

ASX Release

26 May 2016

BWF: Meeting to consider name change and sale of pub investment

BlackWall gives notice that a meeting of shareholders has been called to consider a proposal to change the company's name to "BlackWall Limited". The proposed new name is reflective of the growth and diversification of the business, particularly the WOTSO WorkSpace division.

Also to be considered at the meeting is a proposal for the Company to divest its holding in the Pelathon Pub Group to BlackWall Property Trust (ASX: BWR). This proposal flows from the Company's announcement on 19 April 2016, regarding the completion of its turnaround strategy for Pelathon Pub Group. An Independent Expert's Report is included with the Notice of Meeting and Explanatory Memorandum accompanying this announcement.

A meeting of unitholders in BlackWall Property Trust (ASX: BWR) will also be held to consider the pub group transaction, details of which will be announced in the next week.

Both the BWF and BWR meetings are planned to be held on Friday, 24 June 2016 at BlackWall's offices in Neutral Bay.



BlackWall Property Funds Limited
ACN 146 935 131

Notice of Extraordinary General Meeting & Explanatory Memorandum

To be held
10:00 am
Friday 24 June 2016
Level 1, 50 Yeo Street, Neutral Bay, NSW 2089

Important Notice

This document should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Company has commissioned the Independent Expert's Report enclosed with this Notice of Meeting in accordance with ASX Listing Rule 10.1. The Independent Expert has concluded that the transaction the subject of Resolution 2 of the meeting is **fair and reasonable** to non-associated shareholders. All shareholders should carefully consider the Independent Expert's Report.

Should you wish to discuss the matters in this Notice of Meeting, please contact BlackWall on 1800 789 141.

Explanatory Memorandum

1. INTRODUCTION

1.1. Summary of Proposals

BlackWall Property Funds Limited (ASX Code: BWF) has called an extraordinary general meeting of shareholders to consider the following proposals:

- to change the Company's name to "BlackWall Limited"; and
- to approve a proposed sale of 40,854,037 PPG Securities by BWF and its wholly owned subsidiary, BFS to BlackWall Property Trust (**BWR**) in exchange for 2,026,982 new units in BWR.

1.2. Key Dates

Notice of Meeting lodged with ASX	Thursday, 26 May 2016
Last day to return Proxy Form	10:00am, Wednesday 22 June 2016
Snapshot date to determine entitlement to vote	7pm, Wednesday 22 June 2016
Date of meeting	10:00am, Friday 24 June 2016
Estimated date of sale of PPG Securities (subject to shareholder approval – Resolution 2)	Thursday, 30 June 2016

2. CHANGE OF COMPANY NAME

2.1. Background

BlackWall Property Funds Limited is known primarily for its traditional property and funds management activities which generate property management fees from a \$600 million property portfolio and funds management fees from over 10 wholesale and retail funds.

BlackWall's business today consists of three distinct segments:

1. conventional property management and funds management;
2. WOTSO WorkSpace; and
3. property investment.

WOTSO WorkSpace, wholly-owned by BWF, is a contemporary serviced office and collaborative workspace business underpinned by its member services, amenities and flexible membership options. WOTSO is a growing part of BlackWall's operations and has seven sites in operation across Sydney, Canberra, the Gold Coast and Adelaide with a further three sites in development in Brisbane, the Sunshine Coast and Newcastle. WOTSO is also expanding into other short term accommodation needs such as laboratories, kitchens and makerspaces.

The property investment segment commenced with the recent acquisition of two properties in Adelaide and Fortitude Valley, each planned to accommodate WOTSO operations.

As a result of this diversification, the Board believes that BlackWall Limited is a more appropriate name for the Company.

2.2. Resolution 1 – Change of Company Name

The Corporations Act requires shareholder approval by special resolution to amend a company's name.

Accordingly, Resolution 1 seeks to change the name of the Company from "BlackWall Property Funds Limited" to "BlackWall Limited".

The resolution requires a special majority (75% of votes in person or by proxy) to be passed.

3. SALE OF PELATHON PUB GROUP SECURITIES

3.1. Background

Pelathon Pub Group (**PPG**) is a small, unlisted pub investment fund that faced significant banking pressure and the likelihood of total loss to investors during the GFC. In 2009, BlackWall took control of the management of PPG and implemented a number of measures to work through the fund's debt and business model issues. PPG has now refinanced its debt. As intended, following BlackWall's successful turnaround strategy, the responsible entity function was transferred to Pelathon having recently been granted an AFSL to operate the fund.

BlackWall's investment in PPG is no longer consistent with the Company's investment strategy or future business operations. As a result, the Company is considering a proposal under which BlackWall will sell 40,854,037 PPG Securities to BWR in exchange for 2,026,982 new units in BWR.

On completion of the proposed transaction:

- BlackWall will hold approximately 0.1% of PPG Securities on issue; and
- BlackWall will hold approximately 17.3% of BWR units on issue.

3.2. About BlackWall Property Trust

BlackWall Property Trust (**BWR**) is an ASX-listed, open-ended unit trust that invests in income producing real estate and real estate joint ventures. BWR was listed on the ASX on 28 October 2011. BFS is the Responsible Entity of the Trust.

The Trust aims to provide investors with a stable income stream and generate sustainable capital growth in its underlying assets through active management of its direct real estate investments and property joint ventures.

The Trust's direct property investments are comprised of 100% ownership of a portfolio of industrial, retail and commercial properties in Queensland and the Canberra Eye Hospital in the ACT. The Trust also has joint venture property interests in other real estate in Sydney, including a family entertainment and lifestyle precinct, a 15,000 sqm commercial property in Pyrmont, and a 40,000 sqm mixed-use property in North Strathfield.

BWR is an ASX-listed entity and lodges audited financial statements and continuous disclosure notices on the ASX company announcements platform at www.asx.com.au under the code "BWR".

