

Half-Year Report 2016/17

Six months to
31 December 2016





BWP TRUST
ARSN 088 581 097

RESPONSIBLE ENTITY
BWP Management Limited
ABN 26 082 856 424

AUSTRALIAN FINANCIAL SERVICES LICENCE
No. 247830

bwptrust.com.au

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Primary business objectives:

- > SECURE AND GROWING INCOME STREAM
- > LONG TERM CAPITAL GROWTH
- > STRONG CUSTOMER ALIGNMENT



INVESTMENT THEMES

- > Large format retailing property ownership – home improvement/ Bunnings focus
- > Sustainable portfolio returns supported by balance sheet flexibility
- > Property location attributes



DRIVERS OF RETURNS



GROWTH

- > Annual rental growth
- > Well priced acquisitions & re-investment
- > Cost of funding



SECURITY OF INCOME

- > Wesfarmers covenant
- > Duration of occupancy
- > Predictable operating expenditure



LONG TERM VALUE CREATION



Pro-active management of existing properties



Portfolio growth

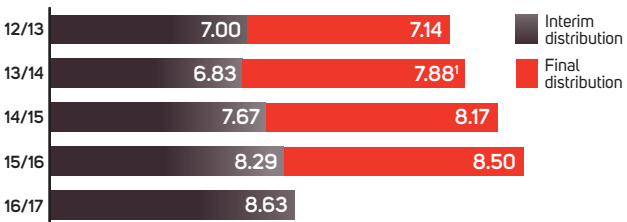


Effective management of the Trust and its capital

Half-year summary as at 31 December 2016



DISTRIBUTION PER UNIT (CENTS)



¹ FY13/14 final distribution includes a partial distribution of capital profits of 0.13 cents per unit, resulting from the sale of investment properties.

Financial and market performance

FINANCIAL PERFORMANCE

Half-year ended 31 December		2016	2015
Total income	\$m	75.8	74.7
Total expenses	\$m	(20.3)	(21.4)
Profit before unrealised gains in fair value of investment properties	\$m	55.5	53.3
Unrealised gains in fair value of investment properties	\$m	17.9	173.5
Net profit	\$m	73.4	226.8
Less: net unrealised gains in fair value of investment properties	\$m	(17.9)	(173.5)
Distributable profit for period	\$m	55.5	53.3
Distribution per ordinary unit	cents	8.63	8.29
Total assets	\$m	2,218.7	2,179.8
Borrowings	\$m	470.4	479.6
Unitholders' equity	\$m	1,668.0	1,617.1
Gearing (debt to total assets)	%	21.2	22.0
Number of units on issue	m	642	642
Number of unitholders		23,613	24,675
Net tangible asset backing per unit	\$	2.60	2.52
Unit price at 31 December	\$	2.99	3.16
Management expense ratio (annualised)	%	0.62	0.66

MARKET PERFORMANCE

The Trust'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 (SOURCE: UBS AUSTRALIA)

Periods ended 31 Dec 2016	6 months (%)	1 year (%)	3 years (%) ²	5 years (%) ²	10 years (%) ²
BWP	(15.5)	(0.3)	17.0	18.6	10.6
S&P / ASX 200 A-REIT Accumulation Index	(2.7)	13.2	18.0	18.5	0.4

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

² Annual compound returns.


