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2020/21

HALF-YEAR 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

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2020 / 21

HALF - YEAR
REPORT

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A B O U T U S

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.

BUSINESS APPROACH



Investment themes

LARGE FORMAT RETAILING PROPERTY OWNERSHIP – HOME IMPROVEMENT/BUNNINGS FOCUS

Status¹

- > 241 hectares of land
- > 75 properties
- > 88 per cent of income from Bunnings
- > 94 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

Status¹

- > 10.5 per cent annualised portfolio return on invested capital
- > 17.8 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

Status¹

- > 80 per cent metropolitan
- > 20 per cent regional
- > 40 per cent of metropolitan properties within 20 km of a central business district ("CBD")

Priorities

- > Well located properties in local communities, accessible, adjacent to other retail/community facilities
- > Highest and best use zoning



Drivers of returns

ANNUAL RENTAL GROWTH

Status¹

- > Approximately 55 per cent of the Trust's rental income is subject to Consumer Price Index ("CPI") adjustments
- > 45 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

Status¹

- > No acquisition opportunities met risk adjusted return requirements during the period

Priorities

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

COST OF FUNDING

Status¹

- > S&P A- and Moody's A3 rating maintained
- > Bank debt facility of \$135 million with Westpac Banking Corporation extended for a further year to April 2023

Priorities

- > Continue to diversify funding and extend duration of debt

¹ Status as at 31 December 2020



Long-term value creation

PRO-ACTIVE MANAGEMENT OF EXISTING PROPERTIES

Status¹

- > Portfolio 97.4 per cent leased
- > Two properties being repositioned for large format retail
- > Three properties being repositioned for multi-tenanted industrial
- > Two properties being re-zoned for higher and better use
- > One property is being repositioned for mixed-use
- > Three properties considered for divestment

Priorities

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

PORTFOLIO GROWTH

Status¹

- > 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 BWP TRUST AND ITS CAPITAL

Status¹

- > Ten year average total unitholder return of 16.3 per cent per annum

Priorities

- > Secure and growing income stream
- > Long-term capital growth

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

HALF-YEAR SUMMARY

AT 31 DECEMBER 2020

\$57.9 million

in line with the previous
corresponding period

DISTRIBUTABLE AMOUNT
FOR THE SIX MONTH PERIOD

**9.02 cents
per
unit**

in line with the previous
corresponding period

INTERIM DISTRIBUTION

2.0%

LIKE-FOR-LIKE RENTAL GROWTH
FOR THE 12 MONTHS TO
31 DECEMBER 2020

4.3 years

WEIGHTED AVERAGE
LEASE EXPIRY

17.8%

GEARING
(DEBT/TOTAL ASSETS)

3.2% per annum

WEIGHTED AVERAGE COST OF
DEBT FOR THE SIX MONTH PERIOD

\$2.6 billion

PORTFOLIO VALUATION

**\$3.20 per
unit**

NET TANGIBLE ASSETS

Distribution per unit

(cents)

■ Interim
distribution ■ Final
distribution

FY16/17	8.63	8.88
FY17/18	8.78	9.03 ¹
FY18/19	8.93	9.18 ²
FY19/20	9.02 ³	9.27
FY20/21	9.02 ⁴	

¹ FY17/18 final distribution includes a partial distribution of capital profits of 0.19 of a cent per unit.

² FY18/19 final distribution as shown includes a partial distribution of capital profits of 0.08 of a cent per unit, but excludes a special distribution of 1.56 cents per unit.

³ FY19/20 interim distribution includes a partial distribution of capital profits of 0.11 of a cent per unit.

⁴ FY20/21 interim distribution includes a partial distribution of capital profits of 0.16 of a cent per unit.

FINANCIAL AND MARKET PERFORMANCE

Financial performance

Half-year ended 31 December		2020	2019
Total income	\$m	76.1	76.2
Total expenses	\$m	(19.2)	(19.1)
Profit before gains in fair value of investment properties	\$m	56.9	57.2
Gains in fair value of investment properties	\$m	87.1	78.5
Net profit	\$m	144.0	135.6
Less: gains in fair value of investment properties	\$m	(87.1)	(78.5)
Amounts released from undistributed income reserve	\$m	1.0	0.7
Distributable amount for period	\$m	57.9	57.9
Distribution per ordinary unit	cents	9.02	9.02
Total assets	\$m	2,596.1	2,487.1
Borrowings	\$m	462.2	447.0
Unitholders' equity	\$m	2,055.8	1,953.1
Gearing (debt to total assets)	%	17.8	18.0
Number of units on issue	m	642	642
Number of unitholders		23,345	20,712
Net tangible assets backing per unit	\$	3.20	3.04
Unit price at 31 December	\$	4.42	3.92
Management expense ratio ¹ (annualised)	%	0.64	0.63

Figures above subject to rounding.