3.3. ASX Listing Rule 10.1

ASX Listing Rule 10.1 requires shareholder approval to be obtained if BWF or any of its wholly-owned subsidiaries, such as BFS, disposes of a substantial asset to a person in a position of significant influence including a related party. BWR is an ASX-listed real estate investment trust. The Trust is managed by BlackWall and BFS is the responsible entity.

An asset is a “substantial asset” if its value, or the value of the consideration for it is, 5% or more of the equity interests of the Company as set out in the latest accounts given to ASX. As the value of the proposed transaction exceeds the 5% threshold shareholder approval is required.

The consideration under the proposed transaction is 2,026,982 new BWR units. BlackWall already holds approximately 16% of the units on issue in BWR. Completion of the transaction would result in BlackWall holding approximately 17.3% of the units in BWR.

Resolution 2 seeks shareholder approval for the sale of 40,854,037 PPG Securities (at \$0.065 each) by BlackWall and BFS to BWR in exchange for 2,026,982 BWR units. The resolution requires a simple majority (50%) to pass.

Resolution 2 is conditional on the members of BWR approving the acquisition of the PPG Securities. The meeting of BWR unitholders will be held immediately after this meeting.

A voting exclusion applies to Resolution 2, details of which are set out in the Notice of Meeting.

3.4. Independent Expert's Report

The Company has commissioned Nexia Court Financial Solutions Pty Ltd to provide an opinion on whether this transaction is fair and reasonable to the non-associated shareholders. The Independent Expert has concluded that the proposed transaction is **fair and reasonable**. Shareholders are encouraged to read the full Independent Expert's Report included with this Notice.

4. GLOSSARY

BFS	BlackWall Fund Services Limited ACN 079 608 825.
BlackWall or Company	BlackWall Property Funds Limited ACN 146 935 131 and where the context requires, includes BFS.
BlackWall Property Trust, BWR or Trust	BlackWall Property Trust ARSN 109 684 773.
BWR Units	Fully paid ordinary units in BlackWall Property Trust.
NTA	Net tangible asset.
Pelathon Pub Group or PPG	Pelathon Hotels Limited ACN 117 204 225 and Pelathon Funds Management Limited as responsible entity for Pelathon Pub Fund ARSN 123 286 304.
PPG Securities	Fully paid stapled ordinary securities in Pelathon Pub Group.

Notice of Meeting

Notice is given that an Extraordinary General Meeting of shareholders of BlackWall Property Funds Limited (**Company**) will be held at 10:00am (Sydney time) on, Friday 24 June 2016 at Level 1, 50 Yeo Street, Neutral Bay, NSW.

BUSINESS

1. Resolution 1 – Change of Company Name

To consider and, if thought fit, pass the following resolution as a **special resolution**:

“That, in accordance with 157(1) of the Corporations Act 2001 (Cth) (Corporations Act), and for all other purposes, the name of the Company be changed to “BlackWall Limited”.

2. Resolution 2 – Sale of PPG Securities to BlackWall Property Trust

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, the sale of 40,854,037 PPG Securities by the Company and BlackWall Fund Services Limited to BlackWall Property Trust, in exchange for 2,026,982 BWR Units on the terms and conditions set out in the Explanatory Memorandum, be approved.”

Resolution 2 Voting Exclusion:

The Company will disregard any votes cast on Resolution 2 by Blackwall Property Trust, BlackWall Fund Services Limited and BlackWall Property Funds Limited and each of their associates. However, the Company does not need disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report:

*Shareholders should carefully consider the Independent Expert's Report prepared by Nexia Court Financial Solutions Pty Ltd (AFSL 247300) (enclosed with this Notice of Meeting) which comments on the fairness and reasonableness of the transaction the subject of Resolution 2. Nexia Court Financial Solutions Pty Ltd has determined that the transaction is **fair and reasonable** to non-associated shareholders.*

By Order of the Board

Dated 26 May 2016



Caroline Raw
Company Secretary

Voting

1. Entitlement to Vote

Individual shareholders may vote in person or by proxy. A corporate shareholder may vote by proxy or through a body corporate representative.

If you hold your shares jointly with another, please note that the holder appearing first in the share register is entitled to attend and vote the shares to the exclusion of the other holders.

2. Eligibility

It has been determined that under the Corporations Regulations 7.11.37, for the purposes of the meeting, securities will be taken to be held by the persons who are the registered holders at 7.00 pm (Sydney time) on Wednesday 22 June 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

3. Requirements for Resolutions

Each ordinary resolution will be passed if more than 50% of votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution.

A special resolution will be passed if at least 75% of votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution.

4. Voting by Proxy

For details on voting by proxy please see the instructions set out on the personalised proxy form accompanying this notice of meeting. Proxy forms must be received by the Company's share registry no later than **10:00am (Sydney time) Wednesday, 22 June 2016**.

5. Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting or if the Proxy Form has been signed under power of attorney or other authority, the original or a certified copy of the power of attorney or authority must also be received no later than **10:00am (Sydney time) Wednesday, 22 June 2016** (or such shorter time agreed to by the Company) at the addresses set out below, unless the original or a certified copy has been previously lodged for notation.

6. Corporate Representative

A corporate shareholder may appoint an individual as a representative to exercise all or any of its powers at the meeting. The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, then the appointment must identify the position. A corporate shareholder may appoint more than one representative but only one representative may exercise its powers at any one time. Unless otherwise specified in the appointment, the representative may exercise on behalf of the corporate shareholder all of the powers it could exercise at the Meeting or in voting on the resolution.

7. Delivery of Proxy Forms

Proxy Forms must be received by no later than **10:00am (Sydney time) Wednesday, 22 June 2016** (or such shorter time agreed to by the Company):

By Post: Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Online: Vote online at www.investorvote.com.au.
 Details are set out on your personalised Proxy
 Form

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BlackWall Property Funds Limited

Sale of stapled securities in Pelathon Pub Group to
BlackWall Property Trust in exchange for units in
BlackWall Property Trust

Independent Expert's Report
and Financial Services Guide

26 May 2016

In our opinion the Proposed Transaction is fair and
reasonable



FINANCIAL SERVICES GUIDE

Dated: 26 May 2016

What is a Financial Services Guide ("FSG")?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Nexia Court Financial Solutions Pty Ltd ABN 88 077 764 222, Australian Financial Services Licence Number 247300 ("NCFS").

