Annual Report 2016

bwp TRUST

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.

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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

ABOUT US

BWP Trust is a real estate investment trust listed on the Australian Securities Exchange ("ASX") investing in and managing commercial properties throughout Australia. The majority of the Trust's properties are large format retailing properties, in particular, Bunnings Warehouses, leased to Bunnings Group Limited ("Bunnings").

The following is a brief summary of BWP Trust's ("BWP" or "the Trust") operations and activities, and readers should refer to the details provided throughout this Annual Report and on the Trust's website for further information.

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 typically 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 assess 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. In each year, the Trust distributes more than its taxable income.

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 an annual 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.

Rydalmere, NSW

INVESTMENT APPROACH

BWP Trust aims to provide unitholders with a secure and growing income stream and long-term capital growth, through strong alignment with, and by supporting the ongoing property needs of its customers.

To achieve this core purpose the responsible entity invests on behalf of the Trust according to the following strategies, objectives and investment criteria:

Strategies / Objectives

PRO-ACTIVE MANAGEMENT OF EXISTING ASSETS

- Full occupancy and strong customer financial covenants
- Commercial approach to rent reviews, outgoings and stay-in-business capital expenditure
- Re-investment in existing stores to support the evolving requirements of major customers
- Pursuit of longer term property value enhancement opportunities
- Divestment of non-core assets, where value has been optimised

PORTFOLIO GROWTH

- Source quality Bunnings Warehouses from Bunnings or third parties
- Acquisition of prime large format retailing properties anchored with a Bunnings Warehouse
- Network rollout support for emerging long weighted average lease expiry ("WALE") property concepts with similar risk/return characteristics

EFFECTIVE MANAGEMENT OF THE TRUST AND ITS CAPITAL

- Active capital management
- Disciplined investment approach
- Sustainability endeavours that have impact
- Effective stakeholder engagement

Investment Criteria

PREFERRED PROPERTY ATTRIBUTES

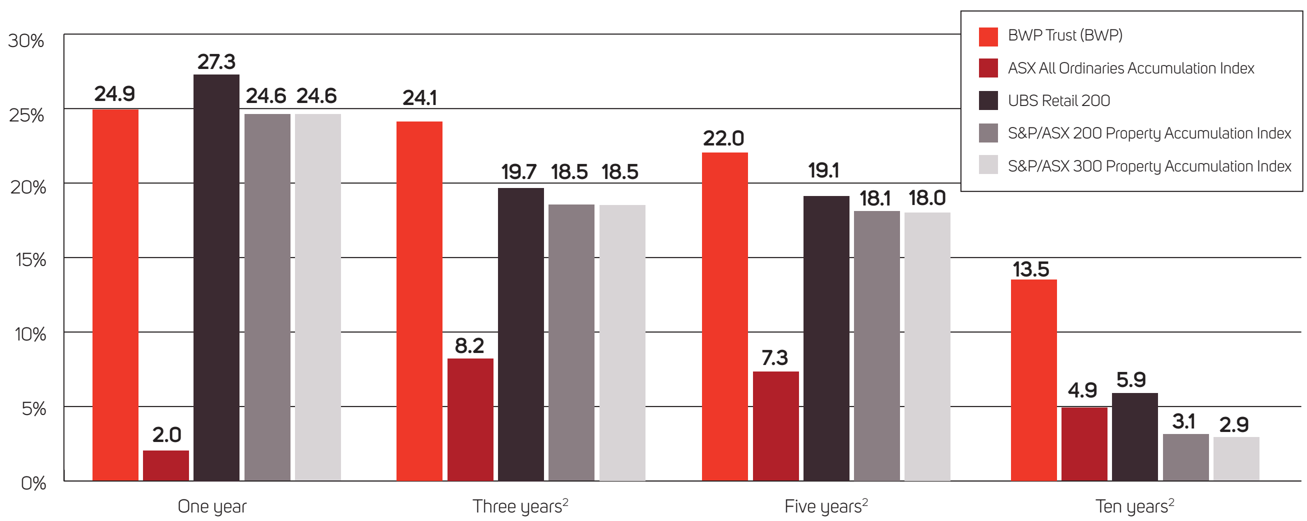
- Significant catchment area
- Visible and accessible from a major road, highway or freeway
- Ready vehicle access and ample on-site parking
- Long term occupancy potential
- Leases to businesses with strong financial and value creation attributes
- Geographic diversity

2016 HIGHLIGHTS

$150.2M	16.79 CENTS	$2.56
TOTAL INCOME	DISTRIBUTION PER UNIT	NET TANGIBLE ASSETS PER UNIT

- 3.7 per cent increase in income to $150.2 million for the year
- Final distribution of 8.50 cents, bringing the full year distribution to 16.79 cents, up 6.0 per cent on the previous year
- Finalised the upgrade of the Lismore and Rockingham Bunnings Warehouse stores
- Completed the divestment of the Blacktown industrial property
- 14 market rent reviews were finalised during the year – weighted average 5.8 per cent increase in annual rent; including 10 Bunnings Warehouses – weighted average 5.8 per cent increase in annual rent
- Like-for-like rental growth of 2.3 per cent for the 12 months to 30 June 2016
- Weighted average cost of debt of 5.0 per cent for the year, 4.9 per cent at year end
- Weighted average lease expiry of 5.9 years at 30 June 2016, portfolio 99.7 per cent leased
- Net revaluation gain on the property investment portfolio of $202.6 million for the year
- Net tangible assets of $2.56 per unit at 30 June 2016 (2015: $2.24 per unit), up 14.3 per cent on the previous year
- Gearing (debt/total assets) 21.5 per cent at 30 June 2016

BWP total returns compared to market indices for periods ended 30 June 2016 (%)[1]



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

Smithfield, QLD

LETTER FROM THE CHAIRMAN

The Trust is structured for long term property ownership and to be able to withstand the impact of major risk factors outside its control. BWP has an extensive and unique portfolio of well-located Bunnings Warehouse properties which continues to generate good income and capital growth.

Dear Unitholder

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 2016.

The performance of the Trust during the year was positive in terms of market returns and was in line with its core objective of sustainable income and capital growth over time.

Increased rental income from the Trust's property portfolio, and a lower cost of debt, have resulted in distributions for the year ended 30 June 2016 increasing by 6.0 per cent to 16.79 cents per unit.

Total returns for the year (distributions and movement in unit price) of 24.9 per cent were similar to the benchmark S&P/ASX 200 Property Accumulation Index of 24.6 per cent, but well ahead of the ASX All Ordinaries Accumulation Index which grew by 2.0 per cent over that period of time.

For the 2017 financial year, the Trust expects further rental growth from its existing property portfolio after taking into account expectations of low inflation in the future.

The current macro-economic environment continues to drive strong demand for property assets, particularly assets with long lease terms, and strong financial covenants. While this is positive for the valuation of the Trust's existing property portfolio, it is currently very challenging creating value for the Trust from new store acquisitions. The Trust remains financially disciplined in this regard and will only invest in additional new properties where there is potential for good rental growth and asset valuation upside over the medium term.

While these market conditions prevail, the Trust will focus on store upgrades and the re-leasing/development of any properties vacated by Bunnings. Store upgrades will enable Bunnings to enhance its offer to customers and, in so doing, generate additional rental income and increased lease tenure for the Trust.

I would like to acknowledge the retirement of John Austin from the Board in December 2015. John had served as a director from 2004, and as Chairman from 2007, and made a significant contribution to the Board. During that time the Trust's market capitalisation grew from $500 million to $2.0 billion, and the number of properties owned by the Trust increased considerably.

I would also 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

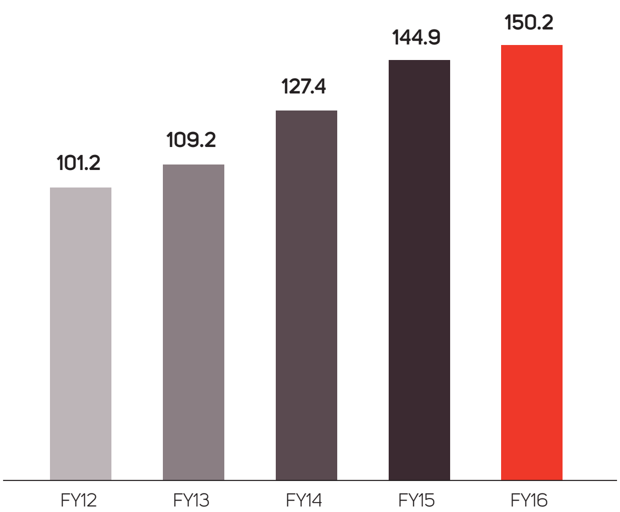
FINANCIAL SUMMARY

Financial performance

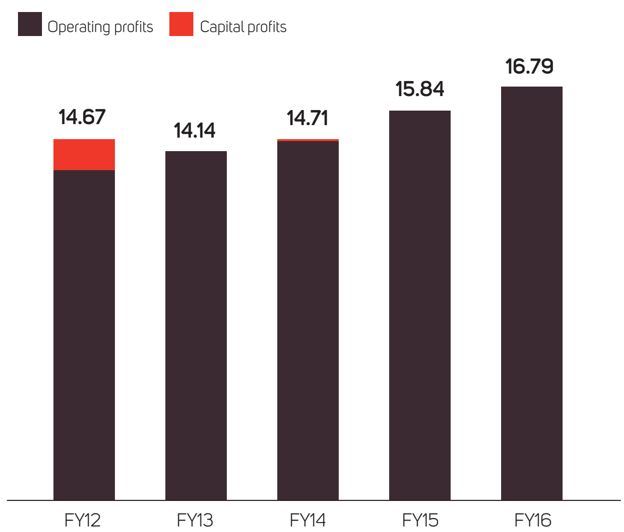
Year ended 30 June			2016	2015	2014	2013	2012
Total income		$m	**150.2**	144.9	127.4	109.2	101.2
Net profit		$m	**310.5**	210.1	149.1	110.6	69.9
(Gains)/losses in fair value of investment properties		$m	**(202.6)**	(108.5)	(57.1)	(34.8)	0.6
Capital profits released from undistributed income reserve		$m	**-**	-	0.8	-	6.2
Distributable profit		$m	**107.9**	101.6	92.8	75.8	76.7
Distribution per ordinary unit	interim	cents	**8.29**	7.67	6.83	7.00	6.63
	final	cents	**8.50**	8.17	7.88	7.14	8.04
	total	cents	**16.79**	15.84	14.71	14.14	14.67
Tax advantaged component		%	**25.44**	18.27	14.69	24.26	19.36
Total assets		$m	**2,200.5**	2,018.0	1,837.4	1,398.7	1,335.2
Borrowings		$m	**472.3**	485.4	448.3	296.5	288.9
Unitholders' equity		$m	**1,645.4**	1,441.8	1,311.4	1,037.2	974.0
Gearing (debt to total assets)		%	**21.5**	24.1	24.4	21.2	21.6
Number of units on issue		m	**642**	642	634	538	525
Number of unitholders			**24,021**	24,374	23,668	18,063	14,924
Net tangible asset backing per unit		$	**2.56**	2.24	2.07	1.93	1.85
Unit price at 30 June		$	**3.64**	3.06	2.48	2.25	1.87
Management expense ratio[1] (annualised)		%	**0.64**	0.65	0.64	0.62	0.58

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

Total Income ($m)



Distribution Per Unit (cents)



Nunawading, VIC

MANAGING DIRECTOR'S REPORT

Rental growth from the existing property investment portfolio and a reduction in the weighted average cost of debt contributed to a 6.0 per cent increase in distributions per unit compared to last year.