¹ Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

Market performance

BWP's performance compared to the Australian Real Estate Investment Trust sector for total returns over six months, one, three, five and ten year periods, is shown in the following table:

TOTAL RETURNS¹ COMPARED TO MARKET

Periods ended	6 months (%)	1 year (%)	3 years (%) ²	5 years (%) ²	10 years (%) ²
31 Dec 2020					
BWP	17.7	17.8	18.3	12.5	16.3
S&P/ASX 200 Property Accumulation Index	21.2	(4.6)	5.4	7.0	11.1

Source: UBS Australia

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

² Annual compound returns.

PROPERTY PORTFOLIO

OVERVIEW

BUSINESS REVIEW

FINANCIAL REPORT

INVESTOR INFORMATION

As at 31 December 2020	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
WESTERN AUSTRALIA			
Albany ^{3,4}	13,660	787	10,200
Australind	13,700	1,449	25,200
Balcatta	25,439	2,248	40,900
Belmont	10,381	1,631	28,400
Bibra Lake	14,141	1,665	29,000
Cockburn	12,839	1,827	31,800
Ellenbrook	15,337	2,109	36,700
Geraldton	17,874	1,350	20,000
Harrisdale	17,124	2,549	39,500
Joondalup	13,358	1,176	16,200
Mandurah	8,662	1,383	20,700
Midland ⁴	13,694	1,881	15,000
Mindarie ⁴	14,479	1,727	15,100
Morley ⁷	9,852	-	16,000
Port Kennedy ⁴	11,675	1,716	10,000
Rockingham	15,188	2,154	39,200
Total	227,403	25,652	393,900
VICTORIA			
Bayswater	17,677	2,637	43,300
Broadmeadows	12,765	2,041	40,800
Caroline Springs	14,319	1,892	32,900
Coburg	24,728	4,526	70,400
Craigieburn	16,764	1,773	32,200
Croydon	13,292	2,001	38,100
Fountain Gate	12,624	1,760	32,000
Frankston	13,843	2,171	37,700
Hawthorn	7,462	3,381	58,000
Maribyrnong	17,550	2,945	62,000
Mentone	8,271	2,367	34,800
Mornington	13,324	1,760	30,600
Northland ⁴	13,006	2,030	33,000
Nunawading ⁵	14,766	2,493	49,100
Pakenham	14,867	2,133	33,600
Port Melbourne	13,846	2,311	55,000
Scoresby	12,515	1,986	34,500
Springvale	13,458	2,275	43,300
Sunbury	15,270	1,983	36,100
Vermont South	16,634	2,297	41,800
Total	286,981	46,762	839,200
AUSTRALIAN CAPITAL TERRITORY			
Fyshwick ⁶	6,648	1,299	25,400
Tuggeranong	11,857	1,843	33,500
Total	18,505	3,141	58,900
SOUTH AUSTRALIA			
Mile End	15,065	2,505	45,500
Noarlunga	14,784	1,582	26,400
Total	29,849	4,086	71,900

As at 31 December 2020	Gross lettable area ¹	Annual rental ²	Valuation
Suburb	sqm	\$000	\$000
NEW SOUTH WALES			
Artarmon	5,746	1,705	31,000
Belmont North ⁴	12,640	1,231	9,000
Belrose	8,888	2,107	38,300
Dubbo	16,344	1,673	24,600
Greenacre	14,149	2,869	52,100
Hoxton Park	25,607	3,692	61,400
Lismore	9,892	1,466	26,700
Maitland	12,797	1,437	23,000
Minchinbury	16,557	2,954	56,300
Port Macquarie	7,336	1,427	17,600
Rydalmere	16,645	3,355	70,500
Thornleigh	5,301	1,406	26,800
Villawood	12,678	2,131	40,600
Wagga Wagga ⁴	13,774	1,566	14,000
Wallsend	16,863	2,220	40,400
Wollongong	10,811	1,452	23,200
Total	206,028	32,692	555,500
QUEENSLAND			
Arundel	15,676	2,607	44,100
Bethania	13,494	2,120	35,600
Brendale	15,035	2,242	41,500
Browns Plains	18,398	3,280	49,600
Cairns ⁷	12,917	-	8,500
Cannon Hill	16,556	2,597	48,300
Fairfield Waters	13,645	1,814	29,000
Gladstone	21,516	3,614	46,000
Hervey Bay	11,824	1,356	12,800
Manly West	13,021	2,448	43,000
Morayfield ⁵	12,507	1,895	31,900
Mount Gravatt	11,824	1,407	23,000
North Lakes	18,861	2,976	56,500
Rocklea	14,403	2,200	36,900
Smithfield	13,094	1,696	26,300
Southport	12,431	1,772	27,900
Townsville North	14,038	1,900	30,500
Underwood ⁷	12,245	-	15,800
West Ipswich	14,977	2,716	48,000
Total	276,462	38,640	655,200
Grand Total	1,045,228	150,974	2,574,600

