bwp TRUST

2019 Annual Report

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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

Contents

Important Notice

This report contains statements regarding the future ("forward-looking statements") and statements of belief or opinion ("assumptions"). Words such as "believe", "consider", "could", "expect", "estimate", "likely", "may", "objective", "should", "plan", "target", and other similar expressions are intended to identify forward-looking statements or assumptions. While due care and attention has been used in preparing this report and the information it contains, forward-looking statements and assumptions are not guarantees of future performance or outcomes. Forward-looking statements and assumptions involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the responsible entity and which may cause actual performance and outcomes to differ materially from those expressed or implied by the statements. Before making an investment decision or acting on the information in this report, you should make your own enquiries and seek your own professional advice as to the application of the information provided in this report to your particular investment needs, objectives and financial circumstances.

About us

Established and listed on the Australian Securities Exchange ("ASX") in 1998, BWP Trust ("BWP" or "the Trust") is a real estate investment trust investing in and managing commercial properties throughout Australia.

The majority of the Trust's properties are well located large format retailing properties, in particular, Bunnings Warehouses, leased to Bunnings Group Limited ("Bunnings"). Bunnings is the leading retailer of home improvement, outdoor living and lifestyle products in Australia and New Zealand, and a major supplier to project builders, commercial trades people, and the housing industry. The Trust is managed by an external responsible entity, BWP Management Limited ("the responsible entity") which is appointed under the Trust's constitution and operates under an Australian Financial Services Licence.

The responsible entity is solely committed to managing the Trust and is paid a quarterly fee based on the gross assets of the Trust.

Both Bunnings and the responsible entity are wholly-owned subsidiaries of Wesfarmers Limited ("Wesfarmers"), one of Australia's largest listed companies. Wesfarmers, through one of its subsidiaries, also owns approximately 24.75 per cent of the issued units in the Trust.

About this report

This annual report is a summary of the Trust's operations, activities, and financial position as at 30 June 2019. Readers should refer to the details provided throughout this Annual Report and on the Trust's website for additional information.

BUNNINGS
Mile End, SA

Chairman's message

On behalf of the Board of directors of BWP Management Limited, the responsible entity for BWP Trust, it is my pleasure to present the Trust's annual report for the financial year ended 30 June 2019.

Over the last 12 months the Trust has been operating in a domestic economy characterised by low inflation, reducing interest rates, and a slowing housing market.

Capital has continued to flow into the Australian commercial property sector and to Australian listed real estate investment entities, providing ongoing support for asset valuations and unit price performance. For the year ended 30 June 2019, the assessed valuation of the Trust's property investment portfolio increased by $53.4 million, a 1.8 per cent increase over the prior year. The Trust generated a total unitholder return of 19.3 per cent for the year, and for the ten years ended 30 June 2019, generated a total unitholder return of 15.5 per cent per annum.

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 BWP divested and settled four properties vacated by Bunnings for a total amount of approximately $72 million.

The Trust pays out 100 per cent of distributable income every six months. Divestments and the repositioning of vacated properties can impact the amount of distributable income available in any particular reporting period.

For the year ended 30 June 2019, BWP has reported a full-year distribution of 18.11 cents per unit, an increase of 1.7 per cent on the previous year. In addition, BWP has announced a special distribution of 1.56 cents per unit in conjunction with the property divestments that occurred during the year.

While BWP 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.

We know from 21 years of investment history that BWP creates value by;

1. buying assets on attractive yields,
2. owning assets with long duration of occupancy with key customers such as Bunnings, and
3. focusing on well located property.

These factors continue to be core in the assessment of investment opportunities by BWP.

BUNNINGS
Wollongong, NSW

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 energy efficiency of the Trust's property portfolio has continued to improve with 86 per cent of the portfolio with LED lighting in one or more of the car park, nursery trading area, canopy trading area, or in the main store. Solar power generation is now installed in 13 properties in the portfolio.

For the 2020 financial year, demand for Bunnings Warehouse properties is expected to remain stable, unless a major risk event impacts valuations or liquidity in the property sector. The current low inflation and interest rate environment could continue for some time, resulting in lower rental growth for inflation linked leases in the portfolio. Portfolio growth is expected to remain challenging in this environment.

We will remain focused on long-term value creation, improving the returns from our existing properties where there is opportunity to do so, growing the portfolio when it makes financial sense to do so, and by maximising the alternative use potential of properties in the portfolio.

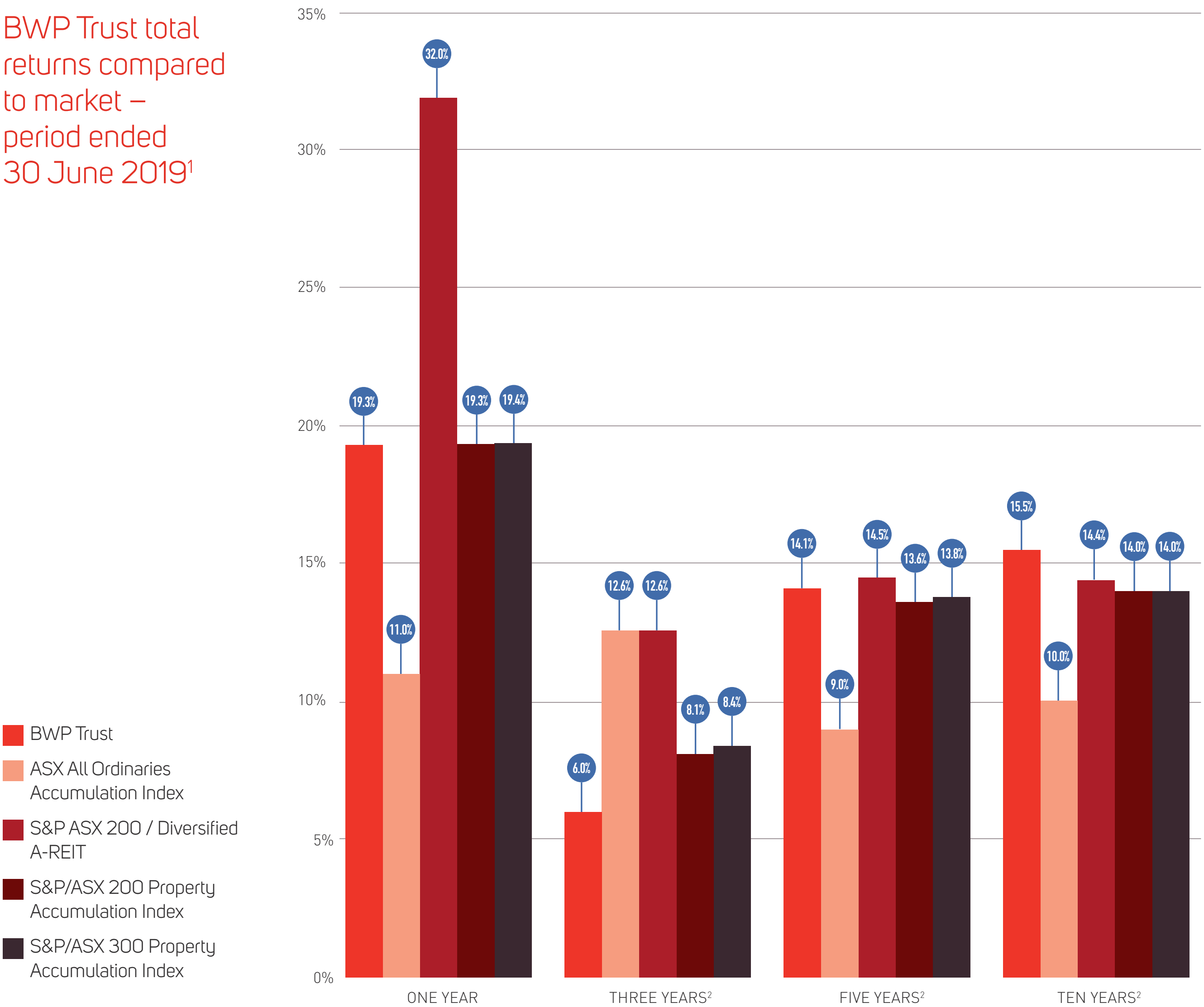
In closing, I would like to express my appreciation to my fellow directors and management for their efforts during the year and thank our unitholders for their continued support of the Trust.

Erich Fraunschiel
Chairman
BWP Management Limited

2018/19 results 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

BWP Trust total returns compared to market – period ended 30 June 2019[1]



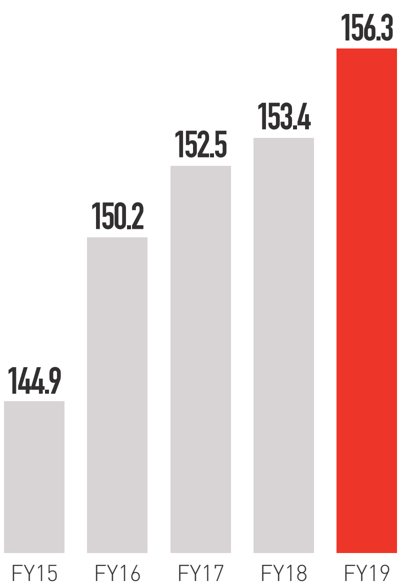
[1] Total returns include distributions and movement in price (assumed distributions are reinvested). Source: UBS Australia
[2] Annual compound returns.

Financial summary

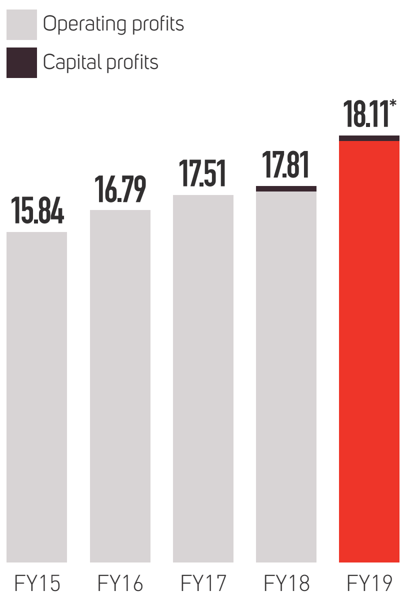
Year ended 30 June		2019	2018	2017	2016	2015
Total income	$m	**156.3**	153.4	152.5	150.2	144.9
Total expenses	$m	**(40.3)**	(40.2)	(40.0)	(42.3)	(43.3)
Profit before gains in fair value of investment properties	$m	**115.9**	113.2	112.5	107.9	101.6
Gains in fair value of investment properties	$m	**53.4**	69.9[1]	111.3	202.6	108.5
Net profit	$m	**169.4**	183.1	223.8	310.5	210.1
Less: gains in fair value of investment properties	$m	**(53.4)**	(69.9)[1]	(111.3)	(202.6)	(108.5)
Capital profits released from undistributed income reserve	$m	**0.5[2]**	1.2	-	-	-
Distributable profit	$m	**116.4**	114.4	112.5	107.9	101.6
Distribution per ordinary unit	interim cents	**8.93**	8.78	8.63	8.29	7.67
	final cents	**9.18**	9.03	8.88	8.50	8.17
	total cents	**18.11**	17.81	17.51	16.79	15.84
Special distribution per unit	cents	**1.56[2]**	-	-	-	-
Tax advantaged component[3]	%	**-**	15.55	22.29	25.44	18.27
Total assets	$m	**2,382.3**	2,369.5	2,312.8	2,200.5	2,018.0
Borrowings	$m	**412.7**	457.6	471.1	472.3	485.4
Unitholders' equity	$m	**1,874.6**	1,833.0	1,762.1	1,645.4	1,441.8
Gearing (debt to total assets)	%	**17.3**	19.3	20.4	21.5	24.1
Number of units on issue	m	**642**	642	642	642	642
Number of unitholders		**20,667**	23,694	23,158	24,021	24,374
Net tangible asset backing per unit	$	**2.92**	2.85	2.74	2.56	2.24
Unit price at 30 June	$	**3.68**	3.25	2.98	3.64	3.06
Management expense ratio[4] (annualised)	%	**0.62**	0.60	0.60	0.64	0.65

Figures above are 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 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.