Financial results

INCOME AND EXPENSES

Total income for the full-year to 30 June 2016 was $150.2 million, up by 3.7 per cent from last year. The increase in income was mainly due to rental growth from the existing property portfolio, additional rental income from the store expansions completed during the year, and from completed property developments during the previous year. On a like-for-like basis, excluding rental income from properties acquired or upgraded during or since last year, rental income increased by approximately 2.3 per cent for the year.

Finance costs of $24.3 million were 5.8 per cent lower than last year, with higher borrowing levels being offset by a lower weighted average cost of debt. The average level of borrowings was 4.5 per cent higher than the previous year ($483.4 million compared to $462.7 million). The weighted average cost of debt for the year (finance costs less finance income, as a percentage of average borrowings) was 5.0 per cent, compared to 5.5 per cent for the previous year. The reduced cost of debt was the result of lower interest rates and reduced bank fees and margins compared to the previous year.

Other operating expenses of $6.2 million were slightly lower than the previous year's $6.4 million.

The management expense ratio for the year ended 30 June 2016 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) was 0.64 per cent (2015: 0.65 per cent). The responsible entity waived $0.4 million in management fees during the year to maintain consistency between the growth of the management fee and growth in distributable income.

PROFIT

Profit as disclosed in the Trust's financial statements includes unrealised 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). 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 2016, net profit was $310.5 million, including $202.6 million in gains in the fair value of investment properties. This compares with net profit last year of $210.1 million which included gains of $108.5 million in the fair value of investment properties.

Distributable profit for the year (excluding unrealised revaluation gains or losses) was $107.9 million, compared to $101.6 million for the previous year.

FINANCIAL POSITION

As at 30 June 2016, the Trust's total assets were $2,200.5 million (2015: $2,018.0 million) with unitholders' equity of $1,645.4 million and total liabilities of $555.1 million. Investment properties and assets held for sale made up the majority of total assets comprising $2,184.2 million (2015: $1,981.3 million). Details of investment properties are contained in the Our property portfolio section at pages 15 to 21.

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2016 was $2.56 per unit, an increase of 1.6 per cent from $2.52 per unit as at 31 December 2015 (30 June 2015: $2.24 per unit). The increase in NTA over the six months to 30 June 2016 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 8.50 cents per ordinary unit has been declared and will be made on 25 August 2016 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2016. The final distribution takes the total distribution for the year to 16.79 cents per unit (2015: 15.84 cents per unit). The tax advantaged component of the distribution is 25.44 per cent, which is higher than the previous year due to the property divestments that occurred in the previous year, and the taxable capital gains resulting from them.

Units allocated under the Trust's Distribution Reinvestment Plan ("DRP") in respect of the final distribution will be issued at $3.75 per unit, representing the average of the daily volume weighted average price of the Trust's units for the 20 trading days from and including 6 July 2016 to 2 August 2016, with no discount applied. Units to be allocated under the DRP were acquired on market during the time and will be transferred to participants on 25 August 2016.

Capital management

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

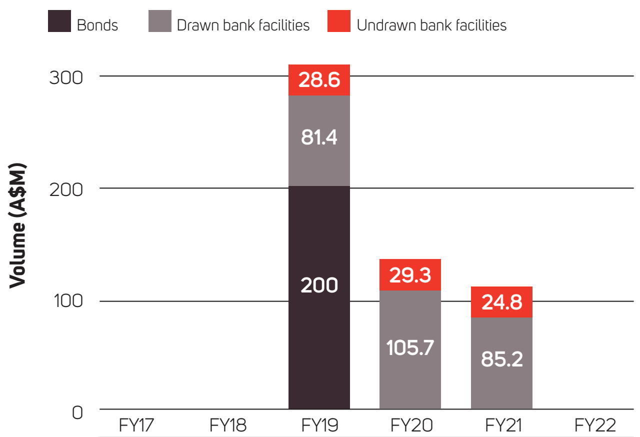
DEBT FUNDING

The Trust's debt facilities as at 30 June 2016 are summarised below.

	Limit $m	Amount drawn $m	Expiry date
Bank debt facilities			
Australia and New Zealand Banking Group Limited	110.0	81.4	1 July 2018
Commonwealth Bank of Australia	110.0	85.2	31 July 2020
Westpac Banking Corporation	135.0	105.7	30 April 2020
Corporate bonds			
Fixed term five-year corporate bond	200.0	200.0	27 May 2019
Total	**555.0**	**472.3**	

As at 30 June 2016, the weighted average duration of the Trust's debt facilities was 3.2 years to expiry (2015: 4.2 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was 87.1 per cent (2015: 80.4 per cent).

Debt maturity profile



INTEREST RATE RISK MANAGEMENT

The Trust takes out interest rate swaps and fixed rate corporate bonds (hedging) to create certainty of the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2016, the Trust's interest rate hedging cover was 79.4 per cent of borrowings, with $175.0 million of interest rate swaps and the $200.0 million fixed rate corporate bond, against interest bearing debt of $472.3 million. The weighted average term to maturity of hedging was 2.63 years, including delayed start swaps.

Due to the accounting requirement to mark the value of interest rate swap hedges to market, the Trust's hedging liabilities decreased to approximately $10.0 million as at 30 June 2016 (2015: $10.9 million). The decrease in hedging liability during the year was due to the reduction in the average term of maturity of the interest rate swap profile. The hedging liability assesses the potential liability if all hedges were to be terminated at 30 June 2016.

GEARING

The Trust's gearing ratio (debt to total assets) at 30 June 2016 was 21.5 per cent (2015: 24.1 per cent), which is at the lower end of the Board's preferred range of 20 to 30 per cent. This should allow the Trust to take advantage of opportunities to create long term value when they arise. The interest cover ratio (earnings before interest and tax/interest expense) was 5.6 times (2015: 5.1 times).

DISTRIBUTION REINVESTMENT PLAN

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2016. The Trust has continued to maintain an active DRP as a component of longer-term capital management and to allow unitholders flexibility in receiving their distribution entitlements. The DRP provides a measured and efficient means of accessing additional equity capital from existing eligible unitholders when required.

Operating environment

BUNNINGS – THE TRUST'S KEY CUSTOMER CONTRIBUTING 93 PER CENT OF RENTAL INCOME

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand and a major supplier to project builders, commercial tradespeople and the housing industry. As at June 2016, Bunnings had a network of 240 Bunnings Warehouse stores across Australia and New Zealand, around 70 smaller format stores and 33 trade centres[1] .

As at 30 June, 2016, approximately 93 per cent of the Trust's annual rental income is 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 and outdoor living markets.

For the financial year ended 30 June 2015, Bunnings reported revenue of $9.534 billion and EBIT of $1.088 billion[2]. In the period from 30 June 1995 to 30 June 2015, Bunnings grew sales and earnings before interest and tax ("EBIT") at a compound annual growth rate of 16.1 per cent per annum and 20.3 per cent per annum, respectively[3].

For the nine month period ended 31 March 2016, Bunnings reported sales of $8.09 billion, up 10.9 per cent on the previous corresponding period[4].

At the recent Wesfarmers Strategy Briefing Day, Bunnings re-confirmed its strong focus on long term value creation through a winning offer to customers, an engaged, focused and committed team, business behaviour that builds trust, and sustainable returns[5]. Bunnings presented its 2016/17 strategic agenda with a focus on creating better customer experiences, strengthening the core of

1 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, page 59
2 Source: Wesfarmers 2015 full-year results announcement, 20 August 2015, page 9
3 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, page 37
4 Source: Wesfarmers third quarter results announcement, 21 April 2016, page 1
5 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, page 36

the business by building a stronger team, lifting productivity, and improving stock flow. Bunnings indicated that it will continue to focus on its physical reach in terms of store format flexibility, and continued network development & reinvestment[1].

HOME IMPROVEMENT AND OUTDOOR LIVING MARKET

Bunnings estimates the size of its addressable market in home improvement and outdoor living in Australia to be sales of $48 billion per annum, of which its share is 19 per cent[2]. A number of factors drive the growth of the home improvement and outdoor living market including: household disposable income, renovation activity, housing churn, value and formation, weather, lifestyle and demographic trends, government activity 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, suppliers direct-to-market, home improvement products sold in discount department stores and supermarkets, and other small and large format home improvement retailers[3].

RETAILING MARKET AND TRENDS

The Trust's customers are predominantly sellers of retail goods or services in the home improvement & outdoor living, 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, supply chains and sourcing.

The quality of the Trust's property investment portfolio, with its large, prominently located sites 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 AFS licencing aspects of its underlying business/structure. The processes/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. The processes and systems are set out in a Compliance Plan, which is reviewed annually by the Board.

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 (99.7 per cent occupied at 30 June 2016, with a portfolio WALE of 5.9 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 three domestic banks and via the domestic medium term note market.

The Trust has a portfolio of 81 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.

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 undertakes detailed due diligence on property acquisitions to fully understand levels of site contamination prior to committing to purchase.