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 that is no longer leased to Bunnings.

REPORT TO UNITHOLDERS

The directors of BWP Management Limited, the responsible entity for the BWP Trust, are pleased to present this interim report to unitholders covering the financial results and activities of the Trust for the six months to 31 December 2020.

The investment portfolio valuation increased during the period. The prevailing market conditions of low inflation and low interest rates continued to be positive for the valuation of the Trust's existing portfolio but made additional property acquisitions difficult to justify from a value creation perspective. Consequently, no new properties were added to the portfolio in the first half of the financial year.

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

The Trust is continuing to work with Bunnings on improvements to individual properties within the core portfolio of properties leased to Bunnings.

Financial results

FINANCIAL PERFORMANCE

Net profit for the period was \$144.0 million, including \$87.1 million of unrealised gains in the fair value of investment properties. This compares with net profit for the previous corresponding period of \$135.6 million which included unrealised gains of \$78.5 million in the fair value of investment properties.

The total income for the period was \$76.1 million, a decrease of 0.2 percent over the previous corresponding period, after taking into account rent abatements of \$403,868 provided to tenants impacted by the COVID-19 shutdowns during the six months to 31 December 2020.

Finance costs of \$7.5 million were 4.1 per cent lower than the previous corresponding six months, due to a lower weighted average cost of debt of 3.2 per cent, compared to 3.5 per cent for the previous corresponding period. The average level of borrowings was 6.6 per cent higher than the previous corresponding period (\$467.8 million compared with \$439.0 million). Average utilisation of debt facilities (average borrowings as a percentage of average facility limits) for the period was lower than for the previous corresponding period (77.3 per cent compared with 79.1 per cent).

Other operating expenses increased from \$4.2 million in the previous corresponding period to \$4.3 million in the current period, mainly as a result of additional outgoings required to be paid by the Trust for properties in the process of being redeveloped.



Bunnings Warehouse, Rydalmere, NSW

FINANCIAL POSITION

At 31 December 2020, the Trust's total assets were \$2.6 billion, with unitholders' equity of \$2.1 billion and total liabilities of \$0.5 billion.

The underlying net tangible asset backing of the Trust's units increased by 14 cents per unit during the period, from \$3.06 per unit at 30 June 2020, to \$3.20 per unit at 31 December 2020. This increase was largely due to the net unrealised gains on revaluation of investment properties (refer to the Revaluations section).

Interim distribution

For the half-year the Trust reported a distributable amount of \$57.9 million, in line with the previous corresponding period, and which included a partial release of retained capital profits of \$1.0 million (31 December 2019: \$0.7 million).

An interim distribution of 9.02 cents per ordinary unit has been declared. This is the same as the previous corresponding period (9.02 cents per unit). The interim distribution will be made on 26 February 2021 to unitholders on the Trust's register at 5:00 pm AWST on 31 December 2020.

REPORT TO UNITHOLDERS

(CONTINUED)

Property portfolio

CAPITAL EXPENDITURE

Capital expenditure of \$2.4 million was incurred during the period. It comprised minor works at various properties.

ACQUISITIONS AND DIVESTMENTS

No properties were acquired or divested during the period. The Trust has entered into an unconditional contract of sale to sell the ex-Bunnings Warehouse property at Underwood in Queensland to an unrelated third party for \$16.0 million, with settlement scheduled in May 2021. The Trust has entered into a conditional option agreement with an unrelated third party to sell the ex-Bunnings Warehouse property at Mindarie in Western Australia. Due to the conditional nature of this agreement, the property is not disclosed as an asset held for sale at 31 December 2020.

