



23 October 2013

The Manager  
Company Announcements Office  
Australian Stock Exchange  
Level 4, 20 Bridge Street  
Sydney NSW 2000

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**BlackWall Property Funds Limited**  
**Annual General Meeting CEO's presentation**

In accordance with ASX listing rule 3.13.3, attached is a copy of the material to be presented to shareholders at the Annual General to be held at 11.15am today.

Yours sincerely

Don Bayly  
Company Secretary

For personal use only

## BlackWall Storage Fund Matures

IRR  
since inception  
in 2006:

**14.6%**

Asset value  
growth:

**66%**

*"Investors' capital  
was protected by  
a \$1.5 million  
equity buffer on  
commencement."*

**CAPITAL 25**  
**SELF STORAGE** YEARS  
1988-2013

BlackWall's Canberra self-storage fund matured in September on the completion of its seven-year term.

The trust commenced in 2006 and invested in three self-storage facilities located in Mitchell and Hume in the ACT, and Queanbeyan, NSW.

The fund was structured using BlackWall's preferred equity investment known as PIPES (Property Income & Preferred Equity Securities).

The three facilities, which trade under the Capital Self Storage brand, all showed strong capital growth over the term. Three new storage sheds were developed at Mitchell and an additional parcel of land purchased growing capacity and the property's value from \$6.3 million to \$15 million.

Through the term the fund generated quarterly income distributions, which rose from 10.3% p.a in 2006 to 13% p.a. in the 2013 financial year.

The final distribution was paid on 3 October with investors receiving \$1.34 for every dollar invested.

### Distributions:

2006	2007	2008	2009	2010	2012	2013
10.3%	10.3%	11.0%	11.3%	11.5%	12.5%	12.9%

## Bakehouse Construction Commences



**Parking**

**Transport**

**Character**



*"The Bakehouse Quarter is a unique urban business precinct comprising commercial office, retail and entertainment uses."*

Construction has commenced on the expansion of the Bakehouse Quarter's office accommodation. Known as Building H2 this stage is comprised of over 4,500 sqm of open plan office space.

Building H2, like many parts of the Bakehouse Quarter, retains and adaptively reuses many of the site's original industrial features including high clearances, saw-tooth roofs, exposed timbers and brick work.

The design allows open plan layout for up to 4,000 sqm of contiguous space to accommodate large tenants or it can be broken up into small flexible floor plates.

The new office accommodation will integrate with landscaped open spaces and on grade parking. As we are converting or adapting existing structures the construction lead-time is reduced and we expect to be progressively handing over to new tenants in the quarter beginning April 2014.

Our plans include the development of a "hub" or shared work space that will supplement the site's existing serviced offices and short term suites offer. WT Serviced Offices, a BlackWall subsidiary, has operations at both the Bakehouse and Neutral Bay, and is planning a new operation in Pyrmont.

For information please visit our website at [www.wtservicedoffices.com.au](http://www.wtservicedoffices.com.au)

For leasing enquiries:

**BlackWall Property Funds**

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# Update.

## P-REIT wins in NSW Court of Appeal

NTA before  
Appeal win:

**24** cpu

NTA after  
Appeal win:

**34** cpu

*"The Court of Appeal's decision was unanimous, found for the Trust on all grounds and awarded a significant costs order in our favour."*

BlackWall has succeeded in overturning the judgment of Justice Hammerschlag against P-REIT in the NSW Court of Appeal. On 3 September, Justices Meagher, McColl and McFarlan handed down a unanimous decision including a costs order in P-REIT's favour.

In short, the dispute relates to a claim by MPS that it had a right to redeem its \$15 million investment in the Trust in priority to other P-REIT unitholders. We have always refuted this claim, however MPS's management have chosen to aggressively pursue it and also commenced separate legal proceedings in an unsuccessful attempt to prevent P-REIT listing on the ASX.

Although the court case has constrained our investment activities we have more rapidly amortised debt such that the Trust's balance sheet is now stable and it is well positioned to reinstate distributions and grow its investment portfolio.



## The MPS Proceedings - History and Facts

MacarthurCook Property Securities Fund (ASX Code: MPS) commenced the court action in May 2010. The action relates to contracts executed in 2007 by the manager of the Trust at the time, Reed Property Group. MPS is a trust managed by MacarthurCook Fund Management Limited. Ironically just as P-REIT's manager changed so too did MPS's, with the on-market take-over of MacarthurCook by the AIMS Financial Group in July 2009.