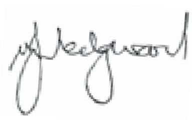
SOCIAL SUSTAINABILITY RISKS

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 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.

BWP's operations

Further information regarding the operations of the Trust is included in the Outlook, Our property portfolio, and Sustainability sections on pages 12 to 22.



Michael Wedgwood
Managing Director
BWP Management Limited

1 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, pages 44 to 48
2 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, page 38
3 Source: Wesfarmers Strategy Briefing Day, 22 June 2016, page 41

OUTLOOK

The level of inflation, the cost of debt, and property valuations are the variables that will have the most influence on the financial performance of the Trust in the near term. Global economic growth, the resilience of the Australian economy, the strength of the home improvement and outdoor living sector, and the ongoing evolution and financial success of the Bunnings business, will be more important for the Trust's performance in the longer term.[1]

ECONOMIC AND PROPERTY MARKET CONDITIONS

For the year ended 30 June 2016, there was strong investor demand for Bunnings Warehouse properties, which resulted in significant capitalisation rate compression, to a historical low, as demonstrated in the chart below.

The extent to which property capitalisation rates tighten further is likely to be a function of how long interest rates continue at current levels, the growth outlook for the Australian economy, and the global economic outlook generally. The current strength of the property market is reflected in the value of the Trust's portfolio at 30 June 2016, and will also continue to be a factor in property acquisitions in the near term, which may limit portfolio growth while these economic conditions prevail. 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.

The current low inflation rate, as measured by the Consumer Price Index ("CPI"), will result in lower incremental growth of rental income for the Trust in the near term. Approximately 62 per cent of the Trust's rental income is subject to CPI annual adjustment and 38 per cent is subject to fixed annual adjustments, other than in years in which respective properties are due for a market rent review (typically every five years for most of the Trust's existing portfolio).

For the year ended 30 June 2016, the average CPI increase for leases in the portfolio was 1.6 per cent, which applied to annual escalations for leases comprising 57 per cent of the rental income for properties subject to a review during the year ("base rent"). For the year ending 30 June 2017, CPI reviews will apply to 53 per cent of the base rent, with leases subject to a market rent review comprising 10 per cent of the base rent, and with the balance of 37 per cent reviewed to fixed increases of three to four per cent.

The level of income growth the Trust derives from market rent reviews will depend on property specific factors and what relevant evidence is available from time to time for comparable Bunnings Warehouses or other comparable properties. It is therefore difficult to predict the likely growth from market rent reviews, particularly when often the outcome of individual market reviews is the subject of a binding determination by an independent expert.

HOME IMPROVEMENT RETAIL SECTOR PERFORMANCE AND GROWTH

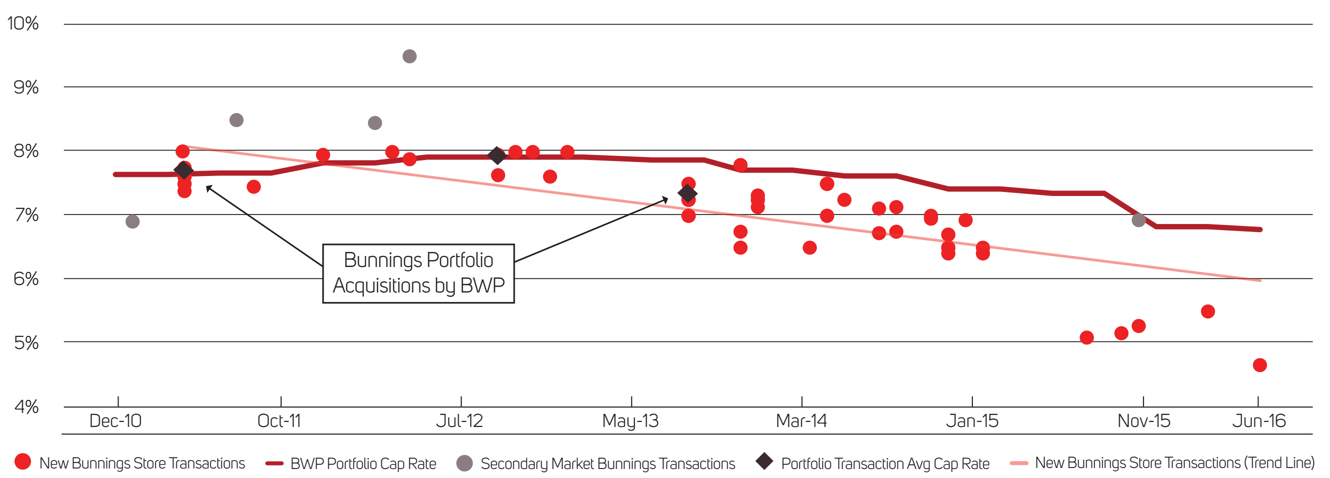
The strength and outlook for the home improvement and outdoor living market in Australia and the ongoing financial success of the Bunnings business is important for the future financial performance of the Trust.

Bunnings is continuing to deliver solid organic growth, with 8.0 per cent like-for-like sales growth for the nine month period ended 31 March 2016[2], reflecting the strength of its business model, and the resilience of the home improvement and outdoor living market in general.

1 This outlook contains forward-looking statements and assumptions. Please refer to the Important notice on the inside cover of this report

2 Source: Wesfarmers third quarter results announcement, 21 April 2016, page 3

Capitalisation rate trends for Bunnings properties



BWP HAS AN EXTENSIVE AND UNIQUE PORTFOLIO OF WELL LOCATED BUNNINGS WAREHOUSE PROPERTIES

Browns Plains, QLD

Hervey Bay, QLD

OUR PROPERTY PORTFOLIO

As at 30 June 2016 the Trust owned 81 investment properties, all within Australia, with a total value of $2,184.2 million and a weighted average lease expiry of 5.9 years.

Portfolio at a glance

Year ended 30 June	2016	2015	2014	2013	2012
Bunnings Warehouses	71	72	70	62	62
Bunnings Warehouse with showrooms	8	8	8	5	4
Bunnings Warehouse development sites	-	-	4	2	1
Large format retail showrooms	2	1	1	1	1
Industrial properties	-	1	4	4	4
Total BWP portfolio	**81**	**82**	**87**	**74**	**72**
Annual capital expenditure	**$13.5m**[1]	$118.9m[1]	$383.3m	$37.1m	$95.7m

[1] An amount of $5.7 million was accrued in 2015 for developments under construction

Capital expenditure during 2015/16

	$m
Acquisitions	
Minchinbury (land)	0.2
Developments	
Rockingham expansion	4.6
Lismore expansion	4.6
	9.2
Other expenditure	
Maitland	2.1
Other non-income producing	2.0
	4.1
Total	**13.5**

Property acquisitions

BUNNINGS WAREHOUSE ADJOINING LAND, MINCHINBURY, NEW SOUTH WALES

In May 2016, the Trust acquired for $0.2 million an 835 square metre site adjoining the Trust-owned Bunnings Warehouse at Minchinbury, New South Wales. The land was acquired to improve vehicle movement in the goods inwards area at the store.

Property divestments

In May 2016, the Trust completed the sale for net proceeds of $7.5 million of the industrial property at Blacktown, New South Wales.

Port Melbourne, VIC

Balcatta, WA

Developments and expansions

COMPLETION OF EXPANSION OF BUNNINGS WAREHOUSE LISMORE, NEW SOUTH WALES

In August 2015, a $4.6 million expansion of the Trust's Lismore Bunnings Warehouse was completed by Bunnings for the Trust. As at 30 June 2015, the Trust had accrued $3.2 million of the $4.6 million in capital expenditure. The annual rental increased by approximately $0.3 million to $1.3 million on completion of the expansion works.

Following completion of the expansion, the parties entered into a new 12 year lease of the Bunnings Warehouse with four, five-year options, exercisable by Bunnings. The rent will be reviewed annually to a fixed three per cent and is subject to a market rent review at the exercise of each option. 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 EXPANSION OF BUNNINGS WAREHOUSE ROCKINGHAM, WESTERN AUSTRALIA

In October 2015, a $4.6 million expansion of the Trust's Rockingham Bunnings Warehouse was completed by Bunnings for the Trust. As at 30 June 2015, the Trust had accrued $2.5 million of the $4.6 million in capital expenditure. The annual rental increased by approximately $0.3 million to $2.0 million on completion of the expansion works.

Following completion of the expansion, the parties entered into a new 12 year lease of the Bunnings Warehouse with four, six-year options, exercisable by Bunnings. The rent will be reviewed annually to CPI and is subject to a market rent review at the exercise of each option. At the exercise of the first option, at the commencement of year 13, the revised rent can be no lower than the rent in the immediately preceding year, but may not increase by more than 10 per cent of the preceding year's rent. Thereafter, market rent reviews are subject to a 10 per cent cap and collar, meaning that the rent cannot rise or fall by more than 10 per cent of the preceding year's rent.

FLOOD DAMAGE BUNNINGS WAREHOUSE MAITLAND, NEW SOUTH WALES

During the period, the Trust incurred $2.1 million in capital expenditure to rectify the damage to the Maitland Bunnings Warehouse from the floods in April 2015. Bunnings commenced partial occupation of the store in August 2015 and resumed full occupation of the store in May 2016.

Other improvements

Approximately $2.0 million was spent on various other non-income producing improvements to the portfolio during the year.

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. The annual rental will increase by approximately $0.1 million. Following completion of the expansion expected in mid 2017, the parties will enter into a new seven year lease with five, 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 rents are 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.

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, 99 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 2.2 per cent in the annual rent for these properties.

MARKET RENT REVIEWS

During the year market rent reviews were concluded on 10 Bunnings Warehouses and four showroom tenancies. The market rent review for the Belmont North Bunnings Warehouse, due during the year is being determined by a third party independent valuer.

The results of the completed market rent reviews are shown in the table on the following page.