CAPITAL COMMITMENTS

COMMITMENT TO EXPANSION OF BUNNINGS WAREHOUSE, CROYDON, VICTORIA

In August 2019, the Trust committed to expand its Croydon Bunnings Warehouse, Victoria at a cost of \$4.0 million. Construction is under way. The annual rental will increase by approximately \$0.3 million on completion.

COMMITMENT TO EXPANSION OF BUNNINGS WAREHOUSE, COBURG, VICTORIA

In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of \$2.5 million. Construction has not yet commenced. The annual rental will increase by approximately \$0.1 million on completion.

COMMITMENT TO EXPANSION OF BUNNINGS WAREHOUSE, PORT MELBOURNE, VICTORIA

In February 2020, the Trust committed to expand its Port Melbourne Bunnings Warehouse, Victoria at a cost of \$6.6 million. Construction is under way. The annual rental will increase by approximately \$0.4 million on completion.

OCCUPANCY AND AVERAGE LEASE EXPIRY

At 31 December 2020, the portfolio was 97.4 per cent leased with a weighted average lease expiry term of 4.3 years (30 June 2020: 4.0 years, 31 December 2019: 4.3 years).

Rent reviews

The rent payable for each leased property is increased annually, either by a fixed percentage or by CPI, except when a property is due for a market rent review.

ANNUAL ESCALATIONS

Forty six of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for these leases was 1.4 per cent.

MARKET RENT REVIEWS

The market rent reviews that were due for six Bunnings Warehouses during the year ended 30 June 2020 and four that were due during the six months to 31 December 2020 are still being negotiated or are being determined by an independent valuer and remain unresolved. The market rent reviews completed during the half-year are shown in the following table.

Property location	Passing rent (\$ pa)	Market review (\$ pa)	Variance (%)	Effective date
Wollongong, NSW ^{1,2}	1,469,571	1,405,000	(4.4)	9-Feb-18
Villawood, NSW ^{1,3}	1,738,610	1,827,000	5.1	14-May-18
Browns Plains, QLD ^{2,4}	1,791,153	1,793,000	0.1	7-May-19
Thornleigh, NSW ^{3,5}	1,420,291	1,420,291	0.0	6-Sep-19
Maitland, NSW ^{3,5}	1,451,887	1,451,887	0.0	18-Oct-19
Albany, WA ^{2,5}	904,854	790,000	(12.7)	1-Nov-19
Bibra Lake, WA ^{2,5}	1,757,639	1,671,000	(4.9)	1-Nov-19
Northland, VIC ³	2,029,869	2,029,869	0.0	19-Aug-20
Total/Weighted average	12,563,874	12,388,047	(1.4)	

¹ The market rent review was due during the year ended 30 June 2018, but the outcome was only finalised during the current financial year.

² The market rent review was determined by an independent valuer.

³ The market rent review was agreed between the parties.

⁴ The market rent review was due during the year ended 30 June 2019, but the outcome was only finalised during the current financial year.

⁵ The market rent review was due during the year ended 30 June 2020, but the outcome was only finalised during the current financial year.

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 2.0 per cent for the 12 months to 31 December 2020 (compared to 2.0 per cent for the 12 months to 31 December 2019 which was previously disclosed as a 2.2 per cent increase, but has since been updated following the finalisation of the seven market rent reviews related to that period).

The unresolved market reviews at 31 December 2020 are not included in the calculation of like-for-like rental growth for the year.

REPORT TO UNITHOLDERS

(CONTINUED)

Revaluations

During the half-year, the Trust's entire investment property portfolio was revalued. Property revaluations were performed by independent valuers for 11 properties. The remaining 64 properties were subject to directors' valuations. Following the revaluations, the Trust's weighted average capitalisation rate for the portfolio at 31 December 2020 was 5.84 per cent (30 June 2020: 6.08 per cent; 31 December 2019: 6.08 per cent).

The value of the Trust's portfolio increased by \$90.4 million to \$2,574.6 million during the half-year following capital expenditure of \$2.4 million and revaluation gains of \$87.1 million, after adjusting for the straight-lining of rent of \$0.9 million.

As there has been a significant uplift in property valuations with no corresponding significant increase in rental income, the responsible entity has agreed to waive its entitlement to fees in relation to \$75 million of property valuation uplift commencing on 1 January 2021. This waiver will be reviewed every six months.