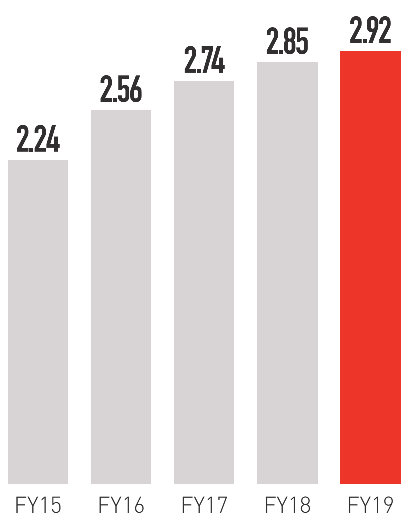
TOTAL INCOME
($ m)



DISTRIBUTION PER UNIT
(cents)



NET TANGIBLE ASSET BACKING
($ per unit)



* DPU total of 18.11 cents excludes the 1.56 cents special distribution.

Business approach

BWP Trust aims to provide unitholders with a secure and growing income stream and long-term capital growth. This is achieved through strong alignment with, and by supporting the ongoing property needs of its customers, and the local communities where it owns real estate.

The Trust's main source of income is the rent paid by Bunnings and other customers for leasing their respective premises from the Trust. Rent is generally based on the area of the property leased by the customer, and does not have reference to the customer's turnover at the premises. Growth in rental income typically comes from acquiring additional leased properties and from increases in rent from existing properties. Rents from existing properties grow as a result of annual rent increases and periodic market reviews in accordance with the lease. Rental growth may also occur with upgrades to existing properties, which increase the lettable area.

The main items of expense for the Trust are borrowing costs and the fee paid to the responsible entity for managing the Trust. The amount of borrowing costs relate to the level of borrowings the Trust has from time to time, and the interest rates and funding costs associated with those borrowings.

The level of management fee paid by the Trust depends on the value of the gross assets of the Trust over the period.

The Trust's assets are predominantly comprised of its investment properties. Investment properties are revalued every six months to their fair value based on market conditions and the circumstances of each particular property. Changes in the fair value of properties as a result of revaluations are recorded as an unrealised revaluation gain or loss for the period and do not affect distributable profit. Borrowings to fund investment in properties are the Trust's largest liability and typically represent 20 to 30 per cent of the value of the Trust's total assets.

As required by the Trust's constitution, the Trust distributes all its "profit attributable to unitholders of BWP Trust" as per the statutory accounts every six months, excluding unrealised movements in the fair value of investment properties, as well as other items as determined by the directors. In addition, at the directors' 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.

Investment criteria

PREFERRED PROPERTY ATTRIBUTES

- ☑ Significant catchment area
- ☑ Visible and accessible from a major road, highway or freeway
- ☑ Ready vehicle access and ample on-site parking
- ☑ Long-term occupancy and/ or higher and better use potential
- ☑ Leases to businesses with strong financial and value creation attributes
- ☑ Geographic diversity
- ☑ Yield commensurate with risk

OUR CORE VALUES

RESPECTFUL	RESPONSIBLE	RESOURCEFUL
We seek mutually beneficial relationships with all stakeholders	**We are professional, honest and transparent in how we operate**	**We value simplicity and we focus on achieving effective and sustainable outcomes**
We treat others as we expect to be treated We are committed to having a safe and inclusive work environment	We are accountable for our actions We operate within the law	We make the most of opportunities We are financially focussed and make decisions based on what creates value

Investment themes

LARGE FORMAT RETAILING PROPERTY OWNERSHIP – HOME IMPROVEMENT / BUNNINGS FOCUS

Status as at 30 June 2019

> 241 hectares of land

> 75 properties

> 90 per cent of income from Bunnings

> 95 per cent of non-Bunnings income from national tenants.

Priorities

> Core portfolio of Bunnings Warehouse properties that meet Bunnings' business model requirements, with annual rent increases and long duration of occupancy

SUSTAINABLE PORTFOLIO RETURNS SUPPORTED BY BALANCE SHEET FLEXIBILITY

Status as at 30 June 2019

> 10.6 per cent annualised portfolio return on capital

> 17.3 per cent gearing

Priorities

> Focus on long-term value creation by re-investing in and growing the core portfolio of Bunnings Warehouse properties, and from maximizing the alternative use prospects of a number of properties in the portfolio

PROPERTY LOCATION ATTRIBUTES

Status as at 30 June 2019

> 79 per cent metropolitan

> 21 per cent regionally located property

> 41 per cent of metropolitan properties within 20 kms of a central business district ("CBD")

Priorities

> Well-located properties in local communities, accessible, adjacent to other retail/ community facilities

> Re-zoning

> Home improvement, supermarkets, activity/ experiences, residential, healthcare

Drivers of returns

ANNUAL RENTAL GROWTH

Status as at 30 June 2019

> Approximately 57 per cent of the Trust's rental income is subject to CPI adjustments

> 43 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review

Priorities

> Continue to focus on market rent review outcomes

WELL PRICED ACQUISITIONS AND RE-INVESTMENT

Status as at 30 June 2019

> No acquisition opportunities met risk adjusted return requirements during the year

Priorities

> Re-investment in existing portfolio, and acquisitions as and when it makes commercial sense to do so

COST OF FUNDING

Status as at 30 June 2019

> S&P A- and Moody's A3 rating re-affirmed

> New $100 million seven-year medium term note (bond) issued in April 2019

> Bank debt facility of $135 million with Westpac Banking Corporation extended for a further year to April 2022

Priorities

> Continue to diversify funding and extend duration of debt

Long-term value creation

PRO-ACTIVE MANAGEMENT OF EXISTING PROPERTIES

Status as at 30 June 2019

> Portfolio 97.4 per cent leased

> Two properties in the process of being divested

> Two properties are being repositioned for large format retail

> One property is being repositioned for multi-tenanted industrial

> Two properties being re-zoned for higher and better use

Priorities

> Continue to optimise the value of all properties in the portfolio

PORTFOLIO GROWTH

Status as at 30 June 2019

> Reviewed a number of acquisition opportunities during the year, none met return hurdle requirements

Priorities

> Acquisitions as and when value can be created

EFFECTIVE MANAGEMENT OF THE TRUST AND ITS CAPITAL

Status as at 30 June 2019

> Ten year average total unitholder return of 15.5 per cent per annum

Priorities

> Secure and growing income stream

> Long-term capital growth

Managing Director's report

The Trust achieved like-for-like rental income growth of 2.3 per cent for the year after taking into account the average inflation on CPI linked leases of 1.9 per cent.

Financial results

INCOME AND EXPENSES

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. The average level of borrowings was 2.6 per cent lower than the previous year ($458.3 million compared with $470.6 million).

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

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 (see revaluations section in Our property portfolio) 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.

FINANCIAL POSITION

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). Details of investment properties are contained in the Our property portfolio section at pages 16 to 21.

BUNNINGS
Springvale, VIC

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.

DISTRIBUTION TO UNITHOLDERS

The Trust pays out 100 per cent of distributable profit each period, in accordance with the requirements of the Trust's constitution.

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 distributions 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.

Capital management

The Trust is committed to maintaining a strong investment grade rating (currently A-/Stable by Standard & Poor's and A3/Stable by Moody's) through appropriate capital and balance sheet management.

DEBT FUNDING

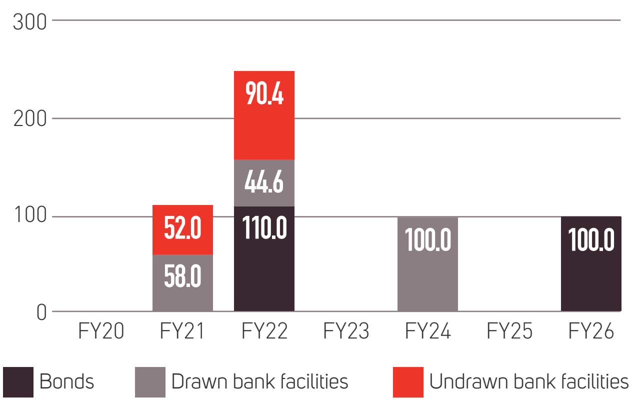
The Trust's debt facilities as at 30 June 2019 are summarised below:

	Limit $m	Amount drawn $m	Expiry date
Bank debt facilities			
Commonwealth Bank of Australia	110.0	58.0	31 July 2020
Westpac Banking Corporation	135.0	44.6	30 April 2022
Sumitomo Mitsui Banking Corporation	100.0	100.0	20 May 2024
Corporate bonds			
Fixed term five-year corporate bond	110.0	110.0	11 May 2022
Fixed term seven-year corporate bond	100.0	100.0	10 April 2026
Total	**555.0**	**412.6**	

Managing Director's report (continued)

DEBT MATURITY PROFILE AS AT 30 JUNE 2019

Volume ($m)



INTEREST RATE RISK MANAGEMENT

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 of 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.

GEARING

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 REINVESTMENT PLAN

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

Operating environment

As at 30 June 2019, approximately 90 per cent of the Trust's annual rental income was from Bunnings and therefore the Trust's earnings are linked to the ongoing success of the Bunnings business and the strength and direction of the underlying home improvement, outdoor living and lifestyle markets.

Bunnings is focused on long-term value creation with a consistent strategy for growth based on the strategic pillars of: lowest prices, widest range and best service.[1]

As at 31 December 2018, Bunnings had a network of approximately 265 Bunnings Warehouse stores across Australia and New Zealand, around 75 smaller format stores and 32 trade centres.[2]

For the six month period ended 31 December 2018, Bunnings Australia and New Zealand reported revenue of $6.9 billion, up 5.2 per cent on the previous corresponding period.[3]

At the recent Wesfarmers Strategy Briefing Day, Bunnings outlined its strategies for the next 12 months which are focused on:

1. Building a stronger offer: in terms of value offered to customers, new and expanded services, easier and innovative DIY, a wider and more localised range, and improving the physical store network
2. Accelerating trade growth: in terms of the range, relationships with trade customers, services, channels to market, and omni-channel
3. Data and digital: with a focus on full omni-channel capabilities, more content to inspire and teach DIY, and stronger analytics capabilities.[4]

HOME IMPROVEMENT, OUTDOOR LIVING AND LIFESTYLE MARKET

Bunnings estimates the size of its addressable market in home improvement, outdoor living and lifestyle in Australia to be sales of $78 billion per annum.[5]

A number of factors drive the growth of the home improvement, outdoor living and lifestyle market including: household disposable income, renovation activity, housing churn, value and formation, weather, lifestyle and demographic trends and technology.

The market accounts for both consumer and commercial customer demand and includes: hardware and fixings, tools, plumbing, building materials and supplies, garden and landscaping supplies, lighting, paint, kitchen, laundry and bathroom supplies, gas appliances, floor and window coverings, outdoor furniture, storage and housewares. There is a wide array of competitors operating from a variety of different formats including: category specialists in plumbing, electrical, lighting, timber and garden supplies; hard goods mass merchants, traditional hardware retailers, suppliers direct-to-market, home improvement products sold in discount department stores and supermarkets, and large format home improvement retailers.

[1] Source: Wesfarmers Strategy Briefing Day, 13 June 2019, page 25.
[2] Source: Wesfarmers half-year report to 31 December 2018, 20 February 2019, page 48.
[3] Source: Wesfarmers half-year report to 31 December 2018, 20 February 2019, page 11.
[4] Source: Wesfarmers Strategy Briefing Day, 13 June 2019, page 27.
[5] Source: Wesfarmers Strategy Briefing Day, 13 June 2019, page 26.

RETAILING MARKET AND TRENDS

The Trust's customers are predominantly sellers of retail goods or services in the home improvement, outdoor living and lifestyle, office supplies, outdoor leisure, automotive sales, and electrical and small appliances categories. Economic, technological, demographic and other trends that affect retailing generally, or certain aspects of retailing, may impact our customers from time to time. While the Trust's rental income is not directly linked to the sales turnover of the retailers, difficult retailing conditions or structural changes in retailing can impact on the demand for retailing space, affecting market rents, and in some cases may affect the longer term viability of some retailers.

Retailing continues to evolve rapidly, in line with changing customer needs, and also changes in technology, online trading, supply chains and sourcing. Bunnings operates in the structurally attractive Australian home improvement, outdoor living and lifestyle market, which is underpinned by high home ownership levels. The Bunnings business model has proven over a long period of time its resilience and ability to evolve in the face of changing market conditions.

The quality of the Trust's property investment portfolio, with its large, prominently located sites, with good accessibility and adjacency to other retail and community facilities, means that generally these should continue to be preferred locations for retailing or provide potential longer term alternative uses.