Market rent reviews results summary

Property location	Customer	Passing rent ($ pa)	Market review[1] ($ pa)	Uplift (%)	Effective date
Mornington, VIC[2]	Bunnings	1,607,814	1,650,000	2.6	13-Dec-14
Fountain Gate, VIC[2]	Bunnings	1,469,209	1,650,000	12.3	1-Feb-15
Nunawading, VIC[2]	Bunnings	2,289,748	2,337,500	2.1	11-Feb-15
Morayfield, QLD[2]	Bunnings	1,676,042	1,770,000	5.6	22-Mar-15
Mile End, SA[2]	Bunnings	2,050,595	2,340,000	14.1	23-Mar-15
Morley, WA	Bunnings	1,290,348	1,425,000	10.4	3-Jul-15
Vermont South, VIC	Bunnings	2,166,812	2,166,812	0.0	15-Aug-15
Northland, VIC	Bunnings	1,876,874	1,900,000	1.2	19-Aug-15
Geraldton Showrooms, WA	BCF	182,436	182,436	0.0	12-Nov-15
Dubbo, NSW	KFC	116,986	121,665	4.0	29-Nov-15
Mt Gravatt, QLD	Bunnings	1,163,007	1,250,000	7.5	17-Dec-15
Broadmeadows, VIC	Bunnings	1,795,655	1,910,000	6.4	4-Jan-16
Pakenham, VIC	Dollar Curtains & Blinds	123,022	126,713	3.0	10-Jan-16
Bayswater, VIC	BCF	269,423	290,000	7.6	3-Jun-16
Weighted Average				**5.8**	

1 All market rent reviews were negotiated between the Trust and the Customer except Fountain Gate, Mile End, Morayfield and Mt Gravatt which were determined by an independent valuer

2 The market rent review was due during the year ended 30 June 2015, but the outcome of the negotiation was only completed during the year ended 30 June 2016

LIKE-FOR-LIKE RENTAL GROWTH

Excluding rental income from properties acquired or upgraded during or since the previous corresponding period, rental income increased by approximately 2.3 per cent for the 12 months to 30 June 2016 (compared to 2.9 per cent for the 12 months to 30 June 2015, which was previously disclosed as a 2.6 per cent increase, but has now been updated following the finalisation of the five market rent reviews related to that period).

The unresolved market review for Belmont North as at 30 June 2016 is not included in the calculation of like-for-like rental growth for the year.

Occupancy

As at 30 June 2016, the portfolio was 99.7 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 six properties in the property investment portfolio. These properties are identified in the portfolio rental summary on pages 20 and 21. In all cases, Bunnings has or is in the process of re-locating to a new nearby site in the same demographic area. In all cases, the properties remain leased to Bunnings for a minimum period to February 2018, and in the case of one property until September 2021. For any Bunnings Warehouse or standalone industrial site 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.

Property revaluations

The entire Trust portfolio was revalued at 31 December 2015 and again at 30 June 2016, including 26 property revaluations performed by independent valuers (10 at 31 December 2015 and 16 at 30 June 2016). 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.

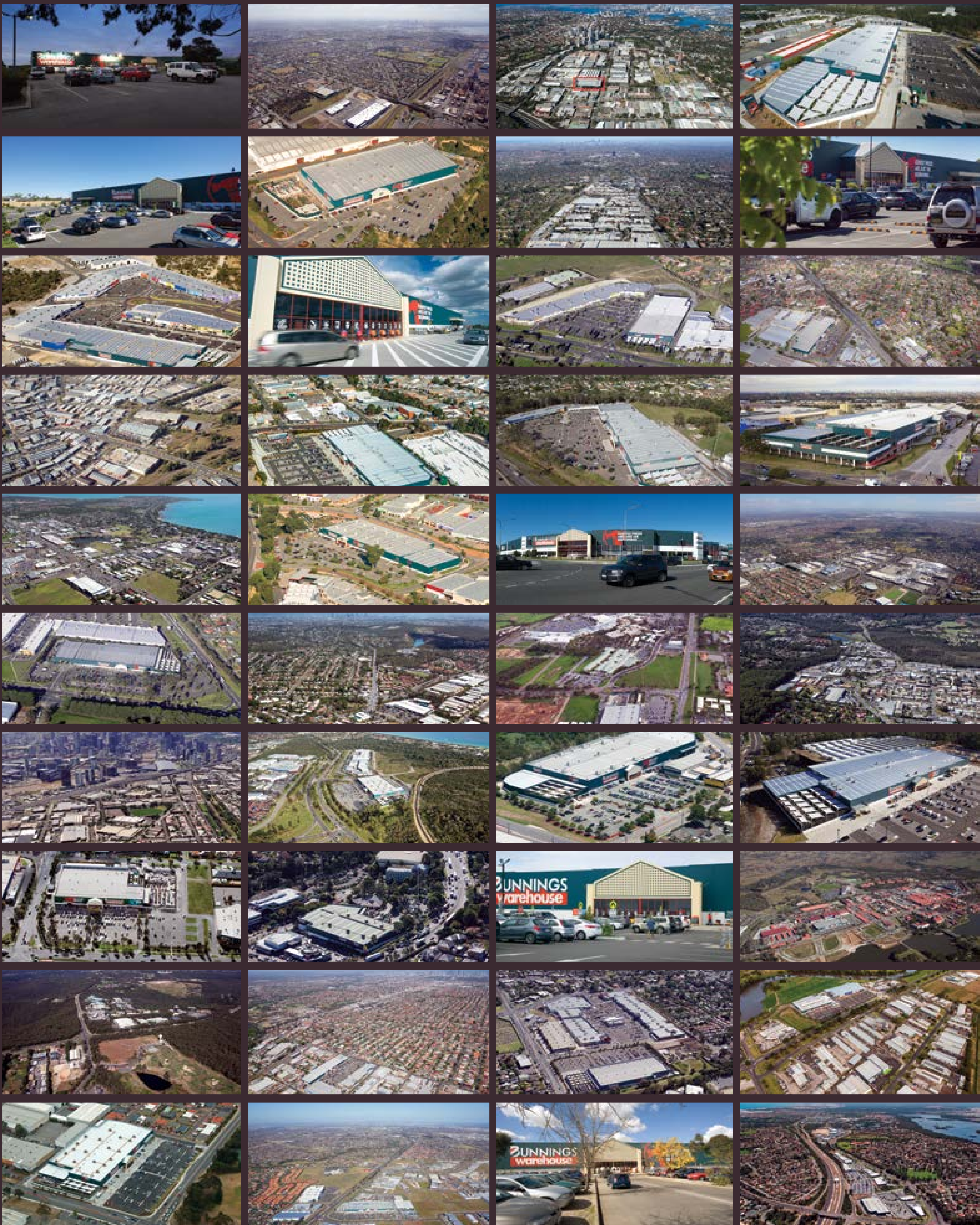
The value of the Trust's portfolio increased by $202.9 million to $2,184.2 million during the year following: acquisitions of $0.2 million, development and capital expenditure of $7.6 million, less net proceeds from divestments of $7.5 million, and a net revaluation gain of $202.6 million.

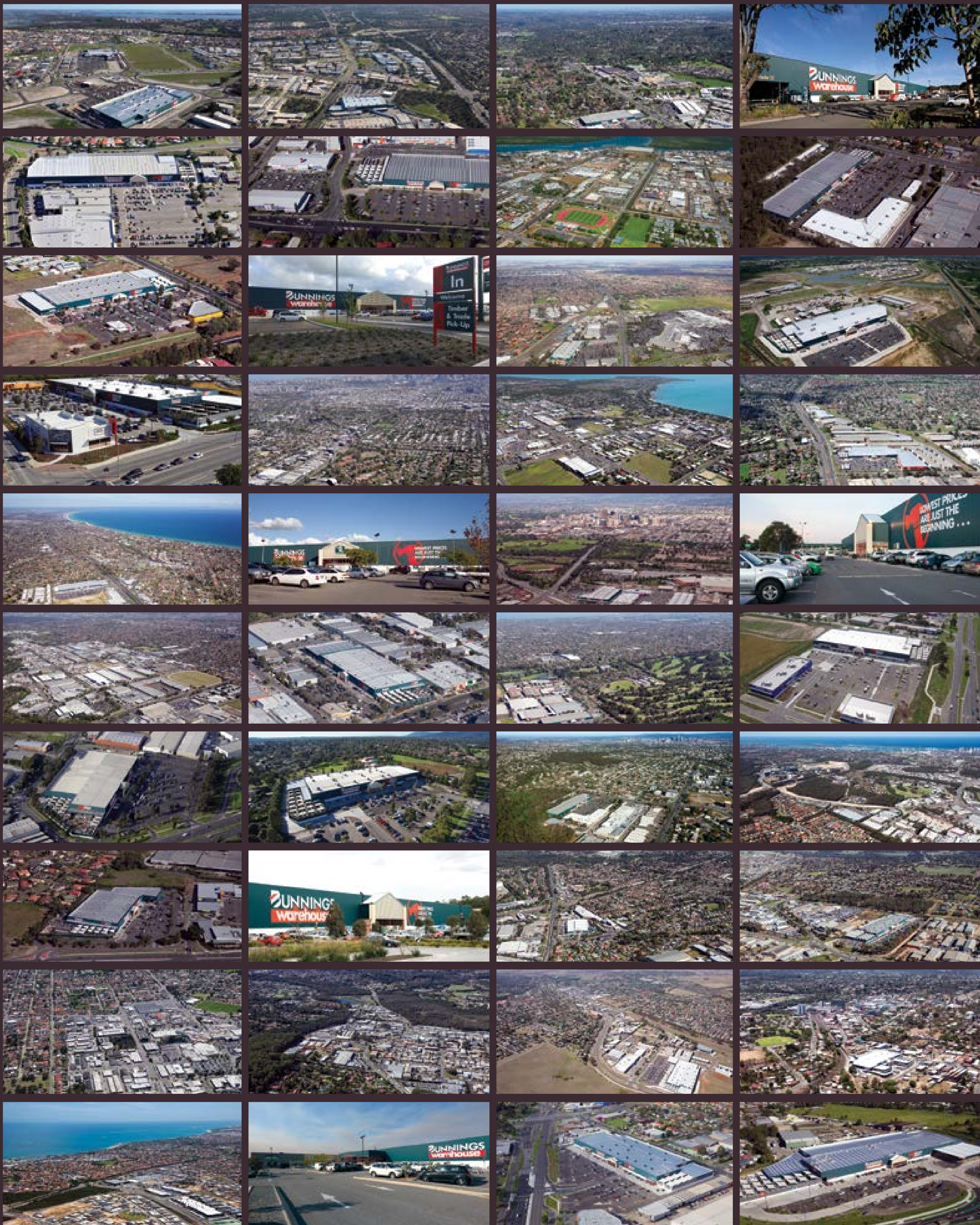
The net revaluation gain was due to growth in rental income and an average decrease in capitalisation rates across the portfolio during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2016 was 6.77 per cent (December 2015: 6.81 per cent; June 2015: 7.33 per cent).

