bwp TRUST

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6 August 2019

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

Dear Sir/Madam

BWP results for the full-year ended 30 June 2019

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 2019 results

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

> 2019 Annual Report
> Full-year 2019 results investor presentation
> 2019 Corporate Governance Statement
> Appendix 4G (Key to Corporate Governance disclosures)
> Dividend/Distribution – BWP (Actual)
> Attribution Managed Investment Trust Fund payment notice.

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 2019 and the outlook for the year ahead.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **6 August 2019** at **11:00am AEST** (9:00AM AWST).

Investors and analysts wishing to participate should dial **1800 175 864** from within Australia (+61 283 733 550 from outside Australia) and ask to join the **BWP Trust Full-Year Results Investor Presentation** (conference ID/event pass code is **2498963**). This briefing is recorded and made available via our website.

Yours faithfully

Kab

K A Lange
Company Secretary

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ASX release

6 August 2019

APPENDIX 4E — FINANCIAL YEAR ENDED 30 JUNE 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET			**30 June 2019**	30 June 2018	Variance %
Revenue from ordinary activities		$000	**156,263**	153,391	2
Profit before gains on investment properties		$000	**115,939**	113,205	2
Gains in fair value of investment properties		$000	**53,438**	69,888	(24)
Profit from ordinary activities attributable to unitholders		$000	**169,377**	183,093	(7)
Net tangible assets per unit		$	**2.92**	2.85	2
DISTRIBUTIONS					
Interim distribution paid		$000	**57,365**	56,402	2
Final distribution payable	Ordinary	$000	**58,971**	58,007	2
	Special	$000	**10,021**	-	-
Interim distribution per unit		cents	**8.93**	8.78	2
Final distribution per unit	Ordinary	cents	**9.18**	9.03	2
	Special	cents	**1.56**	-	-
Record date for determining entitlements to the final distribution				28th June 2019	
Payment date for final distribution				23rd August 2019	

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") applied for the interim distribution and was suspended for the final distribution for the year ended 30 June 2019.

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 6 August 2019 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

6 August 2019

FULL-YEAR RESULTS TO 30 JUNE 2019

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 2019.

For the year ended 30 June 2019, the Trust continued to deliver on its financial objectives with a 1.7 per cent increase in full-year distributions to 18.11 cents per unit and a $53.4 million or 1.8 per cent net increase in the assessed valuation of the Trust's property investment portfolio. In addition, the Trust has announced a special distribution of 1.56 cents per unit in conjunction with the property divestments that occurred during the year.

The Trust remains in a strong financial position with a conservatively geared balance sheet, sustainable cash flow and a core portfolio of high returning, well-located property.

The Trust has been an investor in Bunnings Warehouse properties since its establishment in 1998. It is inevitable with the ongoing evolution of the Bunnings business model that some properties no longer meet Bunnings' operational requirements. Periodically, vacancies in the portfolio do and will continue to occur. There is generally good alternative use for property that Bunnings no longer requires. The successful re-formatting of two vacated properties for large format retail was completed during the period, and a further three properties are progressing well.

The Trust is a long-term owner of property, and only sells if it is the best opportunity to create or preserve value. During the year the Trust divested and settled four properties vacated by Bunnings for a total amount of approximately $72 million.

While the Trust continued to seek to grow the asset portfolio during the year, investment opportunities with good potential for value creation were difficult to find, and consequently no new assets were acquired.

2018/19 full-year highlights

- Final distribution of 9.18 cents, bringing the full-year distribution to 18.11 cents, up 1.7 per cent on the previous year
- Special distribution of 1.56 cents declared
- Seven market rent reviews (including three Bunnings Warehouse properties) were finalised during the year with rents broadly in line with the market
- Like-for-like rental growth of 2.3 per cent for the 12 months to 30 June 2019, taking into account the average inflation on Consumer Price Index ("CPI") linked leases of 1.9 per cent
- Weighted average cost of debt of 4.27 per cent for the year, 3.76 per cent at year end
- Weighted average lease expiry of 4.4 years at 30 June 2019, portfolio 97.4 per cent leased
- Net revaluation gains on the property investment portfolio of $53.4 million for the year
- Net tangible assets of $2.92 per unit at 30 June 2019 (2018: $2.85 per unit), up 2.5 per cent on the previous year
- Gearing (debt/total assets) 17.3 per cent at 30 June 2019