Risk considerations

The Trust has a culture of balancing the commercial imperative of delivering a sustainable return to unitholders, with a strong focus on compliance and risk management, to meet the requirements of all stakeholders. The Trust is subject to high levels of regulatory oversight, in part because of the "related party" characteristics of the ownership structure, and the ASIC Australian Financial Services ("AFS") licencing aspects of its underlying business/structure. The processes and systems required to support the compliance regime are an important aspect of the Trust's approach to risk management, providing transparency and oversight at an operational level in the business. These are set out in a Compliance Plan, which is reviewed annually by the Board.

The key risk considerations are summarised below. The Trust does not consider there to be other specific social risks to which it is exposed, but remains vigilant in terms of broader retailing trends, and the business direction of its major customers.

FINANCIAL RISKS

The Trust is well positioned from a financial risk perspective with the majority of its counter party exposure to Wesfarmers Limited (A- S&P rating, A3 Moody's rating). The Trust's assets comprise a geographically diverse portfolio of large format retail properties, generally with long-term leases in place, 97.4 per cent leased at 30 June 2019 with a portfolio WALE of 4.4 years.

The Trust's capital structure (preferred gearing range 20 to 30 per cent) takes into account the dynamics of the property investment portfolio, and the lease terms of each asset. The Trust actively seeks to diversify its sources of debt funding, currently through two domestic banks, one international bank and via the domestic medium term note market.

As at 30 June 2019, the Trust had a portfolio of 75 properties, limiting the financial impact of vacancies or decline in rent for any particular property. The key economic risk for the Trust relates to interest rate movements, the impact of this on property capitalisation rates, and the cost of debt funding. All investment proposals are evaluated in relation to longer term return objectives, which take into account interest rate cycles. The interest rate impact on debt funding is managed with Board approved levels of interest rate hedging.

CLIMATE-RELATED AND ENVIRONMENTAL RISKS

The geographic diversity of the Trust's property portfolio limits its exposure to periodic localised climate related environmental events, such as flood and fire. The Trust reviews each property annually from a climate related risk perspective.

The Trust is currently reviewing management practices and disclosure with reference to the Task Force on Climate-related Financial Disclosure ("TCFD") Recommendations.

The Trust undertakes detailed due diligence on property acquisitions to fully understand levels of site contamination, as well as potential for exposure to climate related events, prior to committing to purchase.

SOCIAL SUSTAINABILITY RISKS

The Trust recognises the significant importance of ensuring that people's health and safety is not put at risk by its activities and operations. It has in place policies and practices to help identify health and safety risks and to manage those risks appropriately.

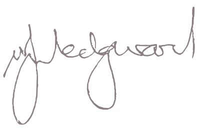
The responsible entity is currently engaging and working with suppliers to assess any exposure that the Trust might have to Modern Slavery risks.

CYBER RISKS

Cyber security is a rapidly evolving risk consideration, and is assessed by the Trust in terms of awareness of and preparedness for potential security breaches, and capability to respond. The Trust does not have critical information, safety critical automated systems, services vital to the national infrastructure or revenue linked to online transactions, for which a cyber security breach could be detrimental to its ongoing operations. The Trust's primary exposure is limited to potential data breaches at various service providers. In this regard, the Trust engages with key service providers to ensure the risk of a data breach is minimised.

BWP's operations

Further information regarding the operations of the Trust is included in the Outlook, Our property portfolio, and Sustainability sections on pages 14 to 23.



Michael Wedgwood
Managing Director
BWP Management Limited

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.

Economic and property market conditions

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 Australian 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 adjustment, 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.

Home improvement retail sector performance and growth

The strength and outlook for the home improvement, outdoor living and lifestyle market in Australia and the ongoing financial success of the Bunnings business is important for the future financial performance of the Trust.

Bunnings is continuing to deliver solid organic growth, with 4.0 per cent like-for-like sales growth for the six month period ended 31 December 2018[1] reflecting the strength of its Australian and New Zealand business model and the home improvement, outdoor living and lifestyle market in general. It is also continuing to expand its network in Australia reflecting its ongoing confidence in its business.

[1] Source: Wesfarmers 2019 half-year results briefing presentation, 21 February 2019, page 22.

BUNNINGS
Rydalmere, NSW

Our property portfolio

As at 30 June 2019 the Trust owned 75 investment properties, all within Australia, with a total value of $2.4 billion and a weighted average lease expiry of 4.4 years.

Portfolio at a glance

	2019	2018	2017	2016	2015
Bunnings Warehouses	62	68	71	71	72
Bunnings Warehouse with other showrooms	7	8	8	8	8
Large format retail showrooms	4	1	1	2	1
Vacant properties	2	2	-	-	-
Industrial properties	-	-	-	-	1
Total BWP portfolio	75	79	80	81	82
Annual capital expenditure	$19.1m	$4.2m	$2.4m	$13.5m	$118.9m

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 to the above, 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.

Developments

COMPLETION OF REPOSITIONING OF PROPERTY AT MENTONE, VICTORIA

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

On completion of the repositioning, the Trust and related party Officeworks Limited ("Officeworks") entered into a 10 year lease with three, five year options, exercisable by Officeworks. The commencing annual rental of $1.8 million will increase annually by the CPI but not more than 3.5 per cent. At the end of the initial term and at the exercise of each option by Officeworks, the rent is subject to a market review. Market rent reviews are subject to a 10 per cent cap, meaning the rent cannot increase more than 10 per cent above the preceding year's rent, and a 10 per cent collar, meaning that the rent cannot fall more than 10 per cent below the preceding year's rent.

COMPLETION OF REPOSITIONING OF PROPERTY AT MANDURAH, WESTERN AUSTRALIA

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

Approximately 70 per cent of the property is leased to Amart Furniture and Snooze, with ongoing negotiations with national retailers to lease the remaining two tenancies.

Capital improvements

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.

Capital commitments

AGREEMENT TO EXPAND BUNNINGS WAREHOUSE VILLAWOOD, NEW SOUTH WALES

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. The annual rental will increase by approximately $0.2 million. Following completion of the expansion expected in October 2019, the parties will enter into a new seven year lease with four, five year options, exercisable by Bunnings. The rent will increase by a fixed three per cent per annum. At the end of the initial term and at the exercise of each option by Bunnings, the rent is subject to a market review. Market rent reviews are subject to a 10 per cent cap, meaning the rent cannot increase more than 10 per cent above the preceding year's rent, and a 10 per cent collar, meaning that the rent cannot fall more than 10 per cent below the preceding year's rent.

REPOSITIONING OF EX-BUNNINGS WAREHOUSE AT HOXTON PARK, NEW SOUTH WALES

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.

Prior to the commencement of construction, Bunnings paid the Trust a fee of $2.15 million to surrender its lease early in lieu of its lease commitment of rent and outgoings totalling $3.8 million to lease expiry in October 2020. The early surrender allowed the Trust to commence construction and negate the risk of a number of committed customers finding alternative premises.

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.

Annual escalations

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.

Market rent reviews for Bunnings Warehouse 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.

The market rent reviews completed during the year are shown in the following table.

BUNNINGS MARKET RENT REVIEW RESULTS SUMMARY

Property location	Passing rent ($ pa)	Market review ($ pa)	Effective date
Fyshwick, ACT[1,2]	1,233,359	1,233,359	24-Dec-17
Artarmon, NSW[1,3]	1,705,451	1,705,451	9-Feb-18
Southport, QLD[4]	1,774,646	1,750,000	10-Nov-18
Total	**4,713,456**	**4,688,810**	

1 The market rent review was due during the year ended 30 June 2018, but the outcome of the negotiation was completed during the current financial year.
2 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.
3 The parties have agreed to waive the subsequent two CPI annual escalations in February 2019 and 2020.
4 The market rent review was determined by an independent valuer.

LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired, upgraded or vacated and re-leased during or since the previous corresponding period, rental income increased by approximately 2.3 per cent for the 12 months to 30 June 2019 (compared to 2.4 per cent for the 12 months to 30 June 2018, amended from 2.5 per cent to take into account market rent reviews finalised post year end).

The nine unresolved market reviews at 30 June 2019 are not included in the calculation of like-for-like rental growth for the year.

Occupancy

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. These properties are highlighted in the portfolio rental summary that follows. 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.

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 $71.7million.

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).

NUMBER OF PROPERTIES

Australian Capital Territory	2
New South Wales	16
Queensland	19
South Australia	2
Victoria	20
Western Australia	16
Total	**75**

BUNNINGS
Morayfield, QLD

Our property portfolio

GROSS LETTABLE AREA BY STATE

ACT	2%
VIC	27%
SA	3%
WA	22%
NSW	20%
QLD	26%

ASSET VALUE BY STATE

ACT	2%
VIC	32%
SA	3%
WA	17%
NSW	20%
QLD	26%

19
Locations
Total Land Area: 63.9 ha
QUEENSLAND

18
Locations
Total Land Area: 55.6 ha
NEW SOUTH WALES & AUSTRALIAN CAPITAL TERRITORY

20
Locations
Total Land Area: 68.7 ha
VICTORIA

16
Locations
Total Land Area: 46.9 ha
WESTERN AUSTRALIA

2
Locations
Total Land Area: 5.9 ha
SOUTH AUSTRALIA

75
Locations
Total Land Area: 241.0 ha
TOTAL

NEW SOUTH WALES

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Artarmon	5,746	1,705	28,500
Belmont North[4]	12,640	1,211	9,000
Belrose	8,888	2,112	35,300
Dubbo	16,344	1,582	22,600
Greenacre	14,149	2,785	44,600
Hoxton Park[7]	26,508	1,297	38,800
Lismore	9,892	1,382	24,000
Maitland	12,797	1,452	19,400
Minchinbury	16,557	2,901	52,700
Port Macquarie[4]	8,801	1,034	11,000
Rydalmere	16,645	3,258	62,000
Thornleigh	5,301	1,420	23,600
Villawood	10,886	1,739	27,800
Wagga Wagga	13,774	1,520	21,700
Wallsend	16,863	2,155	35,900
Wollongong	10,811	1,470	22,700
Total	**206,602**	**29,023**	**479,600**

WESTERN AUSTRALIA

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Albany[3,4]	13,660	905	8,700
Australind	13,700	1,407	23,400
Balcatta	25,439	2,337	40,600
Belmont	10,381	1,583	25,300
Bibra Lake	14,141	1,758	29,300
Cockburn	12,839	1,773	28,400
Ellenbrook	15,337	1,988	33,100
Geraldton	17,874	1,319	18,800
Harrisdale	17,124	2,413	37,500
Joondalup	13,358	1,150	15,900
Mandurah	8,662	1,343	20,200
Midland	13,694	1,858	18,200
Mindarie[4]	14,479	1,706	18,100
Morley[4]	9,852	1,464	16,900
Port Kennedy	11,675	1,666	24,700
Rockingham	15,188	2,128	35,500
Total	**227,403**	**26,798**	**394,600**

VICTORIA

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Bayswater	17,677	2,492	40,800
Broadmeadows	12,765	2,007	32,000
Caroline Springs	14,319	1,837	29,400
Coburg	24,728	4,988	66,700
Craigieburn	16,764	1,722	28,700
Croydon	13,292	1,977	35,900
Fountain Gate	12,624	1,760	29,300
Frankston	13,843	2,120	35,000
Hawthorn	7,462	3,337	51,000
Maribyrnong	17,550	2,859	54,500
Mentone	8,271	2,276	30,200
Mornington	13,324	1,760	29,300
Northland	13,006	2,003	33,400
Nunawading[5]	14,766	2,493	46,900
Pakenham	14,867	2,056	31,400
Port Melbourne	13,846	2,160	45,500
Scoresby	12,515	1,943	31,100
Springvale	13,458	2,145	38,800
Sunbury	15,270	1,926	33,500
Vermont South	16,634	2,269	36,300
Total	**286,981**	**46,130**	**759,700**

AUSTRALIAN CAPITAL TERRITORY

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Fyshwick[6]	6,648	1,264	24,000
Tuggeranong	11,857	1,848	30,800
Total	**18,505**	**3,112**	**54,800**

SOUTH AUSTRALIA

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Mile End	15,065	2,505	43,600
Noarlunga	14,784	1,582	24,300
Total	**29,849**	**4,087**	**67,900**