Number of properties

Western Australia	17
Victoria	24
Australian Capital Territory	2
South Australia	2
New South Wales	16
Queensland	20
Total	**81**

OUR PROPERTY PORTFOLIO




BUNNINGS warehouse
In
Welcome
Timber & Trade Pick-Up
LOWEST PRICES ARE JUST THE BEGINNING . . .

OUR PROPERTY PORTFOLIO

WESTERN AUSTRALIA

Total Land Area: 46.9 ha

17 Locations

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
Suburb	**sq m**	**$000**	**$000**
Albany[3]	13,660	861	13,800
Australind	13,700	1,288	20,600
Balcatta	25,439	2,269	36,300
Belmont	10,381	1,449	22,300
Bibra Lake	14,141	1,672	24,000
Cockburn	12,839	1,623	25,000
Ellenbrook	15,337	1,819	30,300
Geraldton	17,874	1,319	17,600
Geraldton Showrooms	1,511	246	3,050
Harrisdale	17,124	2,198	30,300
Joondalup	13,358	1,480	16,600
Mandurah	12,097	1,540	20,500
Midland	13,694	1,636	23,400
Mindarie[7]	14,479	1,636	21,800
Morley	9,852	1,425	19,700
Port Kennedy	11,675	1,524	21,000
Rockingham	15,188	2,024	33,700
Total	**232,349**	**26,009**	**379,950**

VICTORIA

Total Land Area: 82.7 ha

24 Locations

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
Suburb	**sq m**	**$000**	**$000**
Altona[4,7]	9,254	1,173	16,400
Bayswater	17,677	2,383	34,000
Broadmeadows	12,765	1,910	28,300
Caroline Springs	14,319	1,681	24,900
Coburg	24,728	4,287	61,300
Craigieburn	16,764	1,576	23,300
Croydon	13,292	1,869	32,500
Dandenong	12,313	1,595	19,300
Epping[7]	12,027	1,277	14,000
Fountain Gate	12,624	1,675	25,800
Frankston	13,843	2,044	31,500
Hawthorn	7,462	3,140	44,900
Maribyrnong	17,550	2,616	45,500
Mentone[7]	11,814	1,608	22,200
Mornington	13,324	1,675	24,800
Northland	13,006	1,900	27,100
Nunawading[5]	14,766	2,373	41,100
Oakleigh South	16,949	1,963	18,500
Pakenham	14,867	1,878	25,600
Port Melbourne	13,846	2,041	32,900
Scoresby	12,515	1,882	27,900
Springvale	13,458	1,963	32,700
Sunbury	15,270	1,762	29,300
Vermont South	16,634	2,167	32,100
Total	**341,067**	**48,438**	**715,900**

NEW SOUTH WALES & AUSTRALIAN CAPITAL TERRITORY

Total Land Area: 55.6 ha

18 Locations

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
Suburb	**sq m**	**$000**	**$000**
AUSTRALIAN CAPITAL TERRITORY			
Fyshwick[6]	6,648	1,216	17,700
Tuggeranong	11,857	1,791	28,700
Total	**18,505**	**3,007**	**46,400**
NEW SOUTH WALES			
Artarmon	5,746	1,678	25,800
Belmont North	12,640	955	15,300
Belrose	8,888	2,078	32,000
Dubbo	16,344	1,492	19,700
Greenacre	14,149	2,549	39,200
Hoxton Park	26,508	3,580	45,800
Lismore	10,076	1,261	19,400
Maitland	12,797	1,379	17,300
Minchinbury	16,869	2,756	47,900
Port Macquarie	8,801	1,004	11,800
Rydalmere	16,645	2,981	51,000
Thornleigh	5,301	1,349	18,700
Villawood	10,886	1,688	21,800
Wagga Wagga	13,774	1,391	19,100
Wallsend	16,863	1,972	31,600
Wollongong	10,811	1,446	17,500
Total	**207,098**	**29,559**	**433,900**

SOUTH AUSTRALIA

Total Land Area: 5.9 ha

2 Locations

QUEENSLAND

Total Land Area: 67.2 ha

20 Locations

TOTAL

Total Land Area: 258.3 ha

81 Locations

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
Suburb	sq m	$000	$000
Mile End	15,065	2,380	39,700
Noarlunga	14,784	1,505	19,400
Total	**29,849**	**3,885**	**59,100**

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
Suburb	sq m	$000	$000
Arundel	15,588	2,249	34,600
Bethania	13,494	1,829	27,900
Brendale	15,029	1,934	32,200
Browns Plains	18,398	3,017	35,900
Burleigh Heads[7]	12,428	1,723	17,500
Cairns[7]	12,917	1,293	10,300
Cannon Hill	16,556	2,465	39,700
Fairfield Waters	13,645	1,611	23,300
Gladstone	21,511	3,163	36,300
Hervey Bay	11,824	1,236	14,300
Manly West	13,021	2,112	33,600
Morayfield	12,507	1,800	26,700
Mount Gravatt	11,824	1,250	14,500
North Lakes	18,861	2,567	41,800
Rocklea	14,403	2,067	32,000
Smithfield	13,094	1,507	20,800
Southport	12,431	1,723	24,300
Townsville North	14,038	1,639	25,300
Underwood	12,245	1,597	20,000
West Ipswich	14,977	2,343	37,900
Total	**288,791**	**39,125**	**548,900**

As at 30 June 2016	Gross lettable area[1]	Annual rental[2]	Value
All	sq m	$000	$000
Grand Total	**1,117,659**	**150,023**	**2,184,150**

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. Includes additional land (1.0 hectares) for which Bunnings Group Limited pays the Trust an access fee of $221,636 per annum
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. Sites that Bunnings has or is in the process of vacating, that are still leased to Bunnings

SUSTAINABILITY

During the year the Trust continued to focus on sustainability endeavours that have a meaningful impact, specifically in relation to the energy efficiency of our properties, and the replacement of ozone depleting air conditioning units in our older properties.

As at 30 June 2016, 63 per cent of the Trust owned Bunnings stores had LED lighting in at least one or more of the car park, nursery trading area, canopy trading area, or in the main store.

93 per cent of the Trust owned Bunnings stores have in place water tanks for the re-cycling of roof collected rain water.

Our sustainability principles, progress and priorities

The Trust is committed to acting responsibly and ethically, and operating its business in a manner that is sustainable. Principles based on the United Nations Principles for Responsible Investment, have been developed for incorporating environmental, social and governance ("ESG") issues into how the Trust conducts its business, and are embedded in policies, practices and processes.

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.

SUSTAINABILITY PRINCIPLE	PROGRESS DURING THE YEAR	FUTURE PRIORITIES
ESG in investment analysis and decisions	> All investment proposals put to the board during the year expressly considered ESG issues.	> Continue to refine and develop ESG assessment criteria for investment analysis and decision making.
ESG in asset ownership and resource use	> A further 19 air conditioning units were replaced to phase out ozone depleting refrigerant models. We have also retrofitted new non ozone depleting refrigerant into three larger air conditioning systems within the property portfolio. > Inefficient lights were removed and new energy efficient LED lights were installed internally into four stores as well as the car-parks at three additional properties within our portfolio. > Solar power generation was installed at two properties.	> Continue programme for phasing out ozone depleting air conditioning. > Continue to work with our major customers to roll back 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	> 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.	> 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.
ESG reporting	> Responded to the 2016 Carbon Disclosure Project survey.	> Continue to evolve ESG disclosure in line with market expectations
Build knowledge and understanding	> Ongoing education of the management team in property related sustainability matters.	> Focus on the energy efficiency aspects of LED lighting and solar roof panel technology.

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.

Solar Panels: Smithfield, QLD

Indoor LED Lighting: Browns Plains, QLD

Water Tanks: Rockingham, WA

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.

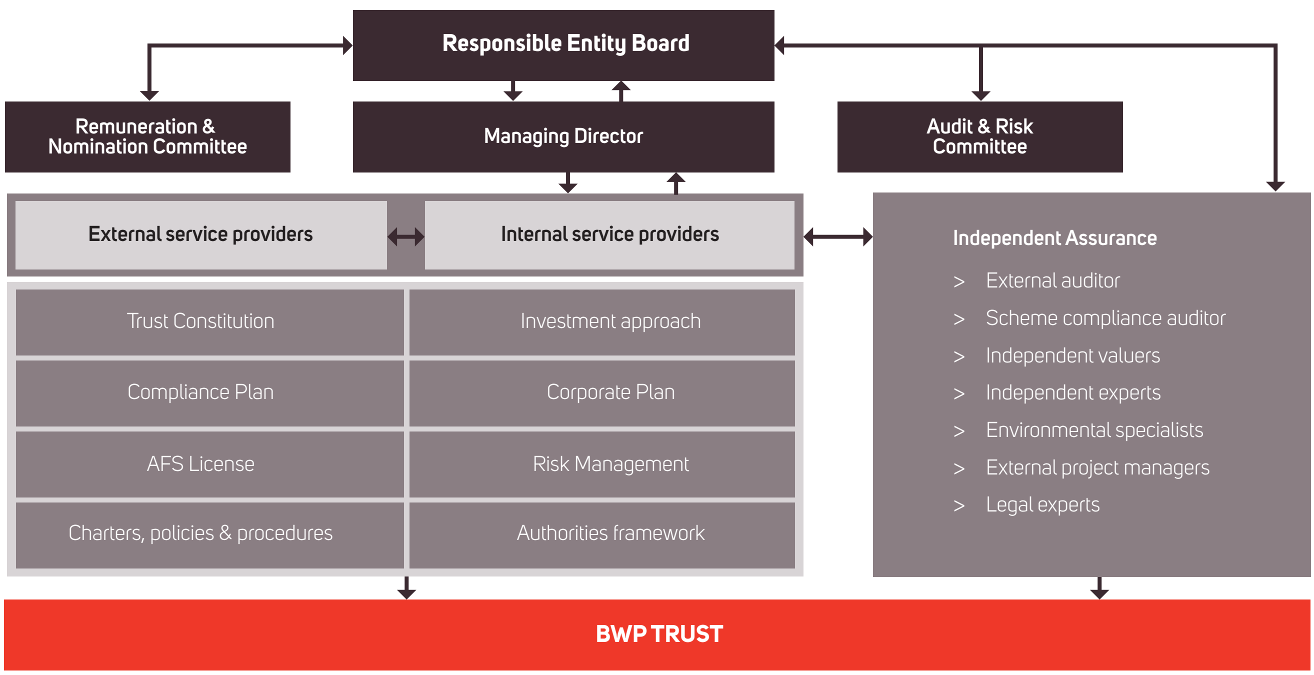
OUR COMPLIANCE IN 2016

Throughout the reporting year to 30 June 2016, the Trust's governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ASX Principles (3rd edition) as they apply to externally managed listed entities.