Property portfolio characteristics

80 
properties

93% of income from Bunnings

258 
hectares of land

81% metro / 19% regional
average site size 3.2ha

62% 
CPI
38% fixed

Annual rental increases

6.77% 

Portfolio capitalisation rate
compared to

8.24%

average acquisition capitalisation rate

40% 
of portfolio less
than 12 years old

24 
years

Average duration of occupancy of
original portfolio*

10.4% 
Annualised
portfolio return on
invested capital

15 
properties

zoned for a higher and better use

* to end of current lease term

Our property portfolio

PORTFOLIO SUMMARY

As at 31 December 2016	Gross lettable area ¹ sqm	Annual rental ² \$000	Valuation \$000
Western Australia			
Albany ³	13,660	870	14,200
Australind	13,700	1,288	21,500
Balcatta	25,439	2,292	38,200
Belmont	10,381	1,449	23,200
Bibra Lake	14,141	1,689	25,000
Cockburn	12,839	1,623	26,000
Ellenbrook	15,337	1,874	31,200
Geraldton	17,874	1,319	17,800
Harrisdale	17,124	2,255	33,500
Joondalup	13,358	1,495	16,500
Mandurah	12,097	1,559	17,500
Midland	13,694	1,786	22,600
Mindarie ⁷	14,479	1,640	20,500
Morley	9,852	1,436	19,100
Port Kennedy	11,675	1,524	21,000
Rockingham	15,188	2,045	34,100
Total – WA	230,838	26,144	381,900
Victoria			
Altona ^{4,7}	9,254	1,185	13,900
Bayswater	17,677	2,386	34,100
Broadmeadows	12,765	1,910	28,300
Caroline Springs	14,319	1,681	25,000
Coburg	24,728	4,569	63,400
Craigieburn	16,764	1,576	23,300
Croydon	13,292	1,869	31,100
Dandenong	12,313	1,612	13,300
Epping ⁷	12,027	1,277	13,500
Fountain Gate	12,624	1,675	26,800
Frankston	13,843	2,044	31,900
Hawthorn	7,462	3,184	45,500
Maribyrnong	17,550	2,616	45,500
Mentone	11,814	1,624	21,700
Mornington	13,324	1,697	26,100
Northland	13,006	1,925	29,600
Nunawading ⁵	14,766	2,373	41,100
Oakleigh South	16,949	1,963	18,300
Pakenham	14,867	1,894	26,500
Port Melbourne	13,846	2,041	39,400
Scoresby	12,515	1,882	27,900
Springvale	13,458	2,022	33,700
Sunbury	15,270	1,762	29,400
Vermont South	16,634	2,167	33,300
Total – VIC	341,067	48,934	722,600
Australian Capital Territory			
Fyshwick ⁶	6,648	1,233	15,800
Tuggeranong	11,857	1,815	29,100
Total – ACT	18,505	3,048	44,900
South Australia			
Mile End	15,065	2,380	39,700
Noarlunga	14,784	1,520	20,300
Total – SA	29,849	3,900	60,000

As at 31 December 2016	Gross lettable area ¹ sqm	Annual rental ² \$000	Valuation \$000
New South Wales			
Artarmon	5,746	1,678	26,800
Belmont North	12,640	1,145	11,700
Belrose	8,888	2,078	32,000
Dubbo	16,344	1,533	20,900
Greenacre	14,149	2,549	39,200
Hoxton Park	26,508	3,675	38,200
Lismore	10,076	1,303	20,800
Maitland	12,797	1,392	17,400
Minchinbury	16,869	2,756	47,900
Port Macquarie	8,801	1,014	11,600
Rydalmere	16,645	2,981	51,700
Thornleigh	5,301	1,362	18,800
Villawood	10,886	1,688	21,800
Wagga Wagga	13,774	1,391	19,200
Wallsend	16,863	1,972	31,600
Wollongong	10,811	1,446	18,100
Total – NSW	207,098	29,963	427,700
Queensland			
Arundel	15,588	2,317	35,800
Bethania	13,494	1,884	28,800
Brendale	15,035	1,992	33,200
Browns Plains	18,398	3,024	37,200
Burleigh Heads ⁷	12,428	1,741	17,000
Cairns ⁷	12,917	1,293	9,500
Cannon Hill	16,556	2,465	39,500
Fairfield Waters	13,645	1,611	23,400
Gladstone	21,511	3,189	39,300
Hervey Bay	11,824	1,252	14,100
Manly West	13,021	2,175	34,600
Morayfield	12,507	1,800	26,700
Mount Gravatt	11,824	1,288	16,500
North Lakes	18,861	2,644	43,200
Rocklea	14,403	2,088	32,300
Smithfield	13,094	1,507	21,800
Southport	12,431	1,741	24,600
Townsville North	14,038	1,688	26,100
Underwood	12,245	1,614	20,200
West Ipswich	14,977	2,414	39,000
Total – QLD	288,797	39,727	562,800
Grand Total	1,116,154	151,716	2,199,900

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.
- Includes additional land (1.0 hectare) for which Bunnings Group Limited pays the Trust an access fee of \$221,636 per annum.
- 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 hectare) for which Bunnings Group Limited pays the Trust an access fee of \$301,020 per annum.
- Sites that Bunnings has vacated, that are still leased to Bunnings.

