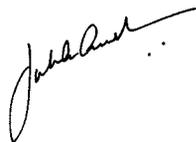
Chairman  
BWP Management Limited  
Perth, 12 February 2014

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 2013 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.


**J A Austin**

Chairman  
BWP Management Limited  
Perth, 12 February 2014

bwp TRUST

Auditor's independence declaration  
For the half-year ended 31 December 2014

bwp TRUST

Independent auditor's review report to the  
unitholders of BWP Trust  
For the half-year ended 31 December 2014



**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 2013 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, 12 February 2014

**Grant Robinson**  
Partner



**Report on the financial report**

We have reviewed the accompanying half-year financial report of BWP Trust (the Trust), which comprises the condensed statement of financial position as at 31 December 2013, condensed statement of profit and loss and other comprehensive income, condensed statement of changes in equity and condensed 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 and the directors' declaration of the Trust.

**Directors' responsibility 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**

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 2013 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.

**bwp** TRUSTIndependent auditor's review report to the  
unitholders of BWP Trust

For the half-year ended 31 December 2013

## DIRECTORY

**Independence**

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

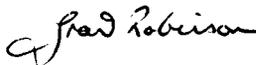
**Conclusion**

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:

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


**KPMG**

Perth, 12 February 2014


**Grant Robinson**

Partner

**Responsible entity****BWP Management Limited**

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[www.bwptrust.com.au](http://www.bwptrust.com.au)**Directors and senior management**

Mr J A Austin (Chairman)

Mr B J H Denison (Director)

Ms F E Harris (Director)

Mr R D Higgins (Director)

Mr A J Howarth (Director)

Mr G W Gernhoefer (General Manager)

Ms K A Lange (Secretary)

**Registry manager****Computershare Investor Services Pty Limited**

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[www.computershare.com.au](http://www.computershare.com.au)**Auditor**

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