The 2016 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 2016 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 2016 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: 70

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. He is currently a director of WorleyParsons Limited, a global engineering, project management and advisory company.

Past directorships include Woodside Petroleum 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.

FIONA HARRIS AGE: 55

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 Chairman of Barrington Consulting Group Pty Ltd, director of ASX Listed company Infigen Energy Limited Group and Director of private company Perron Group Limited.

Past listed company directorships held in the last three years include Oil Search Limited, Toro Energy Limited, Sundance Resources Limited and Aurora Oil & Gas Limited.

Fiona was previously a partner at Chartered Accountants, KPMG, specialising in financial services and superannuation, capital raising, due diligence, IPO's, capital structuring of transactions and litigation support. She retired from KPMG in December 1994.

RICK HIGGINS AGE: 70

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: 64

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 Institution of Australia and has over 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. He is also Chairman of ASX listed MMA Offshore Limited (formerly called Mermaid Marine Australia Limited).

Tony is Chairman of St John of God Healthcare Inc, a Director of Alinta Holdings and a Fellow of AICD. He is Adjunct Professor (Financial Management) at the University of Western Australia Business School. Tony is also involved in a number of community and business organisations including membership of the Rio Tinto Community Investment Fund and the University of Western Australia Business School Advisory Board and Chairman of West Australian Rugby Union Inc.

MICHAEL STEUR AGE : 57

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, including Hong Kong, China, Japan, Malaysia and Singapore. 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. As well as property advisory, his experience at CBRE included strategic planning, business acquisitions, financial management, risk and compliance management and technology development. In 2009, he was appointed Executive Managing Director to head CBRE's Asia Pacific Valuation and Advisory services business. He retired from this role in June 2014 to pursue non-executive Board opportunities.

Michael has been a non-executive director of the New Zealand listed Kiwi Property Group Limited since 2010 and was appointed a director of the Dexus Wholesale Property Fund in August 2015.

MICHAEL WEDGWOOD AGE: 53

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 of Wesfarmers Limited for a period of five years, and also as the Chief Financial Officer of Bunnings Group Limited for a period of nine years. Prior to joining the Trust, 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 Perth, Hong Kong and Sydney.

Cannon Hill, QLD

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	June 2016 $000	June 2015 $000
Revenue	1	**150,196**	144,877
Expenses			
Finance costs	2	**(24,315)**	(25,816)
Responsible entity's fees	2	**(11,793)**	(11,071)
Other operating expenses	2	**(6,217)**	(6,419)
Total expenses		**(42,325)**	(43,306)
Profit before gains on investment properties		**107,871**	101,571
Realised gains on disposal of investment properties	6	**-**	371
Unrealised gains in fair value of investment properties	6	**202,633**	108,137
Profit attributable to the unitholders of BWP Trust		**310,504**	210,079
Other comprehensive income			
Items that 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		**4,981**	5,290
- Unrealised losses on cash flow hedges		**(4,016)**	(4,186)
Total comprehensive income for the year attributable to the unitholders of BWP Trust		**311,469**	211,183
Basic and diluted earnings (cents per unit) resulting from profit	12	**48.34**	32.84

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 2016

	Note	June 2016 $000	June 2015 $000
ASSETS			
Current assets			
Cash	3	**14,029**	32,445
Receivables and prepayments	4	**2,313**	4,233
Assets held for sale	5	**19,450**	16,357
Total current assets		**35,792**	53,035
Non-current assets			
Investment properties	6	**2,164,700**	1,964,915
Total non-current assets		**2,164,700**	1,964,915
Total assets		**2,200,492**	2,017,950
LIABILITIES			
Current liabilities			
Payables and deferred income	7	**18,206**	27,363
Derivative financial instruments		**759**	392
Distribution payable	8	**54,603**	52,483
Total current liabilities		**73,568**	80,238
Non-current liabilities			
Interest-bearing loans and borrowings	9	**472,333**	485,401
Derivative financial instruments		**9,219**	10,551
Total non-current liabilities		**481,552**	495,952
Total liabilities		**555,120**	576,190
Net assets		**1,645,372**	1,441,760
EQUITY			
Equity attributable to unitholders of BWP Trust			
Issued capital	10	**945,558**	945,558
Hedge reserve	11	**(9,978)**	(10,943)
Undistributed income		**709,792**	507,145
Total equity		**1,645,372**	1,441,760

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	June 2016 $000	June 2015 $000
Cash flows from operating activities			
Rent received		**167,674**	162,950
Payments to suppliers		**(25,325)**	(19,408)
Payments to the responsible entity		**(11,686)**	(10,420)
Finance income		**116**	256
Finance costs		**(24,403)**	(25,553)
Net cash flows from operating activities	3	**106,376**	107,825
Cash flows from investing activities			
Receipts from the sale of investment properties		**7,519**	70,766
Payments for purchase of, and additions to, investment properties		**(13,507)**	(116,974)
Net cash flows used in investing activities		**(5,988)**	(46,208)
Cash flows from financing activities			
(Repayments)/proceeds of borrowings		**(13,068)**	37,069
Distributions paid		**(105,736)**	(78,286)
Net cash flows used in financing activities		**(118,804)**	(41,217)
Net (decrease)/increase in cash		**(18,416)**	20,400
Cash at the beginning of the financial year		**32,445**	12,045
Cash at the end of the financial year	3	**14,029**	32,445

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 2016

	Issued capital $000	Hedge reserve $000	Undistributed income $000	Total $000
Balance at 1 July 2014	924,786	(12,047)	398,616	1,311,355
Profit attributable to unitholders of BWP Trust	-	-	210,079	210,079
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	-	1,104	-	1,104
Total comprehensive income for the year	-	1,104	210,079	211,183
Distributions to unitholders	-	-	(101,550)	(101,550)
Issue of units - Distribution reinvestment plan	20,772	-	-	20,772
Total transactions with unitholders of BWP Trust	20,772	-	(101,550)	(80,778)
Balance at 30 June 2015 and 1 July 2015	**945,558**	**(10,943)**	**507,145**	**1,441,760**
Profit attributable to unitholders of BWP Trust	**-**	**-**	**310,504**	**310,504**
Other comprehensive income: Effective portion of changes in fair value of cash flow hedges	**-**	**965**	**-**	**965**
Total comprehensive income for the year	**-**	**965**	**310,504**	**311,469**
Distributions to unitholders	**-**	**-**	**(107,857)**	**(107,857)**
Total transactions with unitholders of BWP Trust	**-**	**-**	**(107,857)**	**(107,857)**
Balance at 30 June 2016	**945,558**	**(9,978)**	**709,792**	**1,645,372**

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 2016

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 distributed to unitholders each year.

ABOUT THIS REPORT

The financial report of the Trust for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors of the responsible entity on 4 August 2016. 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 2016/9, unless otherwise stated;

> adopts all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for financial reporting periods beginning on or before 1 July 2015. The adoption of these standards did not have a material effect on the financial statements of the Trust; and

> 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. 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 continually 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 2016 $000	June 2015 $000
Rental income	**149,219**	142,533
Other property income	**861**	2,088
Finance income	**116**	256
Revenue	**150,196**	144,877

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

Rental and other property income is recognised at the amount and when due under the terms of the lease. All fixed, Consumer Price Indices-linked and market rent review increases are recognised in income from the date that these are due in accordance with the respective lease terms. This is done to ensure that rental income is matched with the associated cash flows over the term of the lease.

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 2016 $000	June 2015 $000
Interest expense on bank debt facilities	**19,334**	20,526
Interest expense on interest rate swaps	**4,981**	5,290
Finance costs	**24,315**	25,816
Responsible entity's fees	**11,793**	11,071
Non-recoverable property costs[1]	**5,477**	5,733
Listing and registry expenses	**442**	396
Other	**298**	290
Other operating expenses	**6,217**	6,419

[1] Included in non-recoverable property costs are amounts paid or payable of $2,177,969 (2015: $2,302,207) 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 2016

3. CASH

	June 2016 $000	June 2015 $000
Cash at bank	**14,029**	32,445
Weighted average effective interest rates	**1.93%**	2.40%

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

	June 2016 $000	June 2015 $000
Profit for the year attributable to unitholders of BWP Trust	**310,504**	210,079
Net fair value change on investment properties	**(202,633)**	(108,508)
Decrease/(increase) in receivables and prepayments	**1,824**	(452)
(Decrease)/increase in payables and deferred income	**(3,319)**	6,706
Net cash flows from operating activities	**106,376**	107,825

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 2016 $000	June 2015 $000
Receivables from Wesfarmers Limited[1] subsidiaries	**227**	842
Other receivables	**409**	193
Prepayments	**1,677**	3,198
	2,313	4,233

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

Recognition and measurement

Impairment

Receivables of $8,410 were overdue at 30 June 2016 (2015: $28,494).

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 2016 $000	June 2015 $000
Current	**19,450**	16,357

Geraldton showrooms

During the period, the Trust has agreed to market for sale the Geraldton showrooms.

Altona

During the prior year, the Trust has entered into an option agreement with a third party for the third party to acquire the Trust's Altona property. The option is exercisable by 12 September 2016.