Results summary

Year ended 30 June			2019	2018
Total income		$m	156.3	153.4
Total expenses		$m	(40.3)	(40.2)
Profit before gains in fair value of investment properties		$m	115.9	113.2
Gains in fair value of investment properties		$m	53.4	69.9[1]
Net profit		$m	169.4	183.1
Less: gains in fair value of investment properties		$m	(53.4)	(69.9)[1]
Capital profits released from undistributed income reserve		$m	0.5[2]	1.2
Distributable profit		$m	116.4	114.4
Distribution per ordinary unit	- interim	cents	8.93	8.78
	- final	cents	9.18	9.03
	- total	cents	18.11	17.81
Special distribution per unit		cents	1.56[2]	-
Tax-advantaged component[3]		%	-	15.55
Total assets		$m	2,382.3	2,369.5
Borrowings		$m	412.7	457.6
Unitholders' equity		$m	1,874.6	1,833.0
Gearing (debt to total assets)		%	17.3	19.3
Number of units on issue		m	642	642
Number of unitholders			20,667	23,694
Net tangible asset backing per unit		$	2.92	2.85
Unit price at 30 June		$	3.68	3.25
Management expense ratio[4] (annualised)		%	0.62	0.60

Figures above subject to rounding.
[1] Includes realised gain on disposal of investment properties of $2.5 million.
[2] An additional $10.0 million of capital profits was released for the payment of the special distribution.
[3] Due to the capital gains arising from the divestment of four properties there was no tax deferred component in the current year.
[4] Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

Total income for the full-year to 30 June 2019 was $156.3 million, up by 1.9 per cent from last year. As required by IFRS 16 *Leases*, the Trust has commenced straight-lining rent, which resulted in rental income increasing by $4.7 million. This treatment is consistent with that of other industry participants and has no overall effect on profit after revaluation as it reduces the fair value revaluation uplift. 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 $19.6 million were 8.8 per cent lower than last year, due to a lower weighted average cost of debt and lower borrowings. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 4.3 per cent, compared to 4.6 per cent for the previous year.

Other operating expenses increased from $6.0 million in the previous year to $7.3 million in the current year, mainly as a result of significant increases in land tax and council rates for properties located in Queensland, increases in land tax in general, and also outgoings for properties in the process of being repositioned.

The management expense ratio for the year ended 30 June 2019 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) increased from 0.60 per cent in the previous year to 0.62 per cent for the current year, largely due to the reduction in the management fee waiver on gross assets of $150 million in the previous year to $75 million in the current year.

Profit as disclosed in the Trust's financial statements includes unrealised and realised gains or losses in the fair value of investment properties as a result of the revaluation of the entire property portfolio every six months and property divestments. 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 2019, net profit was $169.4 million, including $53.4 million in gains in the fair value of investment properties. This compares with net profit last year of $183.1 million which included gains of $69.9 million in the fair value of investment properties.

At the director's discretion, capital profits arising from the sale of investment properties can be distributed in the year they are generated, or retained to be distributed in future years.

As at 30 June 2019, the Trust's total assets were $2.4 billion (2018: $2.4 billion) with unitholders' equity of $1.9 billion and total liabilities of $0.5 billion. Investment properties and assets held for sale made up the majority of total assets comprising $2.4 billion (2018: $2.4 billion).

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2019 was $2.92 per unit, an increase of 2.5 per cent from $2.85 per unit as at 30 June 2018. The increase in NTA was due to the increase in net assets through property revaluations.

Developments

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

In December 2018, the Trust also completed works totalling $7.4 million to reconfigure the property at Mandurah, Western Australia, vacated by Bunnings in mid-2018, into a large format retail centre.

Capital expenditure

During the year, the Trust incurred a cost of $1.0 million on LED lighting to various properties, and approximately $6.6 million was spent on various other improvements to the portfolio.

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 received planning approval, and during the year, the Trust committed to a revised proposal at a cost of $5.0 million.

In June 2019, the Trust commenced construction at Hoxton Park, New South Wales to reposition the property previously occupied by Bunnings. On completion in December 2019, the property will comprise a large format retail centre holding mainly national retailers. Capital expenditure and other associated costs on the repositioning is expected to total $12.0 million.

Property divestments

During the year, the Trust completed the sale of four properties for sale proceeds of $71.7 million as shown in the table following:

Property	Sale proceeds ($m)	Settlement date
Altona, VIC	14.4	21 September 2018
Burleigh Heads, QLD	19.7	21 September 2018
Epping, VIC	16.2	11 February 2019
Oakleigh South, VIC	21.4	7 February 2019

In addition, the Trust entered into conditional option agreements in December 2018, with unrelated third parties to sell the properties at Underwood, Queensland and Belmont North, New South Wales. Due to the conditional nature of these agreements, these properties are not disclosed as assets held for sale at 30 June 2019.

Occupancy and weighted average lease expiry

As at 30 June 2019, the portfolio was 97.4 per cent leased.