Capital management

The Trust's debt facilities as at 31 December 2020 are summarised below:

	Limit (\$m)	Amount drawn (\$m)	Expiry date
Bank debt facilities			
Westpac Banking Corporation	135.0	50.6	30 April 2022
Commonwealth Bank of Australia	110.0	48.0	31 July 2022
Sumitomo Mitsui Banking Corporation	100.0	100.0	20 May 2024
Corporate bonds			
Fixed term five-year corporate bonds	110.0	110.0	11 May 2022
Fixed term seven-year corporate bonds	150.0	150.0	10 April 2026
	605.0	458.6	

Subsequent to the period end, the Trust extended the debt facilities with the Westpac Banking Corporation for a further one year to 30 April 2023. The weighted average duration of the facilities at 31 December 2020 was 2.7 years (31 December 2019: 3.5 years).

The Trust's gearing ratio (debt to total assets) at 31 December 2020 was 17.8 per cent (30 June 2020: 19.7 per cent, 31 December 2019: 18.0 per cent) which is slightly below the Board's preferred range of 20 to 30 per cent.

The Trust has a policy of hedging the majority of its borrowings against interest rate movements. At 31 December 2020, the Trust's interest

rate hedging cover was 75.2 per cent of gross borrowings (excluding accrued interest and borrowing costs), with \$85.0 million of interest rate swaps and \$260.0 million of fixed rate corporate bonds against gross borrowings of \$458.6 million. The weighted average term to maturity of hedging was 2.9 years (30 June 2020: 3.4 years, 31 December 2019: 3.4 years) including delayed start swaps.

Outlook

The Trust is well positioned in the current COVID-19 environment with the significant majority of rental income being from Bunnings and other national large format retailers which are all trading well during this time.

Rent reviews are expected to contribute incrementally to property income for the half-year to 30 June 2021. There are 41 leases to be reviewed to the CPI or by a fixed percentage increase during the second half of the 2020/21 financial year. There are also 19 market rent reviews of Bunnings Warehouses that remain unresolved for the year ending 30 June 2021 and are in the process of being finalised.

Demand for Bunnings Warehouse properties is expected to remain relatively stable in the near-term given the current low interest rate environment and the strength of the Bunnings covenant.

BWP's primary focus for the remainder of the 2021 financial year will be on leasing vacancies in the portfolio, progressing store upgrades, and extending existing leases with Bunnings through the exercise of options.

For BWP Management Limited.



Erich Fraunschiel

Chairman
3 February 2021



Michael Wedgwood

Managing Director
3 February 2021

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FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED
31 DECEMBER 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Note	Dec 2020 \$000	Dec 2019 \$000
Rental income		75,767	75,747
Other property income		320	455
Finance income		18	44
Total revenue		76,105	76,246
Finance costs		(7,496)	(7,814)
Responsible entity's fees		(7,391)	(7,037)
Other operating expenses		(4,306)	(4,241)
Total expenses		(19,193)	(19,092)
Profit before gains on investment properties		56,912	57,154
Unrealised gains in fair value of investment properties		87,064	78,480
Profit for the period attributable to unitholders of BWP Trust		143,976	135,634
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges:			
- Realised losses transferred to profit or loss		1,145	954
- Unrealised losses on cash flow hedges		(75)	(143)
Total comprehensive income for the period attributable to the unitholders of BWP Trust		145,046	136,445
Basic and diluted earnings (cents per unit)	2	22.41	21.11

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Dec 2020 \$'000	Jun 2020 \$'000	Dec 2019 \$'000
ASSETS				
<i>Current assets</i>				
Cash		17,070	64,189	20,873
Receivables and prepayments		4,387	4,188	5,873
Assets held for sale		15,800	-	-
Total current assets		37,257	68,377	26,746
<i>Non-current assets</i>				
Investment properties	3	2,558,800	2,484,200	2,460,400
Total non-current assets		2,558,800	2,484,200	2,460,400
Total assets		2,596,057	2,552,577	2,487,146
LIABILITIES				
<i>Current liabilities</i>				
Payables and deferred income		18,372	18,286	26,148
Derivative financial instruments		519	363	127
Distribution payable	4	57,943	59,549	57,943
Total current liabilities		76,834	78,198	84,218
<i>Non-current liabilities</i>				
Interest-bearing loans and borrowings	5	462,192	503,226	446,997
Derivative financial instruments		1,183	2,408	2,835
Total non-current liabilities		463,375	505,634	449,832
Total liabilities		540,209	583,832	534,050
Net assets		2,055,848	1,968,745	1,953,096
EQUITY				
<i>Equity attributable to unitholders of BWP Trust</i>				
Issued capital	6	945,558	945,558	945,558
Hedge reserve	7	(1,702)	(2,772)	(2,962)
Undistributed income		1,111,992	1,025,959	1,010,500
Total equity		2,055,848	1,968,745	1,953,096