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, generally, 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 2016 $000	June 2015 $000
Balance at the beginning of the financial year	**1,964,915**	1,765,480
Acquisitions during the year	**211**	117,322
Divestments during the year	**(7,519)**	(17,366)
Reclassification to assets held for sale	**(3,093)**	(16,357)
Capital improvements since acquisition	**7,553**	7,328
Realised gains on disposal of investment properties	**-**	371
Net unrealised gains from fair value adjustments	**202,633**	108,137
Balance at the end of the financial year	**2,164,700**	1,964,915

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 distributed 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 2016:

Property	Valuation $000
Arundel	34,600
Bethania	27,900
Bibra Lake	24,000
Broadmeadows	28,300
Ellenbrook	30,300
Frankston	31,500
Geraldton	17,600
Geraldton Showrooms	3,050
Manly West	33,600
North Lakes	41,800
Oakleigh South	18,500
Rydalmere	51,000
Springvale	32,700
Sunbury	29,300
Thornleigh	18,700
Wagga Wagga	19,100

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 2016

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	5.75% – 10.50%
Gross rent p.a ($000)	246 – 4,284
Occupancy rate	99.7% as at 30 June 2016
Lease term remaining (years)	0.7 – 11.3

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 2016, the minimum lease expiry (being the duration until which the tenants' committed terms expire) for the Trust's investment properties is 0.7 years (2015: 0.5 years) and the maximum lease expiry is 11.3 years (2015: 12.0 years), with a weighted average lease expiry for the portfolio of 5.9 years (2015: 6.6 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 2016 $000	June 2015 $000
Not later than one year	**148,505**	145,133
Later than one year not later than five years	**475,849**	502,694
Later than five years	**263,442**	320,392
	887,796	968,219

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 2016 $000	June 2015 $000
Trade creditors and accruals	**4,441**	14,084
Responsible entity's fees payable	**3,246**	3,139
Rent received in advance	**10,519**	10,140
	18,206	27,363

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 are not included in the profit available for distribution to unitholders, as well as other items as determined by the directors. A reconciliation is provided below:

	June 2016 $000	June 2015 $000
8.29 cents (2015: 7.67 cents) per unit, interim distribution paid on 25 February 2016	**53,254**	49,067
8.50 cents (2015: 8.17 cents) per unit, final distribution provided	**54,603**	52,483
	107,857	101,550
Profit attributable to unitholders of BWP Trust	**310,504**	210,079
Realised gains on disposal of investment properties	**-**	(371)
Net unrealised gains in fair value of investment properties	**(202,633)**	(108,137)
Distributable profit for the year	**107,871**	101,571
Opening undistributed profit	**22**	1
Closing undistributed profit	**(36)**	(22)
Distributable amount	**107,857**	101,550
Distribution (cents per unit)	**16.79**	15.84

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 2016

9. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2016 the Trust had the following borrowings:

		June 2016		June 2015	
	Expiry date	Limit $000	Amount drawn $000	Limit $000	Amount drawn $000
Bank debt facilities					
Australia and New Zealand Banking Group Limited	1 July 2018	**110,000**	**81,400**	110,000	94,300
Commonwealth Bank of Australia	31 July 2020	**110,000**	**85,200**	110,000	92,200
Westpac Banking Corporation	30 April 2020	**135,000**	**105,700**	135,000	99,200
		355,000	**272,300**	355,000	285,700
Corporate bonds					
Fixed term five-year corporate bond	27 May 2019	**200,000**	**200,000**	200,000	200,000
Accrued/(prepaid) interest and borrowing costs			**33**		(299)
		200,000	**200,033**	200,000	199,701
		555,000	**472,333**	555,000	485,401

Recognition and measurement

The borrowings under the 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.

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.

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 2016 the minimum duration of the above debt facilities was 24 months (2015: 36 months) and the maximum was 49 months (2015: 61 months) with a weighted average duration of 38.6 months (2015: 50.3 months).

Corporate bonds

On 27 May 2014, the Trust issued $200 million fixed rate domestic bonds maturing on 27 May 2019. Interest is payable semi-annually in arrears on the fixed rate domestic bonds, at 4.58 per cent per annum.

10. ISSUED CAPITAL

	June 2016 $000	June 2015 $000
Balance at the beginning of the financial year	**945,558**	924,786
Issue of units – DRP:		
- August 2014 at $2.4937 per unit	-	13,290
- February 2015 at $2.8137 per unit	-	7,482
Balance at the end of the financial year	**945,558**	945,558

During the year no new units were issued under the Trust's distribution reinvestment plan, therefore the number of ordinary units on issue as at 30 June 2016 remained at 642,383,803 (2015: 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 both the interim distribution and final distribution for the year ended 30 June 2016 and the preceding year. An issue of units under the DRP results in an increase in issued capital unless the units are acquired on-market.

11. HEDGE RESERVE

	June 2016 $000	June 2015 $000
Balance at the beginning of the financial year	**(10,943)**	(12,047)
Effective portion of changes in fair value of cash flow hedges:		
- Realised losses transferred to profit or loss	**4,981**	5,290
- Unrealised losses on cash flow hedges	**(4,016)**	(4,186)
Balance at the end of the financial year	**(9,978)**	(10,943)

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 2016	June 2015
Net earnings used in calculating basic and diluted earnings per unit ($000)	**310,504**	210,079
Basic and diluted earnings per unit (cents)	**48.34**	32.84
Basic and diluted earnings per unit excluding unrealised gains in fair value of investment properties (cents)	**16.79**	15.88
Weighted average number of units on issue used in the calculation of basic and diluted earnings per unit	**642,383,803**	639,766,648

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 2016

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"), bank bills 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

The credit risk associated with 93.5 per cent (2015: 93.7 per cent) of the rental income is with three tenants.

	June 2016	June 2015
Bunnings Group Limited[1]	92.5	92.3
Officeworks Superstores Pty Ltd[1]	0.6	0.9
J Blackwood and Son Pty Limited[1]	0.4	0.5

[1] Wholly owned subsidiaries of Wesfarmers limited

Bunnings Group Limited, J Blackwood and Son Pty 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:

		Carrying amount	
	Note	June 2016 $000	June 2015 $000
Cash and short-term deposits	3	14,029	32,445
Receivables			
Wesfarmers Limited subsidiaries	4	227	842
Other tenants	4	409	193
		636	1,035
Total exposure		14,665	33,480

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, 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.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

	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 2016						
Non-derivative financial liabilities						
Bank loans - principal	(272,300)	(272,300)	-	(81,400)	(190,900)	-
Bank loans - future interest	-	(26,970)	(6,733)	(8,268)	(11,969)	-
Corporate bonds	(200,033)	(227,000)	(9,000)	(9,000)	(209,000)	-
Payables and deferred income	(18,206)	(18,206)	(18,206)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(9,978)	(9,759)	(3,290)	(3,170)	(3,131)	(168)
	(500,517)	**(554,235)**	**(37,229)**	**(101,838)**	**(415,000)**	**(168)**
30 June 2015						
Non-derivative financial liabilities						
Bank loans - principal	(285,700)	(285,700)	-	-	(193,500)	(92,200)
Bank loans - future interest	-	(42,439)	(9,289)	(9,204)	(23,602)	(344)
Corporate bonds	(199,701)	(236,000)	(9,000)	(9,000)	(218,000)	-
Payables and deferred income	(27,363)	(27,363)	(27,363)	-	-	-
Derivative financial liabilities						
Interest rate swaps	(10,943)	(11,400)	(4,295)	(3,520)	(3,389)	(196)
	(523,707)	(602,902)	(49,947)	(21,724)	(438,491)	(92,740)

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 2016 the fixed rates varied from 2.39 per cent to 5.54 per cent (2015: 3.10 per cent to 5.70 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 2016, the Trust's hedging cover (interest rate swaps and fixed rate corporate bonds) was 79 per cent of borrowings. This level is currently above the Board's preferred 50 per cent to 75 per cent range due to the corporate bond issuance in late May 2014. Hedging levels are expected to return within the Board's preferred range as existing interest rate swaps mature.

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

	Carrying amount	
	June 2016 $000	June 2015 $000
Variable rate instruments		
Cash and short-term deposits	**14,029**	32,445
Bank debt facilities	**(272,300)**	(285,700)

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 2015 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016				
Variable rate instruments	**(1,362)**	**1,362**	**-**	**-**
Interest rate swaps	**875**	**(875)**	**2,615**	**(2,680)**
Net impact	**(487)**	**487**	**2,615**	**(2,680)**
30 June 2015				
Variable rate instruments	(1,429)	1,429	-	-
Interest rate swaps	900	(900)	2,196	(2,235)
Net impact	**(529)**	**529**	**2,196**	**(2,235)**

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 2016, the gearing level was 21.5 per cent (2015: 24.1 per cent).

The DRP was in place for both the interim distribution and final distribution for the year ended 30 June 2016 and the preceding year.

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 2016 $000	June 2015 $000
Corporate bonds – book value	**(200,033)**	(199,701)
Corporate bonds – fair value	**(209,087)**	(206,743)

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 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 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 2016	June 2015
Interest rate swaps	**1.83% to 2.42%**	2.15% to 3.62%

14. CAPITAL EXPENDITURE COMMITMENTS

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

	June 2016 $000	June 2015 $000
Not later than one year:		
Unrelated parties	-	-
Related parties	4,000	3,272
	4,000	3,272

Capital Commitments to related parties

Villawood

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

15. AUDITOR'S REMUNERATION

	June 2016 $	June 2015 $
Audit and review of the financial statements		
KPMG Australia	93,840	83,565
Other services		
KPMG Australia – taxation services	26,200	27,700
KPMG Australia – accounting consultancy services	3,000	-
KPMG Australia – property consultancy services	431,183	81,392
Total auditor's remuneration	554,223	192,657

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

Wesfarmers Investments Pty Limited, a controlled entity of Wesfarmers Limited, holds 159,014,206 (2015: 159,014,206) units in the Trust, representing 24.75 per cent of the units on issue at 30 June 2016 (2015: 24.75 per cent).