QUEENSLAND

Suburb (As at 30 June 2019)	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Arundel	15,676	2,458	39,800
Bethania	13,494	1,999	31,700
Brendale	15,035	2,114	38,400
Browns Plains	18,398	3,213	44,800
Cairns[7]	12,917	-	9,000
Cannon Hill	16,556	2,549	43,300
Fairfield Waters	13,645	1,761	25,200
Gladstone	21,516	3,509	43,100
Hervey Bay	11,824	1,325	17,100
Manly West	13,021	2,307	38,700
Morayfield	12,507	1,895	29,500
Mount Gravatt	11,824	1,366	18,400
North Lakes	18,861	2,805	48,300
Rocklea	14,403	2,173	35,100
Smithfield	13,094	1,647	23,600
Southport	12,431	1,750	27,200
Townsville North	14,038	1,791	28,800
Underwood[7]	12,245	-	16,400
West Ipswich	14,977	2,561	43,200
Total	**276,462**	**37,223**	**601,600**

TOTAL

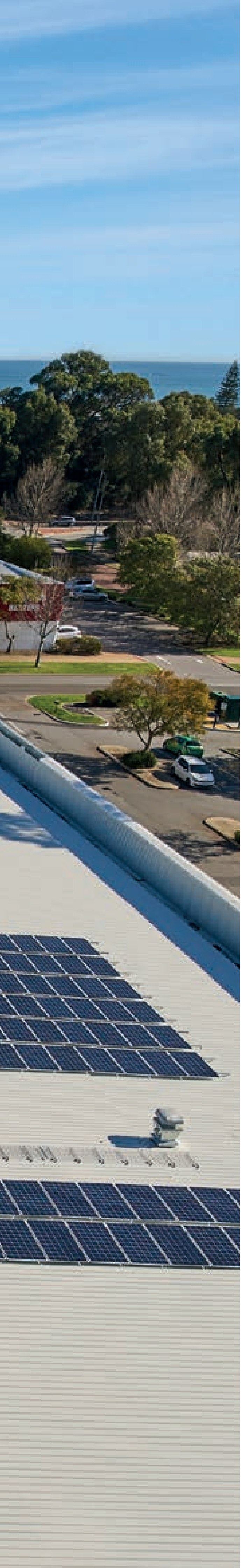
	Gross lettable area[1] sqm	Annual rental[2] $000	Value $000
Grand Total	**1,045,802**	**146,373**	**2,358,200**

Note: Totals and Grand Total adjusted for rounding

1 For Bunnings Warehouses, this comprises the total retail area of the Bunnings Warehouse
2 Annual rental figures do not include access fees detailed below
3 Includes adjoining land (1.2 hectares) for which Bunnings Group Limited pays the Trust an access fee of $211,882 per annum
4 Sites that Bunnings has or is in the process of vacating, that are still leased to Bunnings
5 Includes adjoining properties (0.1 hectares) for which Bunnings Group Limited pays the Trust an access fee of $126,935 per annum
6 Includes adjoining property (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of $301,020 per annum
7 Vacant property which is no longer leased to Bunnings

BUNNINGS
Mile End, SA

LARGE FORMAT CENTRE
Mandurah, WA



Sustainability

The Trust is committed to acting responsibly and ethically, and operating its business in a manner that is sustainable. During the year, the Trust continued to focus on the energy efficiency of our properties and the replacement of ozone depleting air conditioning units in some of the older properties.

The Trust's approach takes into account the size and nature of the Trust's operations and the relatively modest actual or potential impacts on the environment and society.

Environmentally, the Trust's ownership and management of established commercial property is considered to be low in intensity in terms of emissions, waste, and use of energy and materials, and low impact on biodiversity.

Social and governance impacts are limited due to the passive nature and localised scope of the Trust's operations and the regulated environment in which it operates.

Further detail on the Trust's approach to sustainability is available in the Sustainability section, under the **About Us** tab, of the Trust's website.

Key sustainability actions

PROPERTY IMPROVEMENTS

PROGRESS DURING THE YEAR

> A further five air conditioning units were replaced to phase out ozone depleting refrigerant models and initiatives introduced to improve efficiency of air conditioning units. New non ozone depleting refrigerants were also retrofitted into larger AC systems in three stores owned by the Trust

> New energy efficient LED lights were installed internally in eight stores. As at 30 June 2019, 86 per cent of the Trust owned stores had LED lighting in one or more of the car park, nursery trading area, canopy trading area, or in the main store

> Solar power generation was installed at one property, bringing the total installations to 13

> 92 per cent of the Trust-owned stores have in place water tanks for the recycling of roof collected rainwater

PRIORITIES

> Continue programme for phasing out ozone depleting air conditioning

> Continue to work with our major customers to roll out energy efficient LED lighting into existing properties, as and when appropriate, and also to install roof based solar panels on buildings where the energy saving benefits are significant

CUSTOMER AND SUPPLIER ENGAGEMENT

PROGRESS DURING THE YEAR

> Continued dialogue with Bunnings regarding its sustainability initiatives, particularly in relation to reducing energy consumption through the upgrade of lighting in existing stores to energy efficient LED technology, and the installation of solar power generation

PRIORITIES

> Continue to engage with the Trust's customers for a co-operative approach to sustainability initiatives, particularly in relation to LED lighting, and solar energy capture

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

PROGRESS DURING THE YEAR

> Participating in the 2019 Carbon Disclosure Project survey

PRIORITIES

> Continue reporting on our progress in improving the energy efficiency of our properties

Corporate governance

The responsible entity is committed to fostering a strong governance culture using a framework based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles").

Commitment to corporate governance

The Board of the responsible entity is responsible for ensuring a high standard of corporate governance and a culture of compliance in relation to the Trust. The governance framework is embedded in the Trust's Compliance Plan and supported by detailed charters, policies and procedures that ensure the responsible entity fulfils its corporate governance obligations and responsibilities in the best interests of the Trust and its stakeholders.

The responsible entity's corporate governance model is illustrated below.

ASX Principles and externally managed entities

The application of the ASX Principles is modified for externally managed listed entities such as the Trust. Some corporate governance disclosures apply to the responsible entity, which is not listed; some disclosures relate to the listed entity, BWP Trust; and some are not applicable. Wherever it is possible to provide additional disclosures that demonstrate the responsible entity's commitment to a strong governance culture, these have been included in the Corporate Governance Statement.

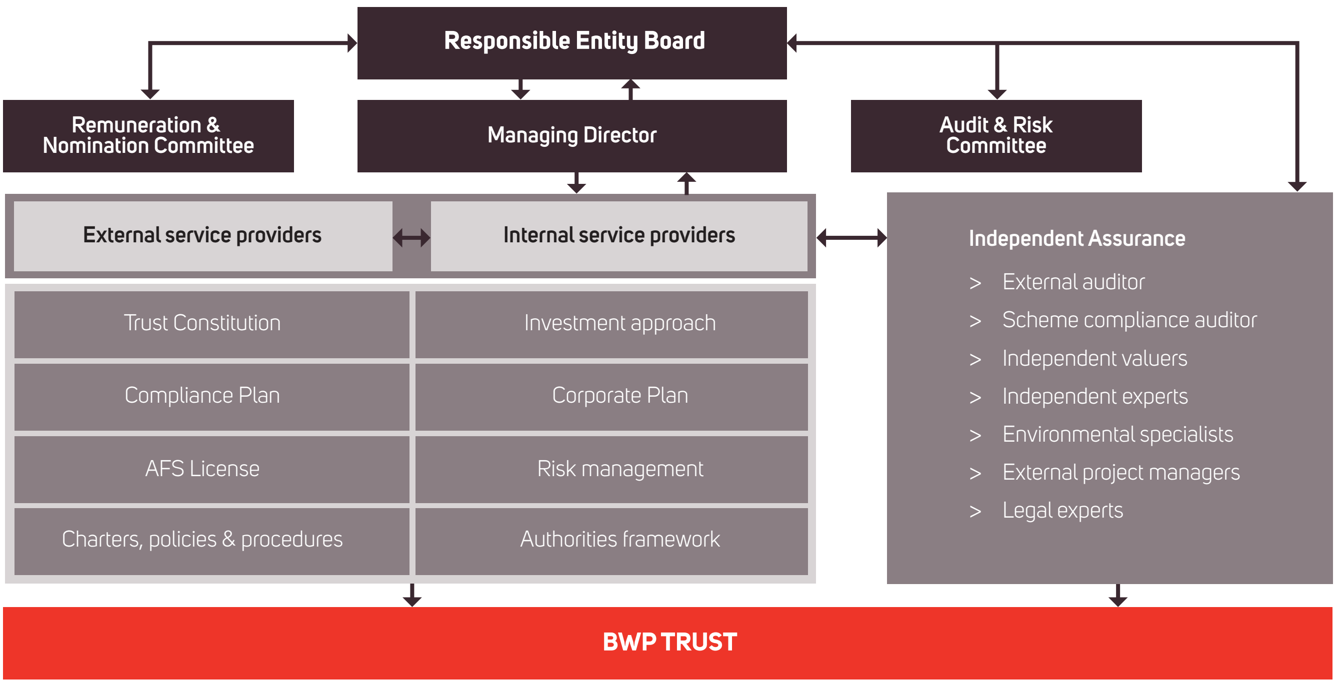
Our compliance in 2019

Throughout the reporting year to 30 June 2019, the Trust's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) as they apply to externally managed listed entities.

The 2019 Corporate Governance Statement reports on these arrangements as they relate to the responsible entity Board, its committees, related party relationships, unitholders, risk management, internal controls, compliance and external auditor relationships. In some instances, the Corporate Governance Statement cross references to disclosures on the website or in the 2019 Annual Report where it is appropriate that the information is considered within the broader context provided by the Annual Report.

The Trust website also contains copies of the Board and committee charters, and key policies referred to in the Corporate Governance Statement.

The Trust's 2019 Corporate Governance Statement can be viewed in the Corporate Governance section under the **About Us** tab of the Trust's website.



Board of Directors

ERICH FRAUNSCHIEL AGE: 73

BCom (Hons), FCPA, FAICD
Chairman, Non-executive external director
Member of the Audit and Risk Committee
Chairman of the Remuneration and Nomination Committee

Joined the Board in February 2015 and was appointed Chairman in December 2015. A professional non-executive director since 2002, Erich has held board positions with a number of listed and unlisted companies.

Past directorships include Woodside Petroleum Limited, WorleyParsons Limited, Wesfarmers General Insurance Limited, Rabobank Australia Limited, Rabobank New Zealand Limited, West Australian Newspapers Holdings Limited and Foodland Associated Limited.

Until his retirement in 2002, Erich was a senior executive of Wesfarmers Limited, including Executive Director and Chief Financial Officer. Prior to this he was involved in investment banking, project lending and venture capital investment.

MICHAEL WEDGWOOD AGE: 56

B.Com, MSc (Finance), GAICD
Managing Director

Appointed to the Board as Managing Director in February 2014. Since joining Wesfarmers Limited in 1995, Michael has held a number of senior executive roles across the Wesfarmers Group including appointments as General Manager Finance at Wesfarmers for a period of five years and also as the Chief Financial Officer of Bunnings Group Limited for a period of nine years. Immediately prior to joining BWP, he held the role of Executive General Manager, Business Improvement for the Wesfarmers Group. Before joining Wesfarmers, he held finance roles with the HSBC Group in Australia and Hong Kong, and prior to that with Arthur Andersen.

FIONA HARRIS AGE: 58

BCom, FCA, FAICD
Non-executive external director
Chairman of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the Board in October 2012. A professional non-executive director for more than 20 years, Fiona has held board positions for over 25 companies, is a former member of the national board and a former WA State President of the Australian Institute of Company Directors. Fiona is currently director of ASX listed company Oil Search Limited and private company Perron Group Limited. She is a member of Chief Executive Women.

Past listed company directorships held in the last three years include Infigen Energy Limited Group.

Fiona was previously a Sydney-based partner of chartered accountants, KPMG, retiring in December 1994.

RICK HIGGINS AGE: 73

FAPI
Non-executive external director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the board in December 2007. Rick is a property professional with over 45 years' experience, having provided valuations and consultancy advice to a range of large institutional clients relating to a broad range of properties, including homemaker and bulky goods centres. Before joining the board, Rick was the National Director, Business Development for Colliers International Consultancy & Valuation and, prior to this, he was employed by Jones Lang Wootton for 30 years as a National Director (formerly proprietor) responsible for the national valuation and consultancy division. He is also a non-executive director of Charter Hall Direct Property Management Limited, a subsidiary of Charter Hall Group and the responsible entity for a number of unlisted retail funds that invest in office, industrial and retail properties.

TONY HOWARTH AO AGE: 67

CITWA, Hon.LLD (UWA), SF Fin, FAICD
Non-executive director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the board in October 2012. Tony is a Life Fellow of the Financial Services Institute of Australasia and has more than 30 years' experience in the banking and finance industry. He has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited. He is a director of Wesfarmers Limited, having been appointed to that board in July 2007.