Report to unitholders

The directors of BWP Management Limited, the responsible entity for the BWP Trust (“the 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 2016.

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, one property was divested.

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

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

Total income for the period was \$75.8 million, an increase of 1.5 per cent over the previous corresponding period. The increase in income was mainly due to rental growth from the existing property portfolio.

Finance costs of \$11.3 million were 8.4 per cent lower than the previous corresponding six months, due to slightly lower borrowing levels and a lower weighted average cost of debt. The average level of borrowings was 0.9 per cent lower than the previous corresponding period (\$477.0 million compared with \$481.2 million). The weighted average cost of debt for the half-year (finance costs as a percentage of average borrowings) was 4.69 per cent, compared to 5.08 per cent for the previous corresponding period. The lower cost of debt was the result of lower interest rates for both fixed and variable rates for the period. Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was slightly lower than for the previous corresponding period (86.0 per cent compared with 86.7 per cent).

Other operating expenses of \$3.0 million were slightly lower than the previous corresponding period of \$3.1 million.

FINANCIAL POSITION

At 31 December 2016, the Trust’s total assets were \$2,218.7 million, with unitholders’ equity of \$1,668.0 million and total liabilities of \$550.7 million.

The underlying net tangible asset backing of the Trust’s units increased by four cents per unit during the period, from \$2.56 per unit at 30 June 2016, to \$2.60 per unit at 31 December 2016.

This increase was largely due to the result of 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 profit of \$55.5 million, an increase of 4.1 per cent on the previous corresponding period, primarily due to lower borrowing costs and increased property revenue from rental increases during the period.

An interim distribution of 8.63 cents per ordinary unit has been declared. This is 4.1 per cent higher than the previous corresponding period (8.29 cents per unit), reflecting the increase in the distributable profit over the previous corresponding period.

The interim distribution will be made on 24 February 2017 to unitholders on the Trust's register at 5:00 pm on 30 December 2016.

Units issued under the Trust's distribution reinvestment plan ("DRP") in respect of the interim distribution will be issued at \$2.92 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 9 January 2017 to 6 February 2017, without the application of a discount.

PROPERTY PORTFOLIO

CAPITAL EXPENDITURE

Total capital expenditure on the portfolio during the half-year amounted to \$1.1 million, comprising minor works at various properties.

DIVESTMENTS

The Trust divested the Geraldton Showrooms property in Western Australia, to an unrelated third party, for \$3.3 million in August 2016.

CAPITAL COMMITMENTS

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$4.0 million. The annual rental will increase by approximately \$0.1 million.

OCCUPANCY AND AVERAGE LEASE EXPIRY

At 31 December 2016, the portfolio was 99.9 per cent leased with a weighted average lease expiry term of 5.5 years (30 June 2016: 5.9 years, 31 December 2015: 6.4 years).

On 24 August 2016, Woolworths Limited ("Woolworths") announced the sale of the Masters Home Improvement ("Masters")

Report to unitholders

(Continued)

store property portfolio (40 freehold trading sites, 21 leasehold trading sites and 21 freehold development sites) to Home Consortium (“Home”), subject to certain conditions being satisfied, including obtaining the consent of Woolworths’ joint venture partner Lowe’s Companies, Inc (“Lowe’s”).

On the same day Wesfarmers Limited (“Wesfarmers”) announced that Bunnings Group Limited (“Bunnings”) had entered into a transaction with Home (subject to the Woolworths/ Lowes/ Home transaction proceeding) to occupy 15 ex-Masters sites (comprising six freehold trading locations, two freehold development sites and seven leasehold trading locations).

On 26 August 2016, BWP announced that Bunnings had advised its intention to vacate up to seven existing Bunnings Warehouse properties owned by BWP, subject to finalisation of arrangements between Home/ Woolworths and Lowe’s, and some third party landlords, for the occupation of the ex-Masters sites to replace each of the BWP impacted stores. Five of the impacted properties are as follows;

Property	Lease Expiry ¹	Proposed alternative use
Dandenong	Nov 2017	Neighbourhood shopping centre development
Oakleigh South	Mar 2018	Large formal retail, long term residential mixed use development
Mandurah	Nov 2018	Large format retail
Morley	Jul 2020	Large format retail, short/medium term residential mixed use development
Hoxton Park	Oct 2020	Large format retail

¹ To the end of the current lease term

Two additional sites are still subject to confidentiality. The lease expiry for those sites is late 2017 and early 2021 respectively.