(b) Transactions with the Wesfarmers Group

During the year ended 30 June 2016, the Trust had the following transactions with the Wesfarmers Group:

	June 2016 $	June 2015 $
Bunnings Group Limited[1]		
Rent and other property income	139,585,880	134,766,430
Rent and other property income received in advance	10,702,873	10,460,730
Amounts receivable	23,228	162,928
J Blackwood and Son Pty Limited[1]		
Rent	634,537	749,261
Amounts receivable	-	128,291
Officeworks Superstores Pty Ltd[1]		
Rent	877,601	1,315,695
Amounts receivable	-	26,130
BWP Management Limited[1]		
Responsible entity fees	11,793,442	11,071,092
Fees waived[2]	437,548	-
Wesfarmers Limited		
Insurance premiums paid/payable	128,616	613,512
Insurance proceeds receivable	203,784	-

1 A controlled entity of Wesfarmers Limited.
2 During the period, the responsible entity waived its entitlement to fees in respect to $150 million of property valuation uplift from 1 January 2016 to 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Economic dependency

93.5 per cent (2015: 93.7 per cent) of the Trust's rental income received during the year was from Bunnings Group Limited, J Blackwood and Son Pty Limited and Officeworks Superstores Pty Ltd, all controlled entities of Wesfarmers Limited.

(d) Other transactions

i) During the year, the Trust made the following payments to Bunnings Group Limited in relation to warehouse developments:

Property	$
Lismore, New South Wales	4,635,000
Rockingham, Western Australia	4,600,000

ii) 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 to incur.

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

Mr E Fraunschiel

Managing Director

Mr M J Wedgwood

Non-executive directors

Mr J K Atkins (resigned 31 August 2015)
Mr J A Austin (retired 2 December 2015)
Ms F E Harris
Mr R D Higgins
Mr A J Howarth
Mr M J G 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 2016, 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.

17. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(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
Mr J K Atkins[1]	26,501	-	(26,501)[1]	-
Mr J A Austin[1]	343,859	-	(343,859)[1]	-
Mr E Fraunschiel	111,766	-	-	111,766
Ms F E Harris	20,000	-	-	20,000
Mr R D Higgins	20,000	-	-	20,000
Mr A J Howarth	20,000	-	-	20,000
Mr M J G Steur	-	-	-	-
Mr M J Wedgwood	-	-	-	-
Total	**542,126**	**-**	**(370,360)**	**171,766**

[1] Ceased to be non-executive director during the year

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.

Cash flows are included in the statement of cashflows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cashflows.

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 2016

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 2015 and ended 30 June 2016. 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 2016 $000	June 2015 $000
Profit attributable to unitholders of BWP Trust	310,504	210,079
Realised gains on disposal of investment properties	-	(371)
Net unrealised gains in fair value of investment properties	(202,633)	(108,137)
Distributable profit for the year	107,871	101,571
Opening undistributed profit	22	1
Closing undistributed profit	(36)	(22)
Distributable amount	**107,857**	101,550

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 2016:

	June 2016 $000	June 2015 $000
(a) Out of the profits for the year ended 30 June 2015 on ordinary units as disclosed in last year's Directors' report:		
(i) Final distribution of 8.17 cents per ordinary unit paid on 27 August 2015	52,483	49,991
(b) Out of the profits for the year ended 30 June 2016 (see Note 8 of the notes to the financial statements):		
(i) Interim distribution of 8.29 cents per ordinary unit paid on 25 February 2016	53,254	49,067
(ii) Final distribution of 8.50 cents per ordinary unit declared by the directors for payment on 25 August 2016	54,603	52,483

UNITS ON ISSUE

At 30 June 2016, 642,383,803 units of BWP Trust were on issue (2015: 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 2016, BWP Trust held assets to a total value of $2,200.5 million (2015: $2,018.0 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 $11,793,442 (2015: $11,071,092) 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 11, 40 The Esplanade, Perth, Western Australia, 6000. The principal administrative office of the responsible entity is Level 6, 40 The Esplanade, Perth, Western Australia, 6000.

The Trust had no employees during the financial year (2015: 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

Information on directors

Mr E Fraunschiel (Chairman)
Ms F E Harris
Mr R D Higgins
Mr A J Howarth
Mr M J G Steur
Mr M J Wedgwood (Managing Director)
Mr J K Atkins (resigned 31 August 2015)
Mr J A Austin (retired 2 December 2015)
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, MAICD

Ms K A Lange has been the company secretary since 9 April 2008. Ms Lange has more than 25 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
Mr E Fraunschiel	111,766
Ms F E Harris	20,000
Mr R D Higgins	20,000
Mr A J Howarth	20,000
Mr M J G Steur	-
Mr M J 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.

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, unless the liability arises out of conduct involving a lack of good faith.

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 7 to 12 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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the value of the Trust's investment properties increased by $199.8 million (2015: $199.4 million increase) to $2.2 billion (2015: $2.0 billion), with the number of investment properties decreasing from 82 properties to 81 properties at the financial year end 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 9 to 12. 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 Council's Corporate Governance Principles and Recommendations as they apply to externally managed listed entities. The 2016 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 three 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 2016/9, unless otherwise stated. The Trust is an entity to which the Class Order applies.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 49 and forms part of the Directors' report for the year ended 30 June 2016.

NON-AUDIT SERVICES

KPMG provided the following non-audit services to the Trust during the year ended 30 June 2016 and received, or is due to receive, the following amount for the provision of these services:

Taxation services	$26,200
Accounting consultancy services	$3,000
Property consultancy services	$431,183
Total	$460,383

During the prior year, KPMG acquired the SGA consultancy group, with which the Trust has had a long standing working relationship. 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.

E Fraunschiel
Chairman
BWP Management Limited
Perth, 4 August 2016

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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 2016.

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

E Fraunschiel
Chairman
BWP Management Limited
Perth, 4 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

KPMG

AUDITOR'S INDEPENDENCE DECLARATION

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 for the financial year ended 30 June 2016 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, 4 August 2016

Grant Robinson
Partner

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BWP TRUST

FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of BWP Trust (the Trust), which comprises the statement of financial position as at 30 June 2016, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the BWP Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. On page 32, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Trust's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of BWP Trust is 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 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(c) the financial report also complies with International Financial Reporting Standards as disclosed on page 32.

KPMG

KPMG
Perth, 4 August 2016

Grant Robinson

Grant Robinson
Partner

UNITHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

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	8 March 2016	39,129,814

DISTRIBUTION OF UNITHOLDERS

As at 19 July 2016:

Range of holding	Holders	Units	%
1 – 1,000	4,339	2,060,825	0.32
1,001 – 5,000	8,521	24,167,055	3.76
5,001 – 10,000	4,606	34,260,625	5.33
10,001 – 100,000	6,270	151,198,714	23.54
100,001 – over	203	430,696,584	67.05
Total	**23,939**	**642,383,803**	**100.00**
Unitholders holding less than a marketable parcel (134 units)	814	24,079	

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 19 July 2016 were:

	Number of Units	Percentage of capital held
Wesfarmers Investments Pty Ltd	159,014,206	24.75
HSBC Custody Nominees (Australia) Limited	75,720,221	11.79
J P Morgan Nominees Australia Limited	66,848,427	10.41
Citicorp Nominees Pty Limited	28,435,472	4.43
National Nominees Limited	23,823,786	3.71
BNP Paribas Noms Pty Ltd <DRP>	10,614,398	1.65
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	6,935,138	1.08
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,305,328	0.83
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,778,675	0.28
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,621,195	0.25
Milton Corporation Limited	1,584,008	0.25
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	1,500,955	0.23
Bond Street Custodians Limited <ENH Property Securities A/C>	1,121,237	0.17
Craigieburn Property Holdings Pty Ltd <Craigieburn (Vic) U/T A/C>	1,104,500	0.17
RE GL CM & JE Adshead Pty Ltd <Adshead Bus Hire S/F A/C>	1,067,883	0.17
Pelerman Holdings Pty Ltd	1,027,098	0.16
C B H Superannuation Holdings Pty Ltd	989,619	0.15
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	966,644	0.15
BNP Paribas Noms (NZ) Ltd <DRP>	910,671	0.14
Sonice Pty Limited <The Springfield A/C>	783,737	0.12
Totals: Top 20 Holders of Fully Paid Ordinary Units	**391,153,198**	**60.89**
Total Remaining Holders Balance	**251,230,605**	**39.11**

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

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 both the interim distribution and final distribution for the year ended 30 June 2016.

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 by mailed payment advice.

Unitholders wishing to take advantage of payment by direct credit should contact the Registry Manager for more details and to obtain an application form.

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 tax advantaged components of the year's distribution.

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 11, Wesfarmers House, 40 The Esplanade, Perth, Western Australia, 6000. The procedure for lodgement of complaints and complaints handling is set out under the **Contact Us** tab of the BWP Trust website at bwptrust.com.au.

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

DIRECTORY

RESPONSIBLE ENTITY

BWP Management Limited
ABN 26 082 856 424

Level 11
Wesfarmers House
40 The Esplanade
PERTH, WA, 6000
Telephone: (+61 8) 9327 4356
Facsimile: (+61 8) 9327 4344
bwptrust.com.au

Directors and senior management

Mr E Fraunschiel (Chairman)
Mr M J Wedgwood (Managing Director)
Ms F E Harris (Director)
Mr R D Higgins (Director)
Mr A J Howarth (Director)
Mr M J G Steur (Director)
Ms K A Lange (Secretary)

REGISTRY MANAGER

Computershare Investor Services Pty Limited
Level 11,
172 St Georges Terrace
PERTH, WA, 6000
Telephone: 1300 136 972 (within Australia)
Telephone: (+61 3) 9415 4323 (outside Australia)
Facsimile: 1800 783 447 (within Australia)
Facsimile: (+61 3) 9473 2555 (outside Australia)
computershare.com.au

AUDITOR

KPMG
235 St Georges Terrace
PERTH, WA, 6000

bwp TRUST

bwptrust.com.au

Revive Laser is 100% Recycled, and is manufactured from FSC® Recycled certified fibre. Certified carbon neutral by the Department of Environment, under the National Carbon Offset Standard (NCOS). Made in Australia by an ISO 14001 certified mill. No chlorine bleaching occurs in the recycling process. Publication design: gallowaydesign.com.au

RECYCLED CONTENT FOREST MANAGEMENT RENEWABLE ENERGY PCF PROCESSED CHLORINE FREE EMS ENVIRONMENTAL MANAGEMENT SYSTEMS

CERTIFIED CO_2 NEUTRAL CARBON NEUTRAL ISO CERTIFICATION AUSTRALIAN MADE LASER GUARANTEED