Tony is a Director of Alinta Energy Pty Limited and a Fellow of AICD. He is an Adjunct Professor (Financial Management) at The University of Western Australia Business School and a former member of The University of Western Australia Business School Advisory Board (retired March 2018).

He was previously Chairman of ASX-listed MMA Offshore Limited (retired November 2017).

MIKE STEUR AGE : 60

FAPI, FRICS, FPINZ, MAICD
Non-executive external director
Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Joined the Board in February, 2015. Michael, an experienced valuer by background, has over 30 years general property services experience covering all property types (including hotels, shopping centres and large format retail valuation and advisory), primarily in New Zealand and Australia, and more recently in Asia. Between 1988 and 2009, he was a director of Richard Ellis Ltd New Zealand (now CBRE). He moved to Sydney in 2001 to take control of CBRE's Australian and New Zealand valuation and advisory business. His experience at CBRE also included strategic planning, business acquisitions, financial management, risk and compliance management and technology development. From 2009 to 2014, he was Executive Managing Director of CBRE's Asia Pacific Valuation and Advisory services business.

Mike is a non-executive director of the New Zealand listed Kiwi Property Group Limited and the Dexus Wholesale Property Limited; and he is the non-executive Chairman of Dexus Wholesale Funds Limited.

BUNNINGS
Balcatta, WA

Financial statements

CONTENTS

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	June 2019 $000	June 2018 $000
Revenue	1	**156,263**	153,391
Expenses			
Finance costs	2	**(19,582)**	(21,473)
Responsible entity's fees	2	**(13,427)**	(12,729)
Other operating expenses	2	**(7,315)**	(5,984)
Total expenses		**(40,324)**	(40,186)
Profit before gains on investment properties		**115,939**	113,205
Realised gain on disposal of investment properties	6	**-**	2,489
Unrealised gains in fair value of investment properties	6	**53,438**	67,399
Profit attributable to the unitholders of BWP Trust		**169,377**	183,093
Other comprehensive (loss)/ income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
- Realised losses transferred to profit or loss		**1,080**	2,797
- Unrealised losses on cash flow hedges		**(2,555)**	(538)
Total comprehensive income for the year attributable to the unitholders of BWP Trust		**167,902**	185,352
Basic and diluted earnings (cents per unit)	12	**26.37**	28.50

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 30 JUNE 2019

	Note	June 2019 $000	June 2018 $000
ASSETS			
Current assets			
Cash	3	**17,911**	14,230
Receivables and prepayments	4	**6,211**	2,599
Assets held for sale	5	**-**	71,700
Total current assets		**24,122**	88,529
Non-current assets			
Investment properties	6	**2,358,200**	2,281,000
Total non-current assets		**2,358,200**	2,281,000
Total assets		**2,382,322**	2,369,529
LIABILITIES			
Current liabilities			
Payables and deferred income	7	**22,251**	18,587
Distribution payable	8	**68,992**	58,007
Interest-bearing loans and borrowings	9	**-**	200,568
Derivative financial instruments		**368**	130
Total current liabilities		**91,611**	277,292
Non-current liabilities			
Interest-bearing loans and borrowings	9	**412,712**	257,021
Derivative financial instruments		**3,405**	2,167
Total non-current liabilities		**416,117**	259,188
Total liabilities		**507,728**	536,480
Net assets		**1,874,594**	1,833,049
EQUITY			
Equity attributable to unitholders of BWP Trust			
Issued capital	10	**945,558**	945,558
Hedge reserve	11	**(3,773)**	(2,298)
Undistributed income		**932,809**	889,789
Total equity		**1,874,594**	1,833,049

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

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	June 2019 $000	June 2018 $000
Cash flows from operating activities			
Rent received		170,196	171,085
Payments to suppliers		(27,158)	(24,375)
Payments to the responsible entity		(13,231)	(12,543)
Finance income		501	120
Finance costs		(20,129)	(21,511)
Net cash flows from operating activities	3	110,179	112,776
Cash flows from investing activities			
Receipts from the sale of investment properties		69,793	15,948
Payments for purchase of, and additions to, investment properties		(16,042)	(3,108)
Net cash flows from investing activities		53,751	12,840
Cash flows from financing activities			
Proceeds from borrowings		199,659	-
Repayments of borrowings		(244,536)	(13,551)
Distributions paid		(115,372)	(113,446)
Net cash flows used in financing activities		(160,249)	(126,997)
Net increase/ (decrease) in cash		3,681	(1,381)
Cash at the beginning of the financial year		14,230	15,611
Cash at the end of the financial year	3	17,911	14,230

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital $000	Hedge reserve $000	Undistributed income $000	Total $000
Balance at 1 July 2017	945,558	(4,557)	821,105	1,762,106
Profit attributable to unitholders of BWP Trust	-	-	183,093	183,093
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	2,259	-	2,259
Total comprehensive income for the year	-	2,259	183,093	185,352
Distributions to unitholders	-	-	(114,409)	(114,409)
Total transactions with unitholders of BWP Trust	-	-	(114,409)	(114,409)
Balance at 30 June 2018 and 1 July 2018	**945,558**	**(2,298)**	**889,789**	**1,833,049**
Profit attributable to unitholders of BWP Trust	**-**	**-**	**169,377**	**169,377**
Other comprehensive loss: Effective portion of changes in fair value of cash flow hedges	**-**	**(1,475)**	**-**	**(1,475)**
Total comprehensive income for the year	**-**	**(1,475)**	**169,377**	**167,902**
Distributions to unitholders	**-**	**-**	**(126,357)**	**(126,357)**
Total transactions with unitholders of BWP Trust	**-**	**-**	**(126,357)**	**(126,357)**
Balance at 30 June 2019	**945,558**	**(3,773)**	**932,809**	**1,874,594**

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

BWP Trust ("the Trust") is a for profit unit trust of no fixed duration, constituted under a Trust Deed dated 18 June 1998 as amended, and the Trust's units are publicly traded on the Australian Securities Exchange. The Trust is managed by BWP Management Limited ("the responsible entity"). Both the Trust and the responsible entity are domiciled in Australia.

The Trust has a policy to invest in well located, geographically diversified properties with long-term leases to substantial tenants, predominantly in the large format retail sector, with the purpose of providing unitholders with a secure, growing income stream and capital growth.

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that its taxable income (including any realised capital gains) is fully attributed to unitholders each year.

ABOUT THIS REPORT

The financial report of the Trust for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors of the responsible entity on 6 August 2019. The directors have the power to amend and reissue the financial report.

The 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*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB);

> has been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;

> is 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 Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, unless otherwise stated;

> has been prepared by applying the following new standards, amendments and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*

IFRS 9 and IFRS 15 are mandatory for annual reporting periods beginning on or after 1 January 2018, and there has been no material impact on the Trust's financial statements.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Trust decided to early adopt this Standard from 1 July 2018. Whilst the adoption of the new Standard does not have a material impact on the Profit attributable to the unitholders of BWP Trust, the Trust is now required to straight-line rent for all leases with fixed rental increases. This results in a reclassification of income between rental income and unrealised gains and losses on investment properties. There is nil impact on the net assets of the Trust.

> does not early adopt a number of new standards, amendments to standards and interpretations that have been issued or amended but are not yet effective, other than those mentioned above. The potential impact of the new standards, amendments to standards and interpretations has been considered and they are not expected to have a significant effect on the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In applying the Trust's accounting policies, management regularly evaluates judgements, estimates and assumptions based on experience and other factors, including expectations about future events that may have an impact on the Trust. Judgements and estimates which are material to the financial report are found in the following notes:

Note 6: Investment properties	Page 35 and 36
Note 13: Financial risk management	Page 42

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

SEGMENT INFORMATION

The Trust determines and presents its operating segment based on the internal information that is provided to the Managing Director, who is the Trust's chief operating decision maker.

The Trust operates wholly within Australia and derives rental income from investments in commercial warehouse properties and as such this is considered to be the only segment in which the Trust is engaged.

The operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated and to assess performance. There are no reconciling items that exist between the discrete financial information reviewed by the Managing Director and the financial statements relating to revenue, profit or loss, assets and liabilities or other material items.

1. REVENUE

	June 2019 $000	June 2018 $000
Rental income	154,822	152,420
Other property income	940	851
Finance income	501	120
Revenue	**156,263**	153,391

Recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured using the following criteria:

Rental and other property income

As required under the early adopted IFRS 16 *Leases*, rental income from operating leases is recognised on a straight-line basis over the lease term for leases that have fixed rental increases. Leases that are based on a variable future amount, including CPI linked rental increases, are only recognised when contractually due. An asset will be recognised to represent the portion of operating lease revenue in a reporting period relating to fixed increases in operating lease revenue in future periods. These assets will be recognised as a component of investment properties.

Finance income

Finance income is interest income on bank deposits and is recognised as the interest accrues, using the effective interest method.

2. EXPENSES

	June 2019 $000	June 2018 $000
Interest expense on debt facilities	18,502	18,676
Interest expense on interest rate swaps	1,080	2,797
Finance costs	**19,582**	21,473
Responsible entity's fees	**13,427**	12,729
Non-recoverable property costs[1]	6,512	5,246
Listing and registry expenses	544	521
Other	259	217
Other operating expenses	**7,315**	5,984

[1] Included in non-recoverable property costs are amounts paid or payable of $2,650,238 (2018: $2,227,429) for Queensland Land Tax which under the respective state legislation when the lease was entered into cannot be on-charged to tenants.

Recognition and measurement

Finance costs

Finance costs are recognised as an expense when incurred, with the exception of interest charges on funds invested in properties with substantial development and construction phases, which are capitalised to the property until such times as the construction work is complete.

The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Trust's outstanding borrowings during the year.

Responsible entity's fees

The responsible entity, BWP Management Limited, is entitled to a management fee payable quarterly in arrears of 0.55 per cent per annum of the gross asset value of the Trust.

The responsible entity is also entitled to a fee calculated at the rate of 0.05 per cent per annum of the gross asset value of the Trust up to $200 million and 0.035 per cent per annum of the amount by which the gross asset value of the Trust exceeds $200 million.

The responsible entity may waive the whole or any part of the remuneration to which it would otherwise be entitled (see Note 16).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

3. CASH

	June 2019 $000	June 2018 $000
Cash at bank	**17,911**	14,230
Weighted average effective interest rates	**1.59%**	1.48%

Reconciliation of operating profit to the net cash flows from operating activities:

	June 2019 $000	June 2018 $000
Profit for the year attributable to unitholders of BWP Trust	**169,377**	183,093
Net fair value change on investment properties	**(58,110)**	(69,888)
Increase in receivables and prepayments	**(2,630)**	(231)
Increase/ (decrease) in payables and deferred income	**1,542**	(198)
Net cash flows from operating activities	**110,179**	112,776

Recognition and measurement

Cash at bank

Cash in the statement of financial position, and for the purposes of the statement of cash flows, comprises cash at bank and short-term deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates.

4. RECEIVABLES AND PREPAYMENTS

	June 2019 $000	June 2018 $000
Receivables from Wesfarmers Limited[1] subsidiaries	**566**	39
Other receivables	**382**	172
Prepayments	**5,263**	2,388
	6,211	2,599

[1] Wesfarmers Limited is a related party (see Note 16)

Recognition and measurement

Impairment

Receivables of $2,972 were overdue at 30 June 2019 (2018: $629).

There were no allowances for impairment in respect of receivables during the current year. Based on historic default rates, the Trust believes that no impairment allowance is necessary.

5. ASSETS HELD FOR SALE

	June 2019 $000	June 2018 $000
Current	**-**	71,700

Recognition and measurement

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale the assets are remeasured in accordance with the Trust's other accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell.

6. INVESTMENT PROPERTIES

Reconciliation of the carrying amount of investment properties:

	June 2019 $000	June 2018 $000
Balance at the beginning of the financial year	**2,281,000**	2,259,300
Divestments during the year	**-**	(15,948)
Reclassification to assets held for sale	**-**	(36,400)
Capital improvements during the year	**19,090**	4,160
Realised gains on disposal of investment properties	**-**	2,489
Straight-line lease income	**4,672**	-
Net unrealised gains from fair value adjustments	**53,438**	67,399
Balance at the end of the financial year	**2,358,200**	2,281,000

Recognition and measurement

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit and loss.

Subsequent revaluations to fair value according to the Trust's revaluations policy may result in transaction costs appearing as a negative adjustment (loss) in fair value.