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

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	Dec 2020 \$000	Dec 2019 \$000
Cash flows from operating activities		
Rent received	83,143	82,237
Payments to suppliers	(12,651)	(13,696)
Payments to the responsible entity	(7,400)	(6,872)
Finance income	18	44
Finance costs	(7,385)	(7,794)
Net cash flows from operating activities	55,725	53,919
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(2,261)	(16,250)
Net cash flows used in investing activities	(2,261)	(16,250)
Cash flows from financing activities		
(Repayments)/drawdown of borrowings	(41,034)	34,285
Distributions paid	(59,549)	(68,992)
Net cash flows used in financing activities	(100,583)	(34,707)
Net (decrease)/increase in cash	(47,119)	2,962
Cash at the beginning of the period	64,189	17,911
Cash at the end of the period	17,070	20,873

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

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	Issued capital \$000	Hedge Reserve \$000	Undistributed income \$000	Total \$000
Balance at 1 July 2019	945,558	(3,773)	932,809	1,874,594
Profit for the period attributable to unitholders of BWP Trust	-	-	135,634	135,634
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	811	-	811
Total comprehensive income for the period	-	811	135,634	136,445
Distributions to unitholders	-	-	(57,943)	(57,943)
Total transactions with unitholders of BWP Trust	-	-	(57,943)	(57,943)
Balance at 31 December 2019	945,558	(2,962)	1,010,500	1,953,096
Balance at 1 July 2020	945,558	(2,772)	1,025,959	1,968,745
Profit for the period attributable to unitholders of BWP Trust	-	-	143,976	143,976
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	1,070	-	1,070
Total comprehensive income for the period	-	1,070	143,976	145,046
Distributions to unitholders	-	-	(57,943)	(57,943)
Total transactions with unitholders of BWP Trust	-	-	(57,943)	(57,943)
Balance at 31 December 2020	945,558	(1,702)	1,111,992	2,055,848

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

The financial statements of BWP Trust ("the Trust") for the half-year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 3 February 2021. The Trust was constituted under a Trust Deed dated 18 June 1998 as amended and is managed by BWP Management Limited ("the responsible entity"). Both the Trust and the responsible entity are domiciled in Australia.

The half-year financial statements are a general purpose financial report which:

- > has been prepared in accordance with the requirements of the Trust's constitution, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*;
- > has been prepared using the same significant accounting policies as those applied by the Trust in its financial statements for the year ended 30 June 2020;
- > has been prepared on an historical cost basis, except for investment properties and derivative financial instruments, which have been measured at their fair value;
- > is presented in Australian dollars, the Trust's functional currency, and all values are rounded to the nearest thousand dollars (\$'000) under the option available to the Trust under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated; and
- > does not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements of the Trust as at 30 June 2020 which are available upon request from the Trust's registered office at Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth WA 6000 or at bwptrust.com.au and considered together with any public announcements made by the Trust during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

2 INTERIM DISTRIBUTION PER UNIT

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties, as well as other items as determined by the directors are not included in the profit available for distribution to unitholders. The following shows the effect on earnings per unit of excluding gains or losses in fair value of investment properties and the resulting distribution per unit:

	Dec 2020	Dec 2019
Basic and diluted earnings per unit (cents per unit)	22.41	21.11
Basic and diluted earnings per unit excluding gains in fair value of properties (cents per unit)	8.86	8.90
Interim distribution per unit (cents per unit)	9.02	9.02
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	642,383,803	642,383,803

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

3 INVESTMENT PROPERTIES

	Dec 2020 \$000	Dec 2019 \$000
Balance at the beginning of the period	2,484,200	2,358,200
Reclassification to assets held for sale	(15,800)	-
Capital improvements during the period	2,430	22,062
Straight-line lease income	906	1,658
Net unrealised gains from fair value adjustments	87,064	78,480
Balance at the end of the period	2,558,800	2,460,400

(A) FAIR VALUE

Investment properties are carried at fair value. Fair value for individual properties is determined by a full valuation completed at least every three years by an independent valuer who holds a relevant professional qualification and has recent experience in the location and category of the investment property. During the six months to 31 December 2020, 11 independent property valuations were performed.

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

- All investment properties of the Trust have been categorised on a Level 3 fair value basis under AASB 13 *Fair Value Measurement*, as some of the inputs required to value the properties are not based on "observable market data". For full details of the methodology and the significant assumptions/inputs used please refer to the 30 June 2020 annual financial statements.