This FSG includes information about:

- NCFS and how they can be contacted
- the services NCFS is authorised to provide
- how NCFS are paid
- any relevant associations or relationships of NCFS
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that NCFS has in place.

Where you have engaged NCFS we act on your behalf when providing financial services. Where you have not engaged NCFS, NCFS acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a Report or other financial services from NCFS.

Financial Services that NCFS is authorised to provide

NCFS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a Report in relation to a transaction relating to one of these types of financial products.

NCFS's responsibility to you

NCFS has been engaged by the independent directors of BlackWall Property Funds Limited ("BWF" or the "Client") to provide general financial product advice in the form of an independent expert's report to be provided in association with the Notice of Meeting and Explanatory Memorandum sent to BWF shareholders on or about 26 May 2016 ("Report").

You have not engaged NCFS directly but have received a copy of the Report because you have been provided with a copy of the Document. NCFS or the employees of NCFS are not acting for any person other than the Client.

NCFS is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NCFS has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees NCFS may receive

NCFS charges fees for preparing Reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NCFS \$25,000 (excluding GST and out of pocket expenses) for preparing the Report. NCFS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NCFS does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NCFS is controlled by and operates as part of the Nexia Court & Co Partnership. NCFS's directors and authorised representative may be partners in the Nexia Court & Co Partnership. Mr Brent Goldman, authorised representative of NCFS and partner in the Nexia Court & Co Partnership, has prepared this Report. The financial product advice in the Report is provided by NCFS and not by the Nexia Court & Co Partnership.

From time to time NCFS, the Nexia Court & Co Partnership and related entities (Nexia entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transaction.

Complaints Resolution

If you have a complaint, please let NCFS know. Formal complaints should be sent in writing to:

Nexia Court Financial Solutions Pty Ltd
Head of Compliance
PO Box H195
Australia Square NSW 1215

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Craig Wilford, on +61 2 9251 4600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing,

External Complaints Resolution Process

If NCFS cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 56 55 62
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NCFS has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details
You may contact NCFS at:
Nexia Financial Solutions Pty Ltd
PO Box H195
Australia Square NSW 1215

26 May 2016

The Directors
BlackWall Property Funds Limited
Level 1
50 Yeo Street
Neutral Bay NSW 2089

Dear Sirs,

Independent Expert's Report on the sale of stapled securities in Pelathon Pub Group by BlackWall Property Funds Limited in exchange for units in BlackWall Property Trust.

1. OUTLINE OF THE TRANSACTION

On 2 May 2016, BlackWall Property Trust ("BWR") announced that it would contemplate the acquisition of BlackWall Property Funds Limited's ("BWF") interest in the unlisted Pelathon Pub Group ("PPG") (the "Proposed Transaction").

The Proposed Transaction will be implemented through a number of in-specie distributions under which BWF will receive securities in PPG and exchange securities in PPG for units in BWR. Under the Proposed Transaction:

- BWF will receive 22,159,299 PPG securities from BWR through in specie distributions;
- BWF will sell 40,854,037 securities in PPG; and
- BWR will issue 2,026,982 units in itself to BWF.

The effect of these transactions is that BWF will reduce its holding in PPG by 18,694,738 securities and hold 2,026,982 units in BWR (resulting in BWF holding 17.28% of BWR).

2. PURPOSE OF REPORT

The purpose of this Report is to advise the shareholders of BWF on the fairness and reasonableness of the Proposed Transaction.

Australian Securities Exchange ("ASX") Listing Rule 10.1 prohibits a listed entity from acquiring a substantial asset from, or disposing of a substantial asset to, an entity that is in a position of significant influence without the approval of its shareholders.

An entity that is in a position of significant influence specifically includes any related party to the listed entity and any substantial shareholder. A related party may include entities controlled by the listed entity's directors. An asset is substantial if its value, or the consideration being paid, is 5% or more of the listed entity's equity as set out in the accounts lodged with the ASX.

The Proposed Transaction will involve BWF and its wholly owned subsidiary, BFS, exchanging a minority interest in PPG for a minority interest in BWR. As BFS is the responsible entity for BWR, the requirements of ASX Listing Rule 10.1 are met by the Proposed Transaction and, as such, shareholder approval is required.

ASX Listing Rule 10.10.2, requires that a notice of meeting under Listing Rule 10.1 must be accompanied by an independent expert's report stating whether in the expert's opinion the transaction is fair and reasonable to the shareholders not associated with the transaction.

Consistent with the requirement under ASX Listing Rule 10.10.2 the Directors of BWF have requested NCFS to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

3. SUMMARY AND OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

3.1 Assessment of Fairness

Under the Proposed Transaction BWF will receive 22,159,299 PPG securities through in specie distributions and 2,026,982 units in BWR and in return will sell to BWR 40,854,037 securities in PPG. The net result is that BWF will reduce its holding in PPG by 18,694,738 securities and increase its holding in BWR by 2,026,982 units. The net impact on BWF is that it will hold 0.1084 BWR units for each PPG previously held.

As discussed in section 4, in determining whether the transaction is fair to BWF shareholders, we have considered the fair value of the consideration transferred on a per share basis. This is summarised below:

	Low	Preferred	High
BWR value per unit of PPG securities	\$0.12	\$0.12	\$0.13
Fair value of PPG per security	\$0.03	\$0.03	\$0.03

As the fair value received is higher than the fair value of a security in PPG, **we have concluded that the Proposed Transaction is fair.**

3.2 Assessment of Reasonableness

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

In forming our opinion we have considered the following relevant factors (see section 13).