At this point in time the Home transaction has not been finalised. As such, Bunnings has not vacated any of the properties, and there is no certainty of timing as to when the proposed transaction will be completed.

The Trust is undertaking detailed work on each site to assess the best alternative use; to ensure the zoning is appropriate; and; is engaging with potential tenants, to ensure the best outcome is obtained for each of the properties.

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

Fifty 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 53 leases was 1.9 per cent.

MARKET RENT REVIEWS

During the period, market rent reviews were concluded on the Bunnings Warehouses at Belmont North, New South Wales, Midland, Western Australia, Mindarie, Western Australia and Frankston, Victoria. The market rent reviews for the Belmont North, Midland and Mindarie Bunnings Warehouses, were determined by an independent valuer and the market rent review at Frankston was agreed with Bunnings. Market rent reviews for two Trust-owned Bunnings Warehouses due during the period remain unresolved. The market rent reviews completed during the half-year are shown in the following table.

Property location	Customer	Passing rent (\$ pa)	Market review (\$ pa)	Uplift (%)	Effective date
Belmont North, NSW	Bunnings	945,629	1,145,000	19.9 ¹	5 Mar 16
Frankston, VIC	Bunnings	2,043,580	2,043,580	0.0	20 Dec 16
Midland, WA	Bunnings	1,635,825	1,785,765	9.2	5 Sep 16
Mindarie, WA	Bunnings	1,635,825	1,639,695	0.2	5 Sep 16
Weighted Average				5.5	

¹ The market rent review was due during the year ended 30 June 2016, but was determined in the current financial year.

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 2.4 per cent for the 12 months to 31 December 2016 (compared to 2.6 per cent for the 12 months to 31 December 2015, which was previously disclosed as a 2.5 per cent increase, but has now been updated following the finalisation of the four market rent reviews related to that period).

The two unresolved market reviews at 31 December 2016 are not included in the calculation of like-for-like rental growth for the year.

Report to unitholders

(Continued)

REVALUATIONS

During the half-year, the Trust's entire investment property portfolio was revalued. Property revaluations were performed by independent valuers for 23 properties during the period. The remaining 57 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2016 was 6.77 per cent (30 June 2016: 6.77 per cent; December 2015: 6.81 per cent).

The value of the Trust's portfolio increased by \$15.8 million to \$2,199.9 million during the half-year following: capital expenditure of \$1.1 million; net proceeds from the sale of the Geraldton Showrooms property of \$3.2 million; and, a net revaluation gain of \$17.9 million at 31 December 2016.

CAPITAL MANAGEMENT

The Trust's debt facilities as at 31 December 2016 are summarised below.

	Limit (\$m)	Amount drawn (\$m)	Expiry date
Bank debt facilities			
Australia and New Zealand Banking Group Limited	110.0	78.0	1 Jul 18
Commonwealth Bank of Australia	110.0	83.4	31 Jul 20
Westpac Banking Corporation	135.0	108.8	30 Apr 20
Corporate bonds			
Fixed term five-year corporate bond	200.0	200.0	27 May 19
	555.0	470.2	

The weighted average duration of the facilities at 31 December 2016 was 2.7 years (2015: 3.7 years).

The Trust's gearing ratio (debt to total assets) at 31 December 2016 was 21.2 per cent (30 June 2016: 21.5 per cent, December 2015: 22.0 per cent) which is in the Board's preferred range of 20 to 30 per cent.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements, to ensure stability of distributions. At 31 December 2016, the Trust's interest rate hedging cover was 77.6 per cent of gross borrowings (excluding accrued interest and borrowing costs), with \$165.0 million interest rate swaps and the \$200.0 million fixed rate corporate bond against gross borrowings of \$470.2 million. The weighted average term to maturity of hedging was 2.55 years (30 June 2016: 2.63 years, December 2015: 2.66 years) including delayed start swaps.

OUTLOOK

Rent reviews are expected to contribute incrementally to property income for the half-year to 30 June 2017. There are 45 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of 2016/17. There are also four 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 re-zoning 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.