Where assets have been revalued, the potential effect of the capital gains tax ("CGT") on disposal has not been taken into account in the determination of the revalued carrying amount. The Trust does not expect to be ultimately liable for CGT in respect of the sale of assets as all realised capital gains would be attributed to unitholders.

Fair value – Hierarchy

The Trust is required to categorise the fair value measurement of investment properties based on the inputs to the valuations technique used. All investment properties for the Trust have been categorised on a Level 3 fair value basis as some of the inputs required to value the properties are not based on "observable market data".

Fair value – Valuation approach

Key judgement

The Trust has a process for determining the fair value of investment properties at each balance date, applying generally accepted valuation criteria, methodology and assumptions detailed below.

An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis. The independent valuer determines the most appropriate valuation method for each property (refer below).

In accordance with the Trust's policy, the following properties were independently valued at 30 June 2019:

Property	Valuation $000
Albany	8,700
Arundel	39,800
Bethania	31,700
Bibra Lake	29,300
Broadmeadows	32,000
Frankston	35,000
Geraldton	18,800
Manly West	38,700
North Lakes	48,300
Rydalmere	62,000
Springvale	38,800
Sunbury	33,500
Thornleigh	23,600
Wagga Wagga	21,700

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

The directors adopt the following valuation methodologies for all remaining properties, and these methodologies are subject to an independent review process by Jones Lang LaSalle.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

6. INVESTMENT PROPERTIES (CONTINUED)

Valuation Methodologies

Discounted cash flow

The discounted cash flow method calculates a property's value by using projections of reliable estimates of future cash flows, derived from the term of any existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the asset.

Capitalisation of income valuation

The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, lease term remaining, the relationship of current rent to the market rent, location, prevailing investment market conditions and for Bunnings Warehouses, distribution of competing hardware stores.

Inputs used to measure fair value	Range of individual property inputs
Adopted capitalisation rate	4.75% – 14.95%
Gross rent p.a ($000)	905 – 4,988
Occupancy rate	97.4% as at 30 June 2019
Lease term remaining (years)	0.3 – 10.6

Leasing arrangements

The Trust has entered into commercial property leases on its investment portfolio with the majority of its properties being leased to Bunnings Group Limited.

Bunnings Warehouse leases generally commit the tenant to an initial term of 10, 12 or 15 years, followed by a number of optional terms of five or six years each exercisable by the tenant. Leases to non-Bunnings tenants generally commit the tenant to an initial term of between five and 10 years, followed by one or a number of optional terms of five years each exercisable by the tenant.

At 30 June 2019, the minimum lease expiry (being the duration until which the tenants' committed terms expire) for the Trust's investment properties is 0.3 years (2018: 0.2 years) and the maximum lease expiry is 10.6 years (2018: 11.9 years), with a weighted average lease expiry for the portfolio of 4.4 years (2018: 4.5 years).

There are no lease commitments receivable as at the reporting date and there were no contingent rentals recognised as revenues in the financial year.

Future minimum non-cancellable rental revenues are:

	June 2019 $000	June 2018 $000
Not later than one year	**142,403**	146,808
Later than one year not later than five years	**376,764**	397,133
Later than five years	**114,993**	148,922
	634,160	692,863

Recognition and measurement

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Key judgement

The Trust has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

The rental revenues of operating leases are included in the determination of the net profit in accordance with the revenue recognition policy at Note 1.

Leasing fees incurred in relation to the ongoing renewal of major tenancies are deferred and amortised over the lease period to which they relate.

Lease incentives, which may take the form of up-front payments, contributions to certain lessees' costs, relocation costs and fit-outs and improvements, are recognised on a straight line basis over the lease term as a reduction of rental income.

7. PAYABLES AND DEFERRED INCOME

	June 2019 $000	June 2018 $000
Trade creditors and accruals	**6,647**	4,282
Responsible entity's fees payable	**3,714**	3,518
Rent received in advance	**11,890**	10,787
	22,251	18,587

Recognition and measurement

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not these have been billed to the Trust. These liabilities are normally settled on 30 day terms except for the responsible entity's fees payable, which are settled quarterly in arrears, and retention monies withheld on construction projects which are settled according to the terms of the construction contracts.

The Trust's exposure to liquidity risk in respect of payables is disclosed in Note 13.

8. DISTRIBUTIONS PAID OR PAYABLE

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties, as well as other items as determined by the directors are not included in the profit available for distribution to unitholders. A reconciliation is provided below:

	June 2019 $000	June 2018 $000
8.93 cents (2018: 8.78 cents) per unit, interim distribution paid on 22 February 2019	**57,365**	56,402
9.18 cents (2018: 9.03 cents) per unit, final ordinary distribution provided	**58,971**	58,007
1.56 cents (2018: nil) per unit, final special distribution provided	**10,021**	-
	126,357	114,409
Profit attributable to unitholders of BWP Trust	**169,377**	183,093
Capital profits released from undistributed profit	**10,471**	1,200
Realised gains on disposal of investment properties	**-**	(2,489)
Net unrealised gains in fair value of investment properties	**(53,438)**	(67,399)
Distributable profit for the year	**126,410**	114,405
Opening undistributed profit	**4**	8
Closing undistributed profit	**(57)**	(4)
Distributable amount	**126,357**	114,409
Distribution – ordinary (cents per unit)	**18.11**	17.81
Distribution – special (cents per unit)	**1.56**	-

Recognition and measurement

Each reporting period the directors of the responsible entity are required to determine the distribution entitlement of the unitholders in respect of the period. Any amounts so determined but not paid by the end of the period, are recorded as a liability.

The recording of the distribution payable at each reporting date as a current liability may result in the Trust's current liabilities exceeding its current assets. This is a timing issue, as the Trust repays its interest-bearing loans and borrowings during the period from net profit and draws down its interest-bearing loans and borrowings when the distribution payments are made in August and February of each year.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

9. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2019 the Trust had the following borrowings:

		June 2019		June 2018	
	Expiry date	**Limit $000**	**Amount drawn $000**	Limit $000	Amount drawn $000
Bank debt facilities					
Commonwealth Bank of Australia	31 July 2020	**110,000**	**58,000**	110,000	68,300
Westpac Banking Corporation	30 April 2022	**135,000**	**44,600**	135,000	78,700
Sumitomo Mitsui Banking Corporation	20 May 2024	**100,000**	**100,000**	-	-
		345,000	**202,600**	245,000	147,000
Corporate bonds					
Fixed term five-year corporate bond[1]	27 May 2019	**-**	**-**	200,000	200,000
Fixed term five-year corporate bond	11 May 2022	**110,000**	**110,000**	110,000	110,000
Fixed term seven-year corporate bond	10 April 2026	**100,000**	**100,000**	-	-
Accrued interest and borrowing costs[1]			**112**		589
		210,000	**210,112**	310,000	310,589
		555,000	**412,712**	555,000	457,589

[1] $568,000 of accrued interest and borrowing costs, together with the $200 million fixed term corporate bond were classified as current liabilities in the prior period due to maturity in May 2019.

Recognition and measurement

The borrowings under the bank debt facilities are not secured by assets of the Trust, but are subject to reporting and financial undertakings by the Trust to the banks under negative pledge agreements with each bank. The Trust's corporate bonds are also not secured by assets of the Trust, but are subject to similar reporting and financial undertakings as the bank debt facilities.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are interest-bearing are included as part of the carrying amount of loans and borrowings.

Corporate bonds

On 11 May 2017, the Trust issued $110 million fixed rate domestic bonds maturing on 11 May 2022. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 3.50 per cent per annum.

On 10 April 2019, the Trust issued $100 million fixed rate domestic bonds maturing on 10 April 2026. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 3.30 per cent per annum.

Borrowings are classified as non-current liabilities if the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Refer to Note 13 for information on interest rate and liquidity risk.

At 30 June 2019 the minimum duration of the above debt facilities was 13 months (2018: 11 months) and the maximum was 81 months (2018: 46 months) with a weighted average duration of 43 months (2018: 26 months).

10. ISSUED CAPITAL

	June 2019 $000	June 2018 $000
Balance at the end of the financial year	**945,558**	945,558

During the period no new units were issued under the Trust's distribution reinvestment plan, therefore the number of ordinary units on issue as at 30 June 2019 remained at 642,383,803 (2018: 642,383,803).

Recognition and measurement

Units on issue

Units on issue are recognised at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of ordinary units are recognised directly in equity as a reduction of the unit proceeds received.

Rights

The Trust is a unit trust of no fixed duration and the units in the Trust have no right of redemption.

Each unit entitles the unitholder to receive distributions as declared and, in the event of winding up the Trust, to participate in all net cash proceeds from the realisation of assets of the Trust in proportion to the number of and amounts paid up on units held.

Distribution Reinvestment Plan

The Trust operates a Distribution Reinvestment Plan ("DRP"). The DRP was in place for the interim distribution but has been suspended for the final distribution for the year ended 30 June 2019. An issue of units under the DRP results in an increase in issued capital unless the units are acquired on-market, which was the case in the past two financial years.

11. HEDGE RESERVE

	June 2019 $000	June 2018 $000
Balance at the beginning of the financial year	**(2,298)**	(4,557)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	**1,080**	2,797
- Unrealised losses on cash flow hedges	**(2,555)**	(538)
Balance at the end of the financial year	**(3,773)**	(2,298)

Recognition and measurement

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

12. EARNINGS PER UNIT

	June 2019	June 2018
Net earnings used in calculating basic and diluted earnings per unit ($000)	**169,377**	183,093
Basic and diluted earnings per unit (cents)	**26.37**	28.50
Basic and diluted earnings per unit excluding gains in fair value of investment properties (cents)	**18.05**	17.62
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	**642,383,803**	642,383,803

Recognition and measurement

Earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders divided by the weighted average number of units.
The diluted earnings per unit is equal to the basic earnings per unit.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

13. FINANCIAL RISK MANAGEMENT

The Trust holds financial instruments for the following purposes:

Financing: to raise funds for the Trust's operations. The principal types of instruments are term advances ("bank loans") and corporate bonds.

Operational: the Trust's activities generate financial instruments including cash, trade receivables and trade payables.

Risk management: to reduce risks arising from the financial instruments described above, including interest rate swaps.

The Trust's holding of these instruments exposes it to risk. The Board of directors of the responsible entity has overall responsibility for the establishment and oversight of the Trust's policies for managing these risks, which are outlined below:

> credit risk (note 13(a));

> liquidity risk (note 13(b)); and

> interest rate risk (note 13(c)).

These risks affect the fair value measurement applied by the Trust, which is discussed further in note 13(e).

a) Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers, cash, and payments due to the Trust under interest rate swaps.

Receivables

During the year the credit risk associated with 93.8 per cent (2018: 93.6 per cent) of the rental income was with three tenants:

	June 2019 %	June 2018 %
Bunnings Group Limited[1]	91.7	91.7
Easy Auto 123 Pty Ltd	0.8	1.0
Officeworks Superstores Pty Ltd[1]	1.3	0.9

[1] Wholly owned subsidiaries of Wesfarmers Limited.

Bunnings Group Limited, Officeworks Superstores Pty Ltd and Wesfarmers Limited are currently subject to a Deed of Cross Guarantee under which they covenant with a trustee for the benefit of each creditor that they guarantee to each creditor payment in full of any debt in the event of any entity that is included in the Deed of Cross Guarantee being wound up. Wesfarmers Limited has been assigned a credit rating of A-(Stable)/A2 by Standard & Poor's (A3 (Stable)/P2 – Moody's).

Cash

The Trust limits its exposure to credit risk associated with its cash by maintaining limited cash balances and having cash deposited with reputable, major financial institutions subject to regulation in Australia, which are rated A- or higher by Standard and Poor's.

Derivative financial instruments

The Trust limits its exposure to credit risk associated with future payments from its interest rate swaps by contracting with reputable major financial institutions subject to regulation in Australia, which are rated A- or higher by Standard and Poor's.

Exposure to credit risk

The carrying amount of the Trust's financial assets represents the maximum credit exposure. The Trust's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount June 2019 $000	June 2018 $000
Cash and short-term deposits	3	17,911	14,230
Receivables			
Wesfarmers Limited subsidiaries	4	566	39
Other tenants	4	382	172
		948	211
Total exposure		18,859	14,441

b) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

To assist in minimising the risk of having inadequate funding for the Trust's operations, the Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and corporate bonds with different tenures, with the Trust aiming to spread maturities to avoid excessive refinancing in any period. In respect to the Trust's bank loans with the Commonwealth Bank of Australia and Westpac Banking Corporation, whilst these have fixed maturity dates, the terms of these facilities allow for the maturity period to be extended by a further year each year subject to the amended terms and conditions being accepted by both parties. The Trust also regularly updates and reviews its cash flow forecasts to assist in managing its liquidity.