Under the contracts in question MPS invested \$15 million in the Reed Property Trust (as P-REIT was then known). The agreements (which, to our knowledge were not disclosed to unitholders on either side) obliged Reed to redeem MPS's investment from the proceeds of a planned capital raising. Significantly this "redemption" was to be at \$1 per unit and was expressed to be subject to the provisions of the Corporations Act and the Trust's Constitution. The contract went on to provide that if MPS's investment was not redeemed within 12 months the Trust's responsible entity (then Reed Funds Management Limited) **"in its personal capacity"** must buy MPS's 15 million units for \$15 million. Of course economic circumstances changed drastically between December 2007 and December 2008 (the period in which MPS was to be redeemed) and in September 2008 the Trust was frozen due to falling asset values and an ascending gearing ratio. By December 2008 the Trust had no capacity to redeem the MPS's investment and Reed Funds Management (an entity then partly controlled by Lehman Brothers) was struggling to survive. It is important to note that in 2007 when the contracts were entered into, Reed Funds Management did not, and has never since, had the financial capacity to buy MPS's 15 million units for \$1 per unit. This fact was known to all parties at the time and was made known to AIMS prior to it acquiring MacarthurCook.

BlackWall's businesses took control of the Reed Property Trust in June 2009. Prior to this MacarthurCook and Reed attempted unsuccessfully to complete a transaction under which MacarthurCook took control of the Reed Property Trust.

At this time any issues between MPS and Reed were irrelevant because the Trust was under significant stress with gearing at more the 80% of its asset values.

BlackWall took control by purchasing Reed Funds Management Limited and therefore the management rights to the Trust. We were made aware of and understood the nature of the potential dispute between the Trust and MPS and factored this, and the financial state of the Trust, into the price we paid.

BlackWall worked to restructure the Trust's balance sheet, sold some smaller assets and reduced gearing. In October 2011 P-REIT listed on the ASX and in May 2012 the responsible entity obligations of the Trust were moved away from Reed Funds Management Limited to BlackWall's licenced entity TFML Limited.

At first instance MPS's claim was successful with judgment handed down in its favour in August 2012. In summary, the judgment imposed an obligation on the Trust to redeem MPS's \$15 million in priority to all other unitholders. The court also found that the obligations of Reed Funds Management, although stated to be in its personal capacity, were in fact obligations of the Trust.

On 3 September 2013 the Court of Appeal overturned the original judgment. The Court found that it was illegal for MPS to withdraw from the Trust (at \$1 per unit). Further it was found that the obligations expressed to be personal to Reed Funds Management Limited were separate to, and could not be satisfied from, the assets of the Trust.

The MPS proceedings have cost the Trust approximately \$1.2 million in legal fees of which we would expect to receive between seven and eight hundred thousand back through the costs order made by the Court of Appeal.

MPS has lodged an application to have the decision of the Court of Appeal reviewed by the High Court of Australia. It is important to note that this is not an "as of right appeal". This means MPS must seek the High Court's permission to have the matter heard on the grounds that their case raises legal issue of sufficient importance. The Trust's legal representative will make submissions opposing this application. This process is expected to take up to six months.

## BlackWall's New Project

**55**

**Pymont  
Bridge Rd**



**2,700 sqm  
floor plates**



*"We are working with the building's significant technical infrastructure to position it as a Media and Technology Hub."*

Motorists on Sydney's ANZAC Bridge will have noticed BlackWall's newest asset management mandate.

BlackWall is managing the repositioning of a large commercial building in Pymont on the CBD fringe. The seven-level, 15,000 sqm building is leased to tenants including Verizon, Fairfax Media and Hostworks. BlackWall is tasked with leasing up the 7,000 sqm left vacant when key tenant Fox Sports vacated and pay TV operator UBI slipped into liquidation.

The building's available space has significant technical capabilities including extensive power feeds, UPS and generator backup along with raised flooring and a dedicated AC plant. In addition the Fox Sports office fit out and studio space have been left in place to be redeployed for prospective media and broadcast tenants.

BlackWall is working on deals ranging from 150 – 2,000 sqm.

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