COVID-19

While the current economic climate and the impacts of the COVID-19 pandemic in the medium to long term are still uncertain, the assessment undertaken by the independent and directors' valuations to determine the fair value of the Trust's portfolio considers the impact of COVID-19.

The fair value assessment of the Trust's portfolio as at the reporting date includes the best estimate of the impacts of the COVID-19 pandemic using information available at the time of preparation of the financial statements and includes forward looking assumptions. In the event that the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may impact the fair value of the Trust's portfolio.

(B) CAPITAL EXPENDITURE

Total capital expenditure on the portfolio during the half-year amounted to \$2.4 million. This comprised minor works at various properties.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

4 DISTRIBUTION PAYABLE

In accordance with the Trust's constitution, the unrealised gains or losses on the revaluation of the fair value of investment properties, 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:

	Dec 2020 \$000	Dec 2019 \$000
Profit for the period attributable to unitholders of BWP Trust	143,976	135,634
Capital profits released from undistributed profit	1,050	731
Net unrealised gains in fair value of investment properties	(87,064)	(78,480)
Distributable profit for the period	57,962	57,885
Opening undistributed profit	13	58
Closing undistributed profit	(32)	-
Distributable amount	57,943	57,943
Distribution (cents per unit)	9.02	9.02

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

5 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2020 the Trust had the following borrowings:

	Expiry date	Limit \$000	Amount drawn \$000
Bank debt facilities			
Westpac Banking Corporation	30 April 2022	135,000	50,600
Commonwealth Bank of Australia	31 July 2022	110,000	48,000
Sumitomo Mitsui Banking Corporation	20 May 2024	100,000	100,000
		345,000	198,600
Corporate bonds			
Fixed term five-year corporate bonds	11 May 2022	110,000	110,000
Fixed term seven-year corporate bonds	10 April 2026	150,000	150,000
Accrued interest and borrowing costs			3,592
		260,000	263,592
		605,000	462,192

Subsequent to the period end, the Trust extended the debt facilities with the Westpac Banking Corporation for a further one year to 30 April 2023.

6 ISSUED CAPITAL

During the period no new units (2019: nil) were issued under the Trust's distribution reinvestment plan therefore the number of ordinary units on issue as at 31 December 2020 remained at 642,383,803. The distribution reinvestment plan was active for the interim distribution for the half-year ended 31 December 2020 with units acquired on-market.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

7 HEDGE RESERVE

This reserve records the portion of the change in fair values of a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	Dec 2020 \$000	Jun 2020 \$000
Balance at the beginning of the financial period	(2,772)	(3,773)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	1,145	1,989
- Unrealised losses on cash flow hedges	(75)	(988)
Balance at the end of the financial period	(1,702)	(2,772)

8 SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

9 FINANCIAL INSTRUMENTS

(A) FAIR VALUE

The fair values and carrying amounts of the Trust's financial assets and financial liabilities recorded in the financial statements are materially the same with the exception of the following:

	Dec 2020 \$000	Jun 2020 \$000
Corporate bonds – book value	(263,592)	(263,626)
Corporate bonds – fair value	(277,532)	(272,795)

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

Loans and receivables, and payables and deferred income

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

Cash and short-term deposits

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

Bank debt facilities and corporate bonds

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

Interest rate swaps

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

(B) FINANCIAL RISK MANAGEMENT – CREDIT RISK

An allowance for impairment in respect of receivables of \$90,743 has been made during the current year (2019: \$nil). Based on historical default rates, the Trust believes that no other impairment allowance is necessary.

Other aspects of the Trust's financial risk management objectives and policies are consistent with those disclosed in the 30 June 2020 annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

10 CAPITAL EXPENDITURE COMMITMENTS

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

	Dec 2020 \$000	Jun 2020 \$000
Not later than one year:		
Related parties	13,100	13,100
	13,100	13,100

CAPITAL COMMITMENTS TO RELATED PARTIES

Croydon, Victoria

In August 2019, the Trust committed to expand its Croydon Bunnings Warehouse, Victoria at a cost of \$4.0 million.

Coburg, Victoria

In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of \$2.5 million.

Port Melbourne, Victoria

In February 2020, the Trust committed to expand its Port Melbourne Bunnings Warehouse, Victoria at a cost of \$6.6 million.

11 RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2020 annual financial statements, along with Note 10 of these financial statements.