Advantages	Disadvantages
<ul style="list-style-type: none"> • BWF/BFS will obtain a minority interest in a listed property trust in exchange for a minority interest in an unlisted security • Market reports suggest that the Australian property industry will outperform the pub, bar and nightclub industry over the next five years. 	<ul style="list-style-type: none"> • The structure of the Proposed Transaction may give rise to taxation implications for BWF, which we understand will reduce available losses

There are no alternatives to the Proposed Transaction and should it not proceed, BWF will continue to operate as normal.

As the Proposed Transaction is fair, and taking into consideration the matters above, **we have concluded that the Proposed Transaction is reasonable.**

3.3 Opinion

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the BWF shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting and Explanatory Memorandum, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

Yours faithfully

Nexia Court Financial Solutions Pty Ltd (AFSL 247300)

A handwritten signature in black ink, appearing to read "B. Goldman", with a long horizontal flourish extending to the right.

Brent Goldman
Authorised Representative

STRUCTURE OF REPORT

Our Report is set out under the following headings:

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4. BASIS OF EVALUATION

ASIC Regulatory Guide 76: Related party transactions ("RG 76") and ASIC Regulatory Guide 111: Content of expert reports ("RG 111") provide guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG 76 and RG 111 state that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the Report is to deal with the concerns that could reasonably be anticipated by those persons affected by the transaction. An expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG 111 requires analysis of a transaction under two distinct criteria being:

- is the offer 'fair'?; and
- is it reasonable?

That is the opinion of fair and reasonable is not considered as a compound phrase.

In determining what is fair and reasonable for a control transaction, RG 111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer, assuming a 100% interest of the target and irrespective of whether consideration is cash or scrip; and
- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In determining whether the transaction is fair, the fair value is assumed to be based on a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a security in PPG on a minority basis with the fair value of a BWR unit on a minority basis in proportion to the number of BWR units received relative to the net reduction in PPG securities as a result of the Proposed Transaction.

In our assessment of the reasonableness of the Proposed Transaction, our consideration has included the following matters:

- other significant security holding blocks in BWF;
- the liquidity of the market in BWF's securities;
- taxation losses, cash flow or other benefits through acquiring a minority interest in BWR;
- the market conditions impacting the operations of PPG and BWR;
- the impact of holding a minority interest in a listed versus unlisted trust; and
- any other significant matters.

4.1 Individual shareholders' circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

4.2 Limitations on reliance on information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NCFS are not the auditors of BWF, BWR or PPG. We have analysed and reviewed information provided by the Directors and management of BWF, BWR and PPG and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of BWF, BWR or PPG.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice of Meeting and Explanatory Memorandum to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NCFS in its analysis was accurate and not misleading.

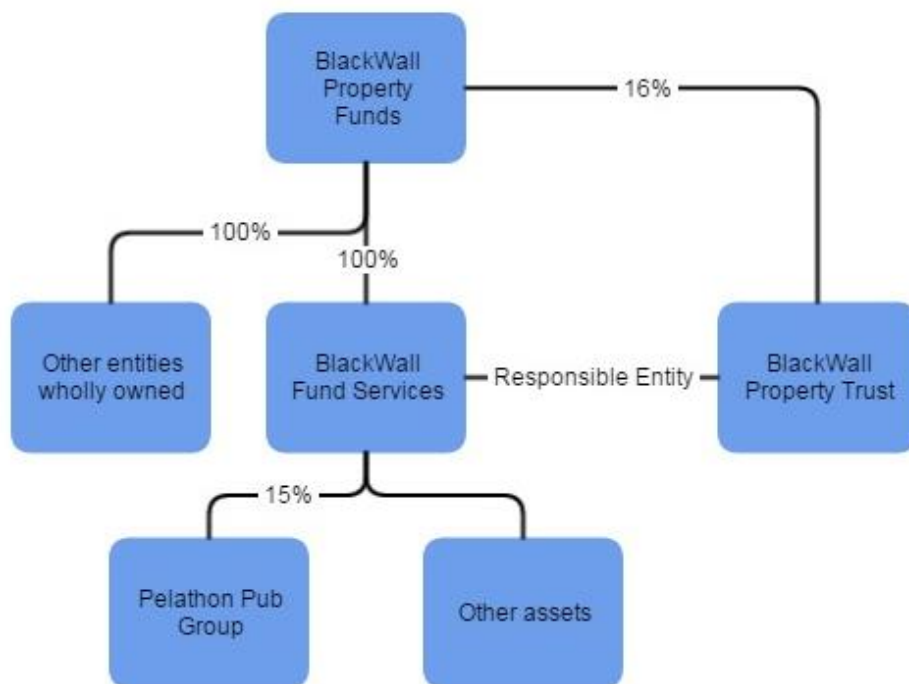
This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

5. OVERVIEW OF BWF

5.1 Corporate History

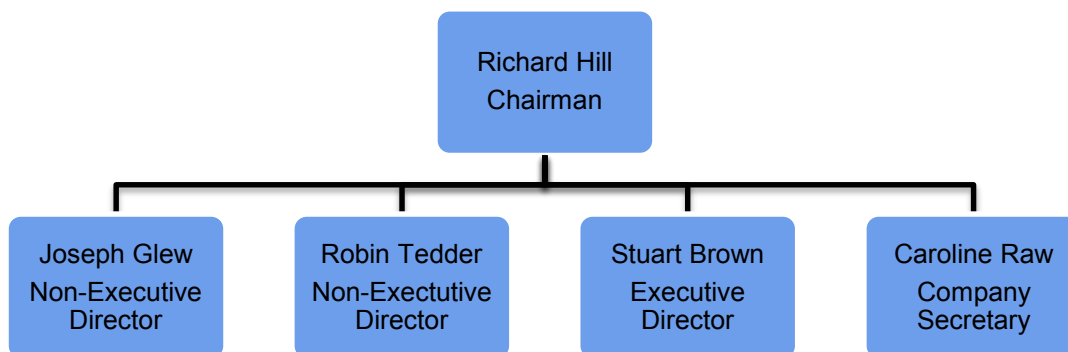
BWF is an ASX-listed property fund business located in Neutral Bay, New South Wales. The business was incorporated on 20 October 2010 and admitted to the ASX on 21 October 2011. BWF has a number of interests, most relevantly for the Proposed Transaction being its interest in BFS, a wholly owned subsidiary.