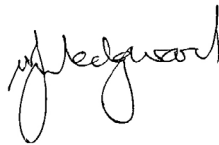
For BWP Management Limited



ERICH FRAUNSCHEL

Chairman

8 February 2017



MICHAEL J WEDGWOOD

Managing Director

8 February 2017

Financial Statements

FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

Note	Dec 2016 \$000	Dec 2015 \$000
Rental income	75,284	74,161
Other property income	431	431
Finance income	38	61
Total revenue	75,753	74,653
Finance costs	(11,291)	(12,333)
Responsible entity's fees	(6,032)	(5,888)
Other operating expenses	(2,971)	(3,137)
Total expenses	(20,294)	(21,358)
Profit before unrealised gains in fair value of investment properties	55,459	53,295
Unrealised gains in fair value of investment properties	17,901	173,513
Profit for the period attributable to unitholders of BWP Trust	73,360	226,808
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	2,291	2,616
- Unrealised gains/(losses) on cash flow hedges	2,365	(824)
Total comprehensive income for the period attributable to the unitholders of BWP Trust	78,016	228,600
Basic and diluted earnings (cents per unit) resulting from profit	2 11.42	35.31

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 2016

	Note	Dec 2016 \$000	Jun 2016 \$000	Dec 2015 \$000
ASSETS				
<i>Current assets</i>				
Cash		15,176	14,029	14,783
Receivables and prepayments		3,656	2,313	4,480
Assets held for sale		-	19,450	27,357
Total current assets		18,832	35,792	46,620
<i>Non-current assets</i>				
Investment properties	3	2,199,900	2,164,700	2,133,187
Total non-current assets		2,199,900	2,164,700	2,133,187
Total assets		2,218,732	2,200,492	2,179,807
LIABILITIES				
<i>Current liabilities</i>				
Payables and deferred income		19,599	18,206	20,660
Derivative financial instruments		127	759	795
Distribution payable	4	55,438	54,603	53,254
Total current liabilities		75,164	73,568	74,709
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	5	470,423	472,333	479,636
Derivative financial instruments		5,195	9,219	8,356
Total non-current liabilities		475,618	481,552	487,992
Total liabilities		550,782	555,120	562,701
Net assets		1,667,950	1,645,372	1,617,106
EQUITY				
<i>Equity attributable to unitholders of BWP Trust</i>				
Issued capital	6	945,558	945,558	945,558
Hedge reserve	7	(5,322)	(9,978)	(9,151)
Undistributed income		727,714	709,792	680,699
Total equity		1,667,950	1,645,372	1,617,106

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 2016

	Dec 2016 \$000	Dec 2015 \$000
Cash flows from operating activities		
Rent received	84,737	83,606
Payments to suppliers	(12,201)	(15,005)
Payments to the responsible entity	(5,963)	(5,783)
Finance income	38	61
Finance costs	(11,120)	(12,071)
Net cash flows from operating activities	55,491	50,808
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(1,083)	(10,222)
Receipts from the sale of investment properties	3,252	-
Net cash flows from / (used in) investing activities	2,169	(10,222)
Cash flows from financing activities		
Repayments of borrowings	(1,910)	(5,765)
Distributions paid	(54,603)	(52,483)
Net cash flows used in financing activities	(56,513)	(58,248)
Net increase/(decrease) in cash	1,147	(17,662)
Cash at the beginning of the period	14,029	32,445
Cash at the end of the period	15,176	14,783

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 2016

	Issued capital \$000	Hedge Reserve \$000	Undistributed income \$000	Total \$000
Balance at 1 July 2015	945,558	(10,943)	507,145	1,441,760
Profit for the period attributable to unitholders of BWP Trust	-	-	226,808	226,808
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	1,792	-	1,792
Total comprehensive income for the period	-	1,792	226,808	228,600
Distributions to unitholders	-	-	(53,254)	(53,254)
Total transactions with unitholders of BWP Trust	-	-	(53,254)	(53,254)
Balance at 31 December 2015	945,558	(9,151)	680,699	1,617,106
Balance at 1 July 2016	945,558	(9,978)	709,792	1,645,372
Profit for the period attributable to unitholders of BWP Trust	-	-	73,360	73,360
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	4,656	-	4,656
Total comprehensive income for the period	-	4,656	73,360	78,016
Distributions to unitholders	-	-	(55,438)	(55,438)
Total transactions with unitholders of BWP Trust	-	-	(55,438)	(55,438)
Balance at 31 December 2016	945,558	(5,322)	727,714	1,667,950