It is the nature of the Bunnings business model that its property requirements for some locations change over time as is the case for eight properties in the property investment portfolio at 30 June 2019. In all cases, Bunnings has relocated or is in the process of relocating to a new nearby site in the same demographic area. For any property vacancies, the Trust gives full consideration to re-leasing the property, reinvesting in it to enhance rental outcomes, or divesting it, to provide the best overall outcome for the Trust. Good progress is being made on finding alternative uses for 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 most of the Trust’s Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

During the year, 82 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 2.5 per cent in the annual rent for these properties.

During the year, market rent reviews were concluded on three Bunnings Warehouses. The market rent reviews for six Bunnings Warehouses due during the year and three for the year ended 30 June 2018 are still being negotiated or determined by independent valuers.

Property revaluations

The entire Trust portfolio was revalued at 31 December 2018 and again at 30 June 2019, including 25 property revaluations performed by independent valuers (11 at 31 December 2018 and 14 at 30 June 2019). 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 $5.5 million to $2,358.2 million during the year following: capital expenditure of $19.1 million and revaluation gains of $58.1 million during the year, less sale proceeds from divestments of $71.7 million.

The net revaluation gain was due mainly 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 2019 was 6.30 per cent (December 2018: 6.40 per cent; June 2018: 6.48 per cent).

Capital management

As at 30 June 2019, the weighted average duration of the Trust's debt facilities was 3.6 years to expiry (2018: 2.2 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was in line with 2018 at 80.4 per cent.

The Trust enters into interest rate swaps and fixed rate corporate bonds (hedging) to create certainty as to the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2019, the Trust's interest rate hedging cover was 74.5 per cent of borrowings, with $97.5 million of interest rate swaps and $210 million fixed rate corporate bonds, against interest bearing debt of $412.7 million. The weighted average term to maturity of hedging was 3.9 years.

Due to the accounting requirement to mark the value of interest rate swap hedges to market, the Trust's hedging liabilities increased to $3.8 million as at 30 June 2019 (2018: $2.3 million). The increase in hedging liability during the year was due to lower variable interest rates at year end.

The Trust's gearing ratio (debt to total assets) at 30 June 2019 was 17.3 per cent (2018: 19.3 per cent), which is slightly below the Board's preferred range of 20 to 30 per cent. The reduced gearing at year end was mainly as a result of property divestments settled during the year. The lower gearing provides flexibility for the Trust to take advantage of investment opportunities to create long-term value when they arise. The interest cover ratio (earnings before interest /interest expense) was 6.8 times (2018: 6.5 times).

Distribution

A final distribution of 9.18 cents per ordinary unit has been declared and will be made on 23 August 2019 to unitholders on the Trust's register at 5.00 pm (AEST) on 28 June 2019. The final distribution takes the total ordinary distribution for the year to 18.11 cents per unit (2018: 17.81 cents per unit).

A special distribution of 1.56 cents per ordinary unit has also been declared in conjunction with the property divestments that occurred during the year. The special distribution will also be made on 23 August 2019 to unitholders on the Trust's register at 5.00 pm (AEST) on 28 June 2019.

The Distribution Reinvestment Plan ("DRP") was in place for the interim distribution but has been suspended for the final distribution.

Outlook

The strength of the Australian economy, ongoing investor demand for property, and the time and cost of repositioning properties in the portfolio vacated by Bunnings, are the variables that could have the most influence on the financial performance of the Trust in the near term.

The ongoing evolution and financial performance of the Bunnings business, the number of vacancies, and the higher and better use potential of properties in the Trust's portfolio, will be more important for the Trust's performance in the longer term.

For the year ended 30 June 2019, there continued to be strong investor demand for Bunnings Warehouse properties. This was supported by the low interest rate environment, and continued strong capital flows into Australia commercial property, including Bunnings Warehouse properties. The value of the Trust's property portfolio at 30 June 2019 reflects the continuing strong market conditions, and is likely to do so until such time that a risk event occurs that reduces capital flows into the sector. The Trust will remain disciplined in its investment approach to ensure it is best placed to create value from any new property investments over the medium term.

Approximately 57 per cent of the Trust's rental income is subject to CPI annual adjustment and 43 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review (typically every five years for most 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 2020, CPI reviews will apply to 44 per cent of the base rent, with leases subject to a market rent review comprising 14 per cent of the base rent, and with the balance of 42 per cent reviewed to fixed increases of three to four per cent.

Taking into account expected rental growth in the core Bunnings Warehouse portfolio, the divestment of four properties last financial year, and the timing of ex-Bunnings Warehouse stores being repositioned, the Trust could expect the distribution for the 2020 financial year to be marginally higher than the ordinary distribution paid for the year ended 30 June 2019. Capital profits will be utilised to support distributions as necessary.

For further information please contact:

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