DIRECTORS' REPORT

For the half-year ended 31 December 2020

In accordance with the *Corporations Act 2001*, BWP Management Limited (ABN 26 082 856 424), the responsible entity for BWP Trust, provides this report for the financial half-year that commenced 1 July 2020 and ended 31 December 2020 and review report thereon. The information on pages 12 to 17 forms part of this directors' report and is to be read in conjunction with the following information:

DIRECTORS

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

- > Erich Fraunschiel (Chairman)
- > Fiona Harris AM
- > Tony Howarth AO
- > Alison Quinn
- > Mike Steur
- > Michael Wedgwood

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

REVIEW AND RESULTS OF OPERATIONS

The operations of the Trust during the six months to 31 December 2020 and the results of those operations are reviewed on pages 12 to 17 of this report and the accompanying financial statements.

	Dec 2020 \$000	Dec 2019 \$000
Profit for the period attributable to unitholders of BWP Trust	143,976	135,634
Capital profits released from undistributed profit	1,050	731
Net unrealised gains in fair value of investment properties	(87,064)	(78,480)
Distributable profit for the period	57,962	57,885
Opening undistributed profit	13	58
Closing undistributed profit	(32)	-
Distributable amount	57,943	57,943

The interim distribution is 9.02 cents per ordinary unit (2019: 9.02 cents). This interim distribution will be paid on 26 February 2021.

UNITS ON ISSUE

At 31 December 2020, 642,383,803 units of BWP Trust were on issue (30 June 2020: 642,383,803).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The continuing economic uncertainty in relation to COVID-19 may require the Trust to grant further rent abatements and/or rent deferrals, especially to those tenants that qualified under the relevant Code of Conduct legislation. Factors including the length and timing of any mandatory closures and government mandated restrictions will influence the requirement to waive or defer further rent. This may also have a future impact on valuations.

Other than the matter above, no other matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operations, results of operations or state of affairs of the Trust in subsequent financial years.

AUDITOR INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 35 and forms part of the directors' report for the half-year ended 31 December 2020.

ROUNDING OFF

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

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



Erich Fraunschiel

Chairman
BWP Management Limited
Perth, 3 February 2021

DIRECTORS' DECLARATION

For the half-year ended 31 December 2020

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

In the opinion of the directors:

- a. the financial statements and notes of the Trust are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Trust's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- b. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Erich Fraunschiel

Chairman
BWP Management Limited
Perth, 3 February 2021

AUDITOR'S INDEPENDENCE DECLARATION



For the half-year ended 31 December 2020

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

To the Directors of BWP Management Limited the responsible entity of BWP Trust

I declare that, to the best of my knowledge and belief, in relation to the review of BWP Trust for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Derek Meates

Partner
Perth
3 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT



To the unitholders of BWP Trust

REPORT ON THE HALF-YEAR FINANCIAL REPORT

CONCLUSION

We have reviewed the accompanying *Half-year Financial Report* of BWP Trust (the Trust).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of BWP Trust does not comply with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Trust's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The *Half-year Financial Report* comprises the:

- > Statement of financial position as at 31 December 2020
- > Statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date
- > Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- > Directors' Declaration.

BASIS FOR CONCLUSION

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Trust in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

RESPONSIBILITIES OF THE DIRECTORS FOR THE HALF-YEAR FINANCIAL REPORT

The Directors of BWP Management Limited (the Responsible Entity) are responsible for:

- > the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- > such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY FOR THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Derek Meates

Partner
Perth
3 February 2021

DIRECTORY

FOR THE HALF-YEAR ENDED
31 DECEMBER 2020

RESPONSIBLE ENTITY

BWP Management Limited
ABN 26 082 856 424

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DIRECTORS

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Michael Wedgwood (Managing Director)
Fiona Harris AM
Tony Howarth AO
Alison Quinn
Mike Steur

COMPANY SECRETARY

Karen Lange

REGISTRY MANAGER

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computershare.com.au

AUDITOR

KPMG

235 St Georges Terrace
Perth WA 6000

INVESTOR INFORMATION

STOCK EXCHANGE LISTING

The BWP Trust is listed on the Australian Securities Exchange ("ASX") and reported in the "Industrial" section in daily newspapers – code BWP.

DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan was operational during the six month reporting period.

ELECTRONIC PAYMENT OF DISTRIBUTIONS

All distributions to unitholders in Australia are by direct credit only to the unitholder's nominated account. 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.

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.





2020 / 21

HALF - YEAR REPORT

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