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 2016

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 2016 were authorised for issue in accordance with a resolution of the directors on 8 February 2017. 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 same significant accounting policies as those applied by the Trust in its financial statements for the year ended 30 June 2016;
- > has been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;
- > is presented in Australian dollars, the Trust's functional currency, and all values are rounded to the nearest thousand dollars (\$'000) under the option available to the Trust under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated; and
- > does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements of the Trust as at 30 June 2016 which are available upon request from the Trust's registered office at Level 14, Brookfield Place 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 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

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 unrealised gains or losses and the resulting distribution per unit:

	Dec 2016	Dec 2015
Basic and diluted earnings per unit (cents per unit)	11.42	35.31
Basic and diluted earnings per unit excluding unrealised gains in fair value of properties (cents per unit)	8.63	8.29
Interim distribution per unit (cents per unit)	8.63	8.29
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	642,383,803	642,383,803

3 INVESTMENT PROPERTIES

	Dec 2016 \$000	Dec 2015 \$000
Balance at the beginning of the period	2,164,700	1,964,915
Divestments during the period	(3,252)	-
Reclassification from/(to) assets held for sale	19,450	(11,000)
Capital improvements since acquisition	1,101	5,759
Net unrealised gains from fair value adjustments	17,901	173,513
Balance at the end of the period	2,199,900	2,133,187

(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 2016, 23 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 2016 annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

3 INVESTMENT PROPERTIES (CONTINUED)

(b) Capital expenditure

Total capital expenditure on the portfolio during the half-year amounted to \$1.1 million, comprising minor works at various properties.

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 2016 \$000	Dec 2015 \$000
Profit for the period attributable to unitholders of BWP Trust	73,360	226,808
Net unrealised gains in fair value of investment properties	(17,901)	(173,513)
Distributable profit for the period	55,459	53,295
Opening undistributed profit	36	22
Closing undistributed profit	(57)	(63)
Distributable amount	55,438	53,254
Distribution (cents per unit)	8.63	8.29

5 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2016 the Trust had the following borrowings:

	Expiry date	Limit \$000	Amount drawn \$000
Bank debt facilities			
Australia and New Zealand Banking Group Limited	1 July 2018	110,000	78,000
Commonwealth Bank of Australia	31 July 2020	110,000	83,400
Westpac Banking Corporation	30 April 2020	135,000	108,800
		355,000	270,200
Corporate bonds			
Fixed term five-year corporate bond	27 May 2019	200,000	200,000
Accrued interest and borrowing costs			223
		200,000	200,223
		555,000	470,423

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

6 ISSUED CAPITAL

During the period no new units (2015: nil) were issued under the Trust's distribution reinvestment plan therefore the number of ordinary units on issue as at 31 December 2016 remained at 642,383,803. The distribution reinvestment plan remained active for the interim distribution for the half-year ended 31 December 2016 with units acquired on-market.

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 2016 \$000	Jun 2016 \$000
Balance at the beginning of the financial period	(9,978)	(10,943)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	2,291	4,981
- Unrealised gains/(losses) on cash flow hedges	2,365	(4,016)
Balance at the end of the financial period	(5,322)	(9,978)

The movement in the half-year was largely due to the decrease in the weighted average term to maturity of the hedging instruments.

8 SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

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 2016 \$000	Jun 2016 \$000
Corporate bonds – book value	(200,223)	(200,033)
Corporate bonds – fair value	(205,026)	(209,087)

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

LOANS AND RECEIVABLES, AND PAYABLES AND DEFERRED INCOME

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

CASH AND SHORT-TERM DEPOSITS

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

BANK DEBT FACILITIES AND CORPORATE BONDS

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

INTEREST RATE SWAPS

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

(b) Financial risk management – credit risk

During the period no (2015: \$nil) 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 or previous period.