Maturity of financial liabilities

The following are the contractual maturities of financial liabilities (including estimated interest payments) and receipts or payments of interest rate swaps. The amounts disclosed in the table below are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amount disclosed in the statement of financial position.

	Carrying amount $000	Contractual cash flows $000	1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
30 June 2019						
Non-derivative financial liabilities						
Bank loans - principal	(202,600)	(202,600)	-	(58,000)	(144,600)	-
Bank loans - future interest	-	(13,658)	(4,796)	(1,995)	(6,867)	-
Corporate bonds	(210,112)	(244,650)	(7,150)	(7,150)	(123,750)	(106,600)
Payables and deferred income	(22,251)	(22,251)	(22,251)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(3,773)	(3,819)	(1,697)	(1,522)	(600)	-
	(438,736)	(486,978)	(35,894)	(68,667)	(275,817)	(106,600)
30 June 2018						
Non-derivative financial liabilities						
Bank loans - principal	(147,000)	(147,000)	-	-	(147,000)	-
Bank loans - future interest	-	(11,724)	(4,342)	(4,700)	(2,682)	-
Corporate bonds	(310,589)	(334,400)	(212,850)	(3,850)	(117,700)	-
Payables and deferred income	(18,587)	(18,587)	(18,587)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(2,298)	(2,361)	(876)	(1,028)	(457)	-
	(478,474)	(514,072)	(236,655)	(9,578)	(267,839)	-

c) Interest rate risk

Interest rate risk is the risk that the Trust's finances will be adversely affected by fluctuations in interest rates. To help reduce this risk in relation to bank loans, the Trust has employed the use of interest rate swaps whereby the Trust agrees with various banks to exchange at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps are recognised as adjustments to interest expense over the life of each contract swap, thereby effectively fixing the interest rate on the underlying obligations.

At 30 June 2019 the fixed rates varied from 2.28 per cent to 4.92 per cent (2018: 2.39 per cent to 5.54 per cent) and the floating rates were at bank bill rates plus a bank margin.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements to ensure stability of distributions. At 30 June 2019, the Trust's hedging cover (interest rate swaps and fixed rate corporate bonds) was 74.5 per cent of borrowings. This level is currently at the higher end of the Board's preferred 50 per cent to 75 per cent range.

The Trust's exposure to interest rate risk for classes of financial assets and financial liabilities is set out as follows:

	Carrying amount	
	June 2019 $000	June 2018 $000
Variable rate instruments		
Cash and short-term deposits	**17,911**	14,230
Bank loans	**(202,600)**	(147,000)

The Trust's sensitivity to interest rate movements

Fair value sensitivity analysis for fixed rate instruments

The Trust does not account for any fixed-rate financial assets or financial liabilities at fair value through the profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The analysis below considers the impact on equity and net profit or loss due to a reasonably possible increase or decrease in interest rates. This analysis assumes that all other variables remain constant. The same comparative analysis has been applied to the 2018 financial year.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Impact on Net profit		Impact on Equity	
	50 basis points increase $000	50 basis points decrease $000	50 basis points increase $000	50 basis points decrease $000
30 June 2019				
Variable rate instruments	(1,013)	1,013	-	-
Interest rate swaps	488	(488)	962	(976)
Net impact	(525)	525	962	(976)
30 June 2018				
Variable rate instruments	(735)	735	-	-
Interest rate swaps	438	(438)	1,300	(1,324)
Net impact	(297)	297	1,300	(1,324)

Derivative financial instruments

As detailed on the previous page, the Trust enters into derivative financial instruments in the form of interest rate swap agreements, which are used to convert the variable interest rate of its borrowings to fixed interest rates. For the purpose of hedge accounting, these hedges are classified as cash flow hedges. The swaps are entered into with the objective of reducing the risk associated with interest rate fluctuations.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any ineffective portion is considered a finance cost and is recognised in profit or loss in the statement of profit or loss and other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss, at which point it is transferred to profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

The Trust manages its financial derivatives (interest rate swaps) to ensure they meet the requirements of a cash flow hedge.

d) Capital management

Capital requirements are assessed based on budgeted cash flows, capital expenditure commitments and potential growth opportunities and are monitored on an ongoing basis. Information on capital and equity markets is reviewed on an ongoing basis to ascertain availability and cost of various funding sources.

In order to maintain a manageable level of debt, the responsible entity has established a preferred range of 20 to 30 per cent for the Trust's gearing ratio (debt to total assets), which is monitored on a monthly basis. At 30 June 2019, the gearing level was 17.3 per cent (2018: 19.3 per cent).

The DRP was in place for the interim distribution and has been suspended for the final distribution for the year ended 30 June 2019.

e) Fair values

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:

	June 2019 $000	June 2018 $000
Corporate bonds – book value	(210,112)	(310,589)
Corporate bonds – fair value	(217,552)	(311,897)

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 estimated 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 loans 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 loans have been calculated by 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).

Key judgement

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on current market rates for similar instruments and were as follows:

	June 2019	June 2018
Interest rate swaps	1.05% to 1.28%	2.07% to 2.49%

14. CAPITAL EXPENDITURE COMMITMENTS

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

	June 2019 $000	June 2018 $000
Not later than one year:		
Related parties	5,000	4,000
Non-related parties	10,150	-
	15,150	4,000

Capital commitments to related parties

Villawood, New South Wales

In December 2018, following a change to the original upgrade design, the Trust committed to expand its Villawood Bunnings Warehouse, at a cost of $5.0 million.

Capital commitments to non-related parties

Hoxton Park, New South Wales

In June 2019, the Trust commenced construction with a third party at Hoxton Park, to reposition the property previously occupied by Bunnings, at a cost of $10.2 million. On completion in December 2019, the property will comprise a large format retail centre holding mainly national retailers.

15. AUDITOR'S REMUNERATION

	June 2019 $	June 2018 $
Audit and review of the financial statements		
KPMG Australia	101,126	99,527
Other services		
KPMG Australia – taxation services	18,322	18,886
KPMG Australia – property consultancy services	139,346	94,768
KPMG Australia – other accounting services	8,539	-
Total auditor's remuneration	267,333	213,181

Further details on the non-audit services can be found in the Directors' report on page 48.

16. RELATED PARTY DISCLOSURES

(a) Relationship with the Wesfarmers Group

As in the prior year, Wesfarmers Investments Pty Limited, a controlled entity of Wesfarmers Limited, holds 159,014,206 units in the Trust, representing 24.75 per cent of the units on issue at 30 June 2019.

(b) Transactions with the Wesfarmers Group

During the year ended 30 June 2019, the Trust had the following transactions with Wesfarmers Group:

	June 2019 $	June 2018 $
Bunnings Group Limited[1]		
Rent and other property income	142,795,142	140,270,490
Rent and other property income received in advance	12,136,918	10,679,525
Amounts receivable	21,160	-
Officeworks Superstores Pty Ltd[1]		
Rent	1,992,523	1,389,652
Amounts receivable	544,776	39,253
BWP Management Limited[1]		
Responsible entity fees	13,427,473	12,729,067
Fees waived[2]	438,750	877,500
Wesfarmers Limited		
Insurance premiums paid/payable	143,572	180,084

[1] A controlled entity of Wesfarmers Limited.
[2] The responsible entity waived its entitlement to fees in respect to $75 million of property valuation uplift for the financial year ($150 million in FY18).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

16. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Economic dependency

93.0 per cent (2018: 92.6 per cent) of the Trust's rental income received during the year was from Bunnings Group Limited and Officeworks Superstores Pty Ltd, all controlled entities of Wesfarmers Limited.

(d) Other transactions

The Trust reimbursed Bunnings Group Limited for minor capital works and repairs and maintenance incurred to the Trust's properties for which the Trust had a contractual obligation.

17. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

The following persons were key management personnel of the responsible entity, BWP Management Limited, during the financial year:

Chairman – non-executive

Erich Fraunschiel

Managing Director

Michael Wedgwood

Non-executive directors

Fiona Harris
Rick Higgins
Tony Howarth AO
Mike Steur

(b) Remuneration policy

Remuneration expenses of the directors and executives of the responsible entity are not borne by the Trust. Directors are remunerated by the responsible entity and management services are provided to the responsible entity by Wesfarmers Limited.

The right of the responsible entity to be remunerated and indemnified by the Trust is set out in the constitution of the Trust and summarised in Note 2. The constitution is lodged with ASIC and is available to unitholders on request.

For the financial year ended 30 June 2019, each director was entitled to director's fees and/or superannuation for their services and the reimbursement of reasonable expenses.

The fees paid reflect the demands on, and the responsibilities of, those directors. The advice of independent remuneration consultants is taken to establish that the fees are in line with market standards. Directors do not receive option or bonus payments, nor do they receive retirement benefits in connection with their directorships. There are no equity incentive schemes in relation to the Trust.

Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

(c) Unit holdings

Director	Balance at beginning of the year	Acquired during the year	Sold during the year	Balance at the end of the year
Erich Fraunschiel	111,766	-	-	111,766
Fiona Harris	20,000	-	-	20,000
Rick Higgins	20,000	-	-	20,000
Tony Howarth AO	20,000	-	-	20,000
Mike Steur	-	-	-	-
Michael Wedgwood	-	-	-	-
Total	**171,766**	**-**	**-**	**171,766**

The above holdings represent holdings where the directors have a beneficial interest in the units of the Trust.

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

18. OTHER ACCOUNTING POLICIES

a) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

In circumstances where impairment losses are deemed, these are included in the statement of profit or loss and other comprehensive income.

b) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Directors' report

FOR THE YEAR ENDED 30 JUNE 2019

In accordance with the *Corporations Act 2001*, BWP Management Limited (ABN 26 082 856 424), the responsible entity of BWP Trust, provides this report for the financial year that commenced 1 July 2018 and ended 30 June 2019. The information on pages 1 to 25 forms part of this directors' report and is to be read in conjunction with the following information:

RESULTS AND DISTRIBUTIONS

	June 2019 $000	June 2018 $000
Profit attributable to unitholders of BWP Trust	**169,377**	183,093
Capital profits released from undistributed profit	**10,471**	1,200
Realised gains on disposal of investment properties	**-**	(2,489)
Net unrealised gains in fair value of investment properties	**(53,438)**	(67,399)
Distributable profit for the year	**126,410**	114,405
Opening undistributed profit	**4**	8
Closing undistributed profit	**(57)**	(4)
Distributable amount	**126,357**	114,409

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that its taxable income (including any realised capital gains) is fully attributed to unitholders each year.

DISTRIBUTIONS

The following distributions have been paid by the Trust or declared by the directors of the responsible entity since the commencement of the financial year ended 30 June 2019:

	June 2019 $000	June 2018 $000
(a) Out of the profits for the year ended 30 June 2018 on ordinary units as disclosed in last year's directors' report:		
(i) Final distribution of 9.03 cents per ordinary unit declared by the directors for payment on 24 August 2018	**58,007**	57,044
(b) Out of the profits for the year ended 30 June 2019 (see Note 8 of the notes to the financial statements):		
(i) Interim distribution of 8.93 cents per ordinary unit paid on 22 February 2019	**57,365**	56,402
(ii) Final ordinary distribution of 9.18 cents per ordinary unit declared by the directors for payment on 23 August 2019	**58,971**	58,007
(iii) Final special distribution of 1.56 cents per ordinary unit declared by the directors for payment on 23 August 2019	**10,021**	-

UNITS ON ISSUE

At 30 June 2019, 642,383,803 units of BWP Trust were on issue (2018: 642,383,803).

PRINCIPAL ACTIVITY

The principal activity is property investment.

There has been no significant change in the nature of this activity during the financial year.

TRUST ASSETS

At 30 June 2019, BWP Trust held assets to a total value of $2,382.3 million (2018: $2,369.5 million). The basis for valuation of investment properties which comprises the majority of the value of the Trust's assets is disclosed in Note 6 of the notes to and forming part of the financial statements.

FEE PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

Management fees totalling $13,427,473 (2018: $12,729,067) were paid or payable to the responsible entity out of Trust property during the financial year.

