bwp TRUST

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6 February 2019

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

Dear Sir

BWP Trust results for the half year ended 31 December 2018

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 2018; and

> Half-Year results announcement.

Released separately, but immediately following, will be the:

> Half-Year Report to Unitholders (contains the Business Review and Financial Statements)

> Half-Year Results Investor Presentation.

It is recommended that the Half-Year Report is read in conjunction with the Annual Report of BWP Trust for the year ended 30 June 2018, together with any public announcements made by BWP Trust in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **6 February 2019** at **8:30am AWST** (11:30am EDST).

Investors and analysts wishing to participate should dial **1800 175 864** from within Australia (+61 2 8373 3550 from outside Australia) and ask to join the **BWP Trust Half-Year Results Investor Presentation** (conference ID number **4191557**).
This briefing is recorded and made available via our website.

Yours faithfully

Karen Lange
Company Secretary

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APPENDIX 4D — FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET		6 months to 31 Dec 18	6 months to 31 Dec 17	Variance %
Revenue from ordinary activities	$000	**79,028**	76,933	3
Profit before gains on investment properties	$000	**58,784**	56,437	4
Gains in fair value of investment properties	$000	**20,113**	46,921	(57)
Profit from ordinary activities attributable to unitholders	$000	**78,897**	103,358	(24)
Net tangible assets per unit	$	**2.89**	2.82	2
DISTRIBUTIONS				
Interim distribution paid	$000	**57,365**	56,401	2
Interim distribution per unit	cents	**8.93**	8.78	2
Record date for determining entitlements to the interim distribution			31 December 2018	
Payment date for interim distribution			22 February 2019	

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

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") was in effect for the half-year ended 31 December 2018 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 2 January 2019 if they were to apply to the interim distribution for 2018/19. Forms received after that time will be effective for subsequent distributions only.

Units allocated under the DRP in respect of the interim distribution for 2018/19 will be allocated at $3.65 per unit, representing no discount to the average of the daily volume weighted average unit price for the 20 consecutive trading days from and including 4 January 2019 to 1 February 2019.

Commentary on the results for the period

The commentary on the results for the period is contained in the ASX release dated 6 February 2019 accompanying this statement.

This report should be read in conjunction with the most recent annual financial report of the Trust and any announcements made during 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.

For further information please contact:

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ASX release

6 February 2019

HALF-YEAR RESULTS TO 31 DECEMBER 2018

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 2018.

Half-year highlights

> Distributable amount of $57.4 million for the six months – up 1.7 per cent on the previous corresponding period
> Interim distribution of 8.93 cents per unit – up 1.7 per cent on the previous corresponding period
> Like-for-like rental growth of 2.5 per cent for the 12 months to 31 December 2018
> Weighted average lease expiry of 4.3 years as at 31 December 2018 with 99.1 per cent leased
> Gearing (debt/total assets) 18.4 per cent as at 31 December 2018
> Weighted average cost of debt of 4.3 per cent for the six month period
> $2.4 billion portfolio valuation as at 31 December 2018
> Net tangible assets of $2.89 per unit as at 31 December 2018

Results summary

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

1. FY17/18 includes realised gain on disposal of investment properties of $2.5 million.
2. Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

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

Finance costs of $10.0 million were 10.5 per cent lower than the previous corresponding six months, due to a lower weighted average cost of debt and lower borrowing levels. The weighted average cost of debt for the half-year (finance costs as a percentage of average borrowings) was 4.31 per cent, compared to 4.65 per cent for the previous corresponding period. The average level of borrowings was 3.2 per cent lower than the previous corresponding period ($460.8 million compared with $476.3 million). Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was higher than for the previous corresponding period (83.0 per cent compared with 77.5 per cent).

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

For the half-year the Trust reported a distributable amount of $57.4 million, an increase of 1.7 per cent on the previous corresponding period, primarily due to increased property revenue from rental increases and lower borrowing costs during the period.

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

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

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

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

This increase was largely due to the net unrealised gains on revaluation of investment properties (refer to the Revaluations section).

Capital Expenditure

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

Completion of repositioning of ex-Bunnings Warehouse Mentone, Victoria

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

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

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

Divestments

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

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

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

Capital Commitments

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

Occupancy and Average Lease Expiry

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

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

Annual Escalations
Forty six of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for these leases was 2.5 per cent.

Market Rent Reviews
The market rent reviews that were due for three Bunnings Warehouses during the year ended 30 June 2018 and four that were due during the six months to 31 December 2018 are still being negotiated and remain unresolved. The market rent reviews completed during the half-year are shown in the following table.

Property location	Passing rent ($ pa)	Market review ($ pa)	Effective date
Artarmon, NSW[1,2]	1,705,451	1,705,451	9-Feb-18
Fyshwick, ACT[1,3]	1,233,359	1,233,359	24-Dec-17

[1] The market rent review was due during the year ended 30 June 2018, but the outcome of the negotiation was only completed during the current financial year.

[2] The parties have agreed to waive the subsequent two CPI annual escalations in February 2019 and 2020.

[3] As part of the market rent review agreement, Bunnings has committed to an additional two years with the lease now expiring in December 2024 and the Trust has given Bunnings a five year option from that date.

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

The unresolved market reviews at 31 December 2018 are not included in the calculation of like-for-like rental growth for the year.

Revaluations
During the half-year, the Trust's entire investment property portfolio was revalued. Property revaluations were performed by independent valuers for 11 properties during the period. The remaining 66 properties were subject to directors' revaluations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2018 was 6.40 per cent (30 June 2018: 6.48 per cent; 31 December 2017: 6.50 per cent).

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

Capital Management

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

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

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

Outlook

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

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

For any properties vacated, or to be vacated by Bunnings, there are a number of possibilities for their future use. All are considered. Most often, the focus is on re-leasing the existing building as is, or it may involve reconfiguring the building before leasing it. In some cases, the focus might be directed at rezoning certain properties for their highest and best use. Alternatively, if properties are considered to have reached their valuation potential for the Trust's purposes, they may be sold.

For the second half of the financial year the Trust expects to maintain distribution growth at 1.7 per cent. Capital profits will be utilised to support distributions if required during this transition period.

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