Other aspects of the Trust's financial risk management objectives and policies are consistent with those disclosed in the 30 June 2016 annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

10 CAPITAL EXPENDITURE COMMITMENTS

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

	Dec 2016 \$000	Jun 2016 \$000
Not later than one year:		
Unrelated parties	-	-
Related parties	4,000	4,000
	4,000	4,000

Capital commitments to related parties

VILLAWOOD, NSW

In April 2016, the Trust committed to expand its Villawood Bunnings Warehouse, New South Wales, at a cost of \$4.0 million. The development is expected to be completed by mid-2017.

11 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2016 annual financial statements, along with Notes 3 and 10 of these financial statements.

DIRECTORS' REPORT

For the half-year ended 31 December 2016

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 2016 and ended 31 December 2016 and review report thereon. The information on pages 8 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:

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

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

REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the six months to 31 December 2016 and the results of those operations are reviewed on pages 8 to 13 of this report and the accompanying financial statements.

	Dec 2016 \$000	Dec 2015 \$000
Profit for the period attributable to unitholders of BWP Trust	73,360	226,808
Net unrealised gains in fair value of investment properties	(17,901)	(173,513)
Distributable profit for the period	55,459	53,295
Opening undistributed profit	36	22
Closing undistributed profit	(57)	(63)
Distributable amount	55,438	53,254

The interim distribution is 8.63 cents per ordinary unit (2015: 8.29 cents). This interim distribution will be paid on 24 February 2017.

UNITS ON ISSUE

At 31 December 2016, 642,383,803 units of BWP Trust were on issue (30 June 2016: 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 29 and forms part of the directors' report for the half-year ended 31 December 2016.

ROUNDING OFF

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

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



ERICH FRAUNSCHIEL

Chairman
BWP Management Limited
Perth, 8 February 2017

DIRECTORS' DECLARATION

For the half-year ended 31 December 2016

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 2016 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 FRAUNSCHIEL

Chairman
BWP Management Limited
Perth, 8 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

For the half-year ended 31 December 2016

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

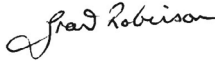
To: the directors of BWP Management Limited the responsible entity of BWP Trust.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 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, 8 February 2017



GRANT ROBINSON
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 2016 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 2016
- > 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.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 2 to the Half-year Financial Report, which describes the basis of preparation.

The Half-year Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001* and in compliance with Australian Accounting Standards. As a result, the Half-year Financial Report and this Auditor's Report for the review of the Half-year Financial Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the unitholders of BWP Trust and should not be used by parties other than the unitholders of BWP Trust. We disclaim any assumption of responsibility for any reliance on this report, or on the Half-year Financial Report to which it relates, to any person other than the unitholders of BWP Trust.

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 2016 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.

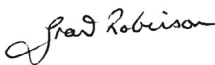
A review of the Half-year consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently 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.

INDEPENDENCE

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



KPMG



GRANT ROBINSON
Partner

Perth, 8 February 2017

Directory

RESPONSIBLE ENTITY

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Level 14, Brookfield Place Tower 2

123 St Georges Terrace

Perth WA 6000

Telephone: +61 8 9327 4356

Facsimile: +61 8 9327 4344

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DIRECTORS AND SENIOR MANAGEMENT

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

REGISTRY MANAGER

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth WA 6000

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Telephone: +61 3 9415 4323 (outside Australia)

Facsimile: 1800 783 447 (within Australia)

Facsimile: +61 3 9473 2500 (outside Australia)

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.

Should a complainant be dissatisfied with the decision made by the Responsible Entity in relation to a complaint, the complainant is entitled to take the matter up with the Financial Ombudsman Service (“FOS”), an external and independent industry complaint handling scheme. FOS is located at Level 12, 717 Bourke Street, Docklands, Victoria, 3008. FOS can be contacted by telephone on 1800 367 287, by facsimile on +61 3 9613 6399, by mail at GPO Box 3, Melbourne, Victoria, 3001, by email at info@fos.org.au, or by visiting their website at fos.org.au.



RECYCLED CONTENT



FOREST MANAGEMENT



RENEWABLE ENERGY



ELEMENTAL
CHLORINE FREE



ENVIRONMENTAL
MANAGEMENT SYSTEMS



CERTIFICATION

This Half Year Report is printed on Monza Recycled Satin containing 55% recycled fibre and is FSC Mix Certified, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. Monza Recycled is manufactured by an ISO 14001 certified mill.

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