TRUST INFORMATION

BWP Trust is a Managed Investment Scheme registered in Australia. BWP Management Limited, the responsible entity of the Trust, is incorporated and domiciled in Australia and holds an Australian Financial Services Licence. The responsible entity's parent company and ultimate parent company is Wesfarmers Limited.

The registered office of the responsible entity is Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000. The principal administrative office of the responsible entity is Level 12, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000.

The Trust had no employees during the financial year (2018: nil). Management services are provided to the responsible entity by Wesfarmers Limited. Wesfarmers Limited employees seconded to the responsible entity to provide management services to the Trust are engaged in dedicated roles to act exclusively for the responsible entity on behalf of the Trust and are paid directly by Wesfarmers Limited. Short-term incentives paid by Wesfarmers Limited to employees engaged by the responsible entity are based entirely on the performance of the Trust and furthering the objectives of the Trust.

DIRECTORS

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

Details of the current directors appear on page 25.

No director is a former partner or director of the current auditor of the Trust, at a time when the current auditor has undertaken an audit of the Trust.

COMPANY SECRETARY

Ms K A Lange, FGIA, FCIS, MBus

Ms K A Lange has been the company secretary since 9 April 2008. Ms Lange has more than 30 years company secretarial experience including company secretary of Woodside Petroleum Limited and Wesfarmers Limited.

DIRECTORS' UNITHOLDINGS

Units in the Trust in which directors had a relevant interest at the date of this report were:

Director	Units in the Trust
Erich Fraunschiel	111,766
Fiona Harris	20,000
Rick Higgins	20,000
Tony Howarth AO	20,000
Mike Steur	-
Michael Wedgwood	-

No directors have other rights or options over interests in the Trust or contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver an interest in the Trust.

INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

During or since the end of the financial year insurance has been maintained covering the entity's directors and officers against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

To the extent permitted by law, directors and officers are indemnified by the responsible entity against the costs and expenses of defending civil or criminal proceedings in their capacity as directors and officers in which judgement is given in favour of, or acquittal is granted to, a director or officer.

No indemnity payment has been made under any of the arrangements referred to above during or since the end of the financial year.

REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the financial year and the results of those operations are reviewed on pages 6 to 14 of this report and in the accompanying financial statements. This includes information on the financial position of the Trust and its business strategies and prospects for future financial years.

Directors' report (continued)

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the value of the Trust's investment properties increased by $5.5 million (2018: $58.1 million increase) to $2.4 billion (2018: $2.4 billion), notwithstanding the number of investment properties having decreased from 79 to 75 properties due to property sales during the year.

There were no other significant changes in the state of affairs of the Trust during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations, results of operations or state of affairs of the Trust in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in and expected results of the operations of the Trust in subsequent years are referred to elsewhere in this report, particularly on pages 10 to 14. In the opinion of the directors, further information on those matters could prejudice the interests of the Trust and has therefore not been included in this report.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of BWP Management Limited support and comply with the ASX Corporate Governance Principles and Recommendations as they apply to externally managed listed entities. The Corporate Governance Statement can be viewed in the Corporate Governance section under the **About Us** tab of the BWP Trust's website.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust's operations are not subject to any particular significant environmental regulations under either Commonwealth or State legislation. The Trust is not aware of any breach of environmental regulations.

BOARD COMMITTEES

As at the date of this report, the responsible entity had an Audit and Risk Committee and Remuneration and Nomination Committee. Each committee is comprised of all of the non-executive directors of the responsible entity.

There were three Audit and Risk Committee and two Remuneration and Nomination Committee meetings held during the year.

ROUNDING

The amounts contained in this report and in 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.

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 50 and forms part of the Directors' report for the year ended 30 June 2019.

NON-AUDIT SERVICES

KPMG provided the following non-audit services to the Trust during the year ended 30 June 2019 and received, or is due to receive, the following amount for the provision of these services:

Taxation services	$18,322
Property consultancy services	$139,346
Other accounting services	$8,539
Total	**$166,207**

The Trust has a long-standing working relationship with SGA consultancy group, and this entity was acquired by KPMG in 2014. Prior and post the acquisition, SGA has provided investigation, project management and advice on property rectification issues.

The Audit and Risk Committee has, following the passing of a resolution, provided the board with written advice in relation to the provision of non-audit services by KPMG.

The Board has considered the Audit and Risk Committee's advice, and the non-audit services provided by KPMG, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001*. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work or acting in a management or decision making capacity for the Trust.

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

Erich Fraunschiel
Chairman
BWP Management Limited
6 August 2019

Directors' declaration

FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the directors of BWP Management Limited, responsible entity for the BWP Trust (the Trust), I state that:

1. 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 30 June 2019 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and *Corporations Regulations 2001*.
   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; and
   c) the financial statements also comply with International Financial Reporting Standards as disclosed on page 32.
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2019.

For and on behalf of the board of BWP Management Limited.

Erich Fraunschiel
Chairman
BWP Management Limited
Perth, 6 August 2019

Auditor's independence declaration

FOR THE YEAR ENDED 30 JUNE 2019

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 audit of BWP Trust for the financial year ended 30 June 2019 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG
Perth, 6 August 2019

DEREK MEATES
Partner

Independent auditor's report to the unitholders of BWP Trust

FOR THE YEAR ENDED 30 JUNE 2019

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the Financial Report of BWP Trust (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

> giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

> complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

> Statement of financial position as at 30 June 2019

> Statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended

> Notes including a summary of significant accounting policies

> Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Trust in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matter

The *Key Audit Matter* we identified is:

Valuation of Investment Property

A *Key Audit Matter* is one that, in our professional judgement, was of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Investment Property $2,358 million

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Valuation of investment properties is a key audit matter due to the: > Significance of the balance to the financial statements (99% of total assets); > Judgement required in assessing the selection of the capitalisation of income valuation method as the primary valuation methodology for the Trust's investment properties from the three available methodologies under the accounting standards. This decision determines the inputs required for the valuation and is critical to the valuation adopted for each property. > Sensitivity of the capitalisation rates to the projected income to individual properties in the valuation methodology. A small percentage movement in the capitalisation rate across the portfolio would result in a significant financial impact to the investment property balance and the income statement. > The investment property valuations were performed either internally by the Directors or by the Trust's external valuers.	Our procedures included: > We assessed the competency of both the Trust's external valuers and the directors involved in undertaking the directors (i.e. internal) valuation by gaining an understanding of their experience and qualifications. > We assessed the appropriateness of the valuation methodology utilised, being the capitalisation of income method, based on the accepted industry practices and nature of the properties. We compared the valuations to the alternate discounted cash flow method valuation prepared by the external valuers and the directors' valuation. > We involved KPMG Real Estate Specialists to evaluate a sample of external valuations and the director's internal valuation using their valuation skills and market knowledge, to compare recent sales evidence and other published reports of industry commentators. > We, in conjunction with our KPMG Real Estate Specialists, questioned the capitalisation rates applied to specific properties based on our knowledge of the property portfolio and published reports of industry commentators. We also tested, on a sample basis, other key inputs to the valuations such as gross rent, occupancy rate, lease term remaining and CPI, for consistency to existing lease contracts or published statistics.

Independent auditor's report to the unitholders of BWP Trust

FOR THE YEAR ENDED 30 JUNE 2019

Other Information

Other Information is financial and non-financial information in BWP Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

> preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

> implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

> assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

> to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

> to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our Auditor's Report.

KPMG

KPMG
Perth, 6 August 2019

DEREK MEATES
Partner

Unitholder information

FOR THE YEAR ENDED 30 JUNE 2019

SUBSTANTIAL UNITHOLDERS

The number of units held by the Trust's substantial unitholders and the date on which the last notice was lodged with the Trust, were as follows:

	Date of notice	Units
Wesfarmers Limited, its subsidiaries and their associates	9 September 2013	151,863,632
The Vanguard Group Inc, and their associates	14 August 2018	45,583,050

DISTRIBUTION OF UNITHOLDERS

As at 15 July 2019:

Range of holding	Holders	Units	%
1 – 1,000	4,169	1,804,483	0.28
1,001 – 5,000	6,852	19,386,363	3.02
5,001 – 10,000	4,049	30,214,239	4.70
10,001 – 100,000	5,346	131,593,301	20.49
100,001 – over	181	459,385,417	71.51
Total	**20,597**	**642,383,803**	**100.00**
Unitholders holding less than a marketable parcel (132 units)	918	24,172	

VOTING RIGHTS

Each fully paid ordinary unit carries voting rights at one vote per unit.

TWENTY LARGEST UNITHOLDERS

The twenty largest holders of ordinary units in the Trust as at 15 July 2019 were:

	Number of Units	Percentage of capital held
Wesfarmers Investments Pty Ltd	159,014,206	24.75
HSBC Custody Nominees (Australia) Limited	106,922,846	16.64
JP Morgan Nominees Australia Pty Limited	75,367,815	11.73
Citicorp Nominees Pty Limited	39,972,221	6.22
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	11,057,048	1.72
National Nominees Limited	10,817,328	1.68
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,343,352	0.83
BNP Paribas Noms Pty Ltd <DRP>	4,184,491	0.65
National Nominees Limited <N A/C>	2,056,173	0.32
Netwealth Investments Limited <WRAP Services A/C>	1,516,174	0.24
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,256,405	0.20
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,192,083	0.19
Craigieburn Property Holdings Pty Ltd <Craigieburn (Vic) U/T A/C>	1,104,500	0.17
HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	975,444	0.15
HSBC Custody Nominees (Australia) Limited-GSCO ECA	963,588	0.15
Sonice Pty Limited <The Springfield A/C>	883,737	0.14
AMP Life Limited	873,176	0.14
Netwealth Investments Limited <Super Services A/C>	840,192	0.13
Lymal Pty Ltd	836,798	0.13
BNP Paribas Noms (NZ) Ltd <DRP>	806,783	0.13
Total top 20 holders	**425,984,360**	**66.31**
Total remaining holders balance	**216,399,443**	**33.69**

Investor information

FOR THE YEAR ENDED 30 JUNE 2019

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.

DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan was in place for the interim distribution and has been suspended for the final distribution for the year ended 30 June 2019.

ELECTRONIC PAYMENT OF DISTRIBUTIONS

Unitholders may nominate a bank, building society or credit union account for the payment of distributions by direct credit. Payments are electronically credited on the distribution date and confirmed either by an electronic or mailed payment advice.

Unitholders wishing to take advantage of payment by direct credit can provide their banking instructions online by logging onto www.investorcentre.com/au. Alternatively, unitholders can request the relevant forms by contacting the registry.

Since September 2018, all distributions to unitholders in Australia have only been paid by direct credit to a unitholder's nominated account.

PUBLICATIONS

The annual report is the main source of information for unitholders. In addition, unitholders are sent a half-year report in February each year providing a review, in summary, of the six months to December.

Periodically, the Trust may also send releases to the ASX covering matters of relevance to investors.

WEBSITE

The Trust's website, bwptrust.com.au provides information on each property in the portfolio, and an overview of the Trust's approach to investment, corporate governance and sustainability. The site also provides unit price information and access to annual and half-year reports and releases made to the ASX.

ANNUAL TAX STATEMENTS

Accompanying the final distribution payment in August or September each year will be an annual tax statement which details any tax advantaged components of the year's distribution, if applicable.

PROFIT DISTRIBUTIONS

Profit distributions are paid twice yearly, normally in February and August.

UNITHOLDER ENQUIRIES

Please contact the Registry Manager if you have any questions about your unitholding or distributions.

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.

EXTERNAL DISPUTES RESOLUTION

Should a complainant be dissatisfied with the decision made by the responsible entity in relation to a complaint, the complainant is entitled to lodge a dispute with the Australian Financial Complaints Authority (AFCA), an independent external dispute resolution (EDR) scheme authorised by the Minister for Revenue and Financial Services to deal with complaints from consumers in the financial system. AFCA can be contacted by telephone on 1800 931 678 (free call), by email to info@afca.org.au, by fax to (03) 9613 6399, by mail addressed to Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne VIC 3001, or by visiting their website at www.afca.org.au.

Directory

FOR THE YEAR ENDED 30 JUNE 2019

RESPONSIBLE ENTITY

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ABN 26 082 856 424

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bwptrust.com.au

DIRECTORS

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

COMPANY SECRETARY

Karen Lange

REGISTRY MANAGER

Computershare Investor Services Pty Limited

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PERTH, WA, 6000

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AUDITOR

KPMG

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PERTH, WA, 6000

2019 Annual Report

bwptrust.com.au

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ECF ELEMENTAL EMS ENVIRONMENTAL ISO

bwp TRUST