Set out below is the legal structure of BWF:



5.2 Directors

Following is the board structure of BWF:



6. OVERVIEW OF PPG

6.1 Corporate History

PPG is a group comprised of a company, Pelathon Hotels Limited (and its controlled entities) ("PHL") and a trust, Pelathon Pub Fund (and its controlled entities) ("PPF"). Pelathon Funds Management Limited ("PFML") acts as responsible entity for PPF.

PHL was incorporated on 18 November 2005 and PPF was registered on 16 January 2007.

6.2 Business Activities

PPG focuses on the ownership and operation of hotel and pub businesses. The operation of the businesses are undertaken by Pelathon Management Group Pty Ltd on behalf of PFML.

PPG currently holds three pub properties being:

- Amaroo Tavern, Moree, NSW;
- Victoria Hotel, Wagga Wagga, NSW; and
- Mary G's Hotel, Lismore, NSW.

The properties are all freehold, 100% owned by PPG and are discussed in more detail below:

Amaroo Tavern

The Amaroo Tavern is set on the southern approach to the town of Moree, approximately 650km north-west of Sydney. The single storey building was constructed in the 1980s and has a public bar and TAB area, bistro and dining area, gaming areas, a beer garden, attached drive-through bottle shop and a detached manager's residence.

Victoria Hotel

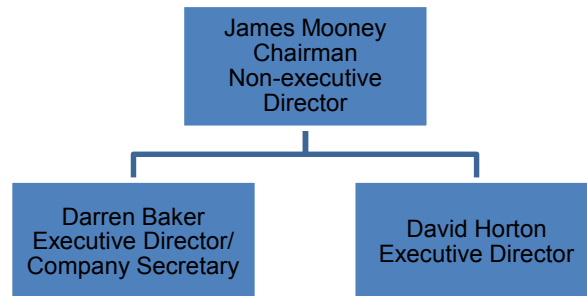
The Victoria Hotel is located in the Wagga Wagga central business district, approximately 450km south-west of Sydney. The three storey hotel was built in the 1940s and comprises a basement cellar, ground level public bar (incorporating a TAB, kitchen, restaurant and lounge areas), gaming areas, a beer garden and first level night club. In addition, the Victoria Hotel has 14 accommodation rooms.

Mary G's

Mary G's is located in the Lismore central business district, approximately 200km south of Brisbane. The two storey hotel comprises a ground floor public bar (incorporating a TAB, restaurant, courtyard and night club), an outdoor gaming area and drive through bottle shop. The first floor of the building comprises offices and a manager's flat.

6.3 Directors

Below shows the structure of PHL and PFML's board:



6.4 Financial information

PPG's auditor's Reports for the year ended 30 June 2015 was unqualified. PPG's report for the years ended 30 June 2013 and 2014 contained an emphasis of matter paragraph in respect of the going concern assumption due to PPG's ability to generate future operating cash flows and its significant net liability position.

6.4.1 Financial performance

Set out below are the audited profit and loss accounts of PPG for the years ended 30 June 2013, 2014 and 2015 and unaudited consolidated profit and loss accounts for the six months ended 31 December 2015:

\$000		FY2013 Audited	FY2014 Audited	FY2015 Audited	HY2016 Unaudited
<i>Revenue</i>					
Hotel operations income		21,842	20,627	17,950	9,398
Other income		58	4	-	-
Total revenue	1	21,900	20,631	17,950	9,398
<i>Expenses</i>					
Cost of sales		(9,613)	(9,112)	(8,103)	(4,238)
General and administrative expenses		(357)	(371)	(334)	(184)
Marketing expenses		(896)	(758)	(613)	(273)
Poker machine expenses		(328)	(336)	(276)	(160)
Operating expenses		(1,214)	(1,083)	(930)	(457)
Employment expenses		(5,780)	(5,294)	(4,774)	(2,432)
Occupancy costs		(1,331)	(1,051)	(828)	(371)
Other management expenses:		(452)	(590)	(468)	(214)
Depreciation and amortisation		(411)	(343)	(281)	(131)
Finance costs		(1,834)	(1,282)	(958)	(348)
Fair value adjustment of property, plant and equipment		(472)	200	(16)	598
Profit/(Loss) on sale of hotels		-	(28)	11	-
Profit before Income Tax		(788)	583	380	1,188
Income tax expense	2	-	-	-	-
Profit after Income Tax		(788)	583	380	1,188
Other comprehensive income/(loss)		-	-	-	-
Rounding variance		1	-	(1)	2
Total comprehensive profit for the year		(787)	583	379	1,190

Source: PPG audited financial statements for 30 June 2013, 2014 and 2015 and an unaudited financial statement for the six months ended 31 December 2015.

Notes:

1. Hotel operations income is comprised of the following:

- Food and beverage sales;
- Gaming revenue;
- Rental income; and
- Other income.

Other income refers to interest income, and in FY2013 also included a fair value adjustment for derivative financial instruments, received by the Group. It is noted that this is a separate category to 'Other income' captured under 'Hotel operations income'.

2. The Company has not paid tax on its profits as the amount payable has been offset against tax losses not brought to account.

6.4.2 Financial position

Set out below is the audited balance sheet of PPG as at 30 June 2013, 2014 and 2015 and the unaudited balance sheet as at 31 December 2015.

\$000		FY2013 Audited	FY2014 Audited	FY2015 Audited	HY2016 Unaudited
Current assets					
Cash and cash equivalents	1	731	692	1,204	1,132
Trade and other receivables	2	115	437	93	55
Inventories	3	632	579	574	661
Non-current assets held for sale	4	3,490	3,600	-	-
Other assets	5	144	97	63	6
		5,112	5,405	1,934	1,854
Non-current assets					
Property, plant and equipment	4	29,795	23,350	23,350	23,900
Other receivables	6	-	1,703	-	-
		29,795	25,053	23,350	23,900
Total assets		34,907	30,458	25,284	25,754
Current liabilities					
Trade and other payables	7	(2,027)	(1,454)	(1,925)	(2,046)
Interest bearing liabilities	8	(27,770)	(20,447)	(13,179)	(12,379)
Provisions	9	(118)	(115)	(125)	(126)
		(29,915)	(22,016)	(15,229)	(14,551)
Non-current liabilities					
Interest bearing liabilities	8	-	-	(1,248)	(1,207)
Provisions	9	(75)	(103)	(88)	(86)
		(75)	(103)	(1,336)	(1,293)
Total liabilities		(29,990)	(22,119)	(16,565)	(15,844)
Net assets		4,917	8,339	8,719	9,910
Equity					
Issued capital		22,182	25,021	25,021	25,021
Accumulated losses		(17,265)	(16,682)	(16,302)	(15,111)
Total equity		4,917	8,339	8,719	9,910

Source: PPG audited financial statements for 30 June 2013, 2014 and 2015 and an unaudited financial statement for the six months ended 31 December 2015.

Notes:

1. Includes cash on hand and cash at bank. Cash at bank earns interest at a floating rate.
2. Includes trade and sundry receivables. None of the receivables were impaired as at 30 June 2015.
3. Inventories include food supplies and beverages.
4. The Company sold its interest in the Macquarie Arms Hotel in September 2014. Accordingly, the carrying value of the hotel was held as a current asset during the year ended 30 June 2014.
5. Other assets include prepaid expenses and security and other deposits.
6. Other receivables refers to an uncalled second instalment on preferred stapled securities. This was called during the year ended 30 June 2015.
7. Includes trade creditors and accrued expenses. In the year ended 30 June 2014, it also included a nominal amount in respect of sundry creditors.
8. PPG has floating rate secured facilities with certain Australian financial institutions
9. The Group has current provisions in respect of employees' annual leave, and non-current provisions in respect of employees' long service leave.

6.4.3 Property values

Set out below are the carrying values for PPG's properties as at 31 December 2015:

Property	HY2016 value (\$'000)
Amaroo Tavern	5,600
Victoria Hotel	12,000
Mary G's	6,300
Total	23,900

Source: PPG financial statement for the half year ended 31 December 2015.

6.4.4 Capital structure and ownership

PPG's capital structure as at 9 May 2016 comprised 121,647,097 securities on issue. The top ten holders as at 9 May 2016 hold approximately 95% of the issued securities in PPG, and their holdings are detailed below:

Security holder	Stapled securities held	% Total
Pelorus Private Equity Ltd	40,037,934	32.91%
Trust Company Ltd <BlackWall Property Trust>	36,973,973	30.39%
BlackWall Fund Services Limited	18,811,439	15.46%
Pelathon Management Group Pty Limited	13,866,667	11.40%
Mooney Family Pty Ltd <Mooney Family A/c>	3,000,000	2.47%
C W Associates Pty Ltd	718,422	0.59%
Mr Philip Baker <The Bogart A/c>	543,904	0.45%
Baywool Pty Ltd	416,667	0.34%
Erca Investments Pty Ltd <Erca Investments Unit A/c>	416,667	0.34%
Inland Developments Pty Ltd	333,333	0.27%
Top ten holders	115,119,006	94.62%
Other holders	6,528,091	5.38%
Total holders	121,647,097	100.00%

Source: Company register as at 9 May 2016 provided by Management

The table below summarises security holders by size of holding at 9 May 2016:

Range	No. of holders	Stapled securities	% of Total
1 – 1,000	-	-	0.00%
1,001 – 5,000	2	6,104	0.01%
5,001 – 10,000	9	78,522	0.06%
10,001 – 100,000	55	2,777,247	2.28%
100,001 and over	31	118,785,224	97.65%
Total	97	121,647,097	100.00%

Source: Company register as at 9 May 2016 provided by Management

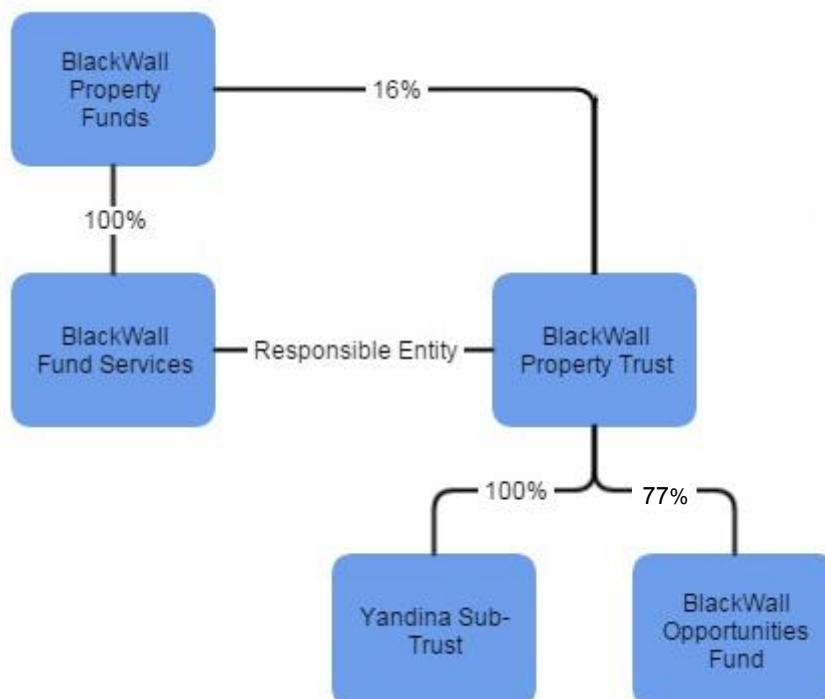
7. OVERVIEW OF BWR

BWR is an ASX-listed real estate investment trust located in Neutral Bay, NSW. The trust was registered as a managed investment scheme on 7 July 2004 and was admitted to the ASX on 28 October 2011 under its previous name P-REIT.

On 11 May 2012, BFS, the wholly owned subsidiary of the ASX listed BWF, was appointed as the responsible entity for BWR and on 7 July 2014 the trust changed its name to BlackWall Property Trust.

BWR has control of two unlisted trusts which are consolidated in their audited financial statements.

Set out below is the legal structure for BWR.



As at 12 May 2016, BWR had 46,467,601 units on issue.

7.1 Business Activities

BWR is a real estate investment trust with commercial, retail and industrial property interests. It holds direct interest in six properties that are managed by BWF as set out below.

- APN Yandina
- APN Toowoomba
- Chancellor Homemaker Centre
- Silver @ The Exchange
- Canberra Eye Hospital
- Bluescope Cooloom

The properties are all 100% owned by BWR and are discussed in greater detail below:

7.1.1 Direct property interests

APN Yandina

This industrial property located in Yandina, Queensland is leased to APN Print, one of Australasia's largest media companies. The premises covers 9,100m², and has a 10.0% implied yield.

APN Toowoomba

The industrial property located in Toowoomba, Queensland is also leased to APN Print and Flexi-Foam. The premises covers 4,100m² and has a 9.8% implied yield.

Chancellor Homemaker Centre

A retail property centre located at Sippy Downs, Queensland covering 9,400m². The centre primarily consists of bulky goods retailers and is anchored by key tenants Joyce Mayne and Liquorland. The property has an 8.3% implied yield.

Silver @ the Exchange

A commercial property covering approximately 5,000 m² at Varsity Lakes, Queensland. This is a three-storey office building with 12 tenants who occupy all but 500m² of this space. One of the tenants is a gym and health operator which adds amenity to the building for existing and prospective tenants. The property currently has an 8.5% implied yield.

Canberra Eye Hospital

The Canberra Eye Hospital is a two-level commercial office building located in Fyshwick, Canberra. The property covers 2,600 m² and has an 8.5% implied yield.

Bluescope Cooloom

This industrial property located in Cooloom, Queensland covers 2,900 m² and is leased to Bluescope Steel. The property has a 10.5% implied yield.

Bald Rock Hotel – Sold August 2015

The Bald Rock Hotel is located in Rozelle, Sydney and was sold in August 2015.

7.1.2 Indirect property interests

In addition to the six direct property interests, BWR also owns interests in various joint venture structures which give them an indirect interest in the following properties:

- Bakehouse Quarter
- 55 Pyrmont Bridge Road
- The Woods Action Centre
- Telstra House
- Pelathon Pub Group (see section 6 for full details on PPG)
- 120 Mulgoa Road (sold during December 2015)

BWR primarily holds a portfolio interest in each of these properties. Further details of each interest is discussed below:

Bakehouse Quarter – Kirela Development Unit Trust

Located on a site of approximately 40,000 m² in North Strathfield, Sydney, the Bakehouse Quarter offers a mix of commercial, entertainment and retail premises. The property currently has nine restaurants, six

cafes and other entertainment facilities. The site has a further 20,000 m² of developable land, which Management have indicated could be used for a residential development.

55 Pyrmont Bridge Road – Pyrmont Bridge Unit Trust

55 Pyrmont Bridge Road is a technology and media hub in Pyrmont, Sydney with approximately 14,000 m² of net lettable area. As at 31 December 2015, the premises was 82% leased with a number of high profile tenants including Verizon and Fairfax Media.

The Woods Action Centre – WRV Unit Trust and Woods PIPES Fund

The Woods Action Centre, located in Villawood, Sydney, is a family entertainment and lifestyle precinct. The premises has approximately 9,300 m² of gross lettable area, which is leased to various entertainment tenants including AMF Bowling and Kartatak Raceway (indoor go-karting). BWR has plans to expand the offerings at the premises to include a swim centre and cafes.

Telstra House – BlackWall Telstra House

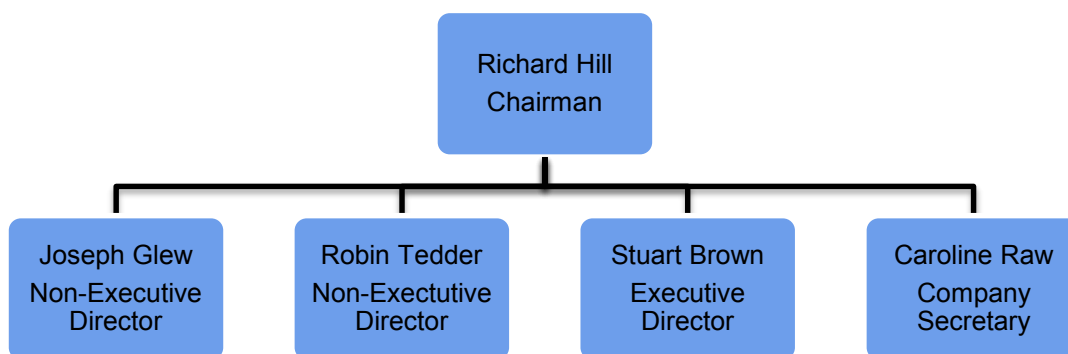
Telstra House is a seven storey office building located in Dickson, Canberra. The premises has a net lettable area of 7,878 m² that is currently leased to Telstra Corporation until November 2018, however, Telstra has relocated its operations to a new facility. Accordingly, Telstra is attempting to sub-tenant the premises and BWR has applied for a development approval to explore alternative building uses.

120 Mulgoa Road – (sold December 2015)

The property is a bulky goods retail precinct located in Penrith, Sydney that houses a number of large retailers including Barbeques Galore, Boating Camping Fishing and Toys'R'Us. The property has approximately 6,200 m² of lettable area.

7.2 Directors and Key Management

Following is a diagram of the board and management structure of BFS, the responsible entity for BWR:



We note that Don Bayly ceased as company secretary on 18 February 2015.

7.3 Financial Information

BWR's auditor's Reports for the years ended 30 June 2014 and 2015 were unqualified. BWR's report for the year ended 30 June 2013 contained an emphasis of matter paragraph in respect of legal action against the company, which is discussed in more detail below. We note that this matter has been settled and closed.

7.3.1 Financial Performance

Set out below are the audited consolidated profit and loss accounts of BWR for the years ended 30 June 2013, 2014 and 2015 and reviewed consolidated profit and loss accounts for the six months ended 31 December 2015:

\$000		FY2013 Audited	FY2014 Audited	FY2015 Audited	HY2016 Reviewed
Rental income		10,210	10,604	9,094	4,485
Property securities distribution income		2,023	2,031	1,316	607
Interest income		19	106	248	99
Net unrealised gain on revaluation		3,611	2,067	4,073	765
Revenue from ordinary activities		15,863	14,808	14,731	5,956
Reversal of prior years' litigation provision	4	-	2,790	-	-
Gain on sale of investments		-	-	-	367
Total Revenue	1	15,863	17,598	14,731	6,323
Property outgoings		(2,047)	(2,137)	(2,319)	(1,026)
Depreciation expense		(2,403)	(2,253)	(2,176)	(1,069)
Administration expenses		(1,167)	(1,170)	(1,200)	(495)
Finance costs	2	(3,863)	(3,215)	(2,486)	(1,138)
Loss on sale of investments	3	(103)	(2,254)	(35)	-
Other expenses		-	-	(24)	-
Litigation expenses	4	(1,444)	(165)	-	-
Profit for the year		4,836	6,404	6,491	2,595
Net unrealised loss on financial assets		(437)	-	-	-
Profit / (Loss) From Discontinued operations	5	-	-	-	(121)
Total Comprehensive Income For the Year		4,399	6,404	6,491	2,474

Source: BWR 30 June 2013, 2014 and 2015 audited financial statements and reviewed financial statement for the six months ended 31 December 2015.

Notes:

1. BWR's revenue is comprised primarily of rental income and revaluation gains. We note that the revaluation gains relate to the company's investment properties, financial assets (of which Bakehouse Bonds comprise the most significant portion) and interest rate hedges.
2. Management has advised that there are a number of reasons for the decrease in finance costs, being:
 - o a decrease in the bank bill swap bid rate during the period;
 - o a decrease in the facility margin on the NAB debt facility during FY2014 (discussed in more detail in section 7.4.4); and
 - o hedging of the NAB debt facility since FY2014.
3. The spike seen in FY2014 relates to the sale of Bakehouse Bonds, which were liquidated in order to settle the judgement debt that arose against BWR as a consequence of the litigation.
4. Litigation expenses relate to an action arising from a capital raising in 2007, which BWR inherited when it assumed control in 2009. The matter has been settled and BWR paid the judgement debt in FY2014.
5. This relates to the Bald Rock Fund which was dormant and discontinued in HY2016 following the sale of the Bald Rock Hotel in August 2015.

7.3.2 Financial Position

Set out below is the audited consolidated balance sheet of BWR as at 30 June 2013, 2014 and 2015 and the reviewed consolidated balance sheet as at 31 December 2015.

\$'000		FY2013 Audited	FY2014 Audited	FY2015 Audited	HY2016 Reviewed
Current assets					
Cash and cash equivalents	1	39	230	316	3,059
Trade and other receivables	2	612	1,859	388	30
Other assets		405	159	128	110
Bald Rock Hotel	3	-	-	3,500	-
Financial assets	4	-	-	-	3,238
Total current assets		1,056	2,248	4,332	6,437
Non-current assets					
Financial assets	4	38,323	29,404	31,764	26,490
Investment properties	3	81,350	83,950	83,850	83,850
Total non-current assets		119,673	113,354	115,614	110,340
Total assets		120,729	115,602	119,946	116,777
Current liabilities					
Trade and other payables	5	(801)	(1,042)	(908)	(809)
Other liabilities	6	(60)	(3)	(1,968)	(361)
Borrowings	7	(49,500)	-	(50,000)	(50,000)
Interest rate hedges	8	(693)	(47)	-	-
Provision	9	(19,700)	-	-	-
Total current liabilities		(70,754)	(1,092)	(52,876)	(51,170)
Non-current liabilities					
Borrowings	7	-	(51,721)	-	-
Interest rate hedges	8	-	-	(580)	(859)
Total non-current liabilities		-	(51,721)	(580)	(859)
Total liabilities		(70,754)	(52,813)	(53,456)	(52,029)
Net assets		49,975	62,789	66,490	64,748
Net assets					
Attributable to owners of the parent		49,975	61,975	63,457	63,764
Outside equity interests		-	814	3,033	984
Total equity		49,975	62,789	66,490	64,748

Source: BWR 30 June 2013, 2014 and 2015 audited financial statements and reviewed financial statement for the six months ended 31 December 2015.

Notes:

1. Cash at bank earns interest at floating rates based on the daily bank deposit rates.
2. BWR's receivables balance includes amounts owing from related parties and other parties. It is noted that the balance in FY2014 included an amount of \$1.35 million receivable from related parties in respect of Bakehouse Bonds, which pay a coupon of 5.5% p.a. and have their face value indexed to the CPI annually.
3. Bald Rock Hotel was sold in August 2015, which is the reason why it was held as a current asset at FY2015. BWR's direct property interests are discussed in section 7.1.1 above.
4. The current asset in HY2016 relates to BWR's interest in PPG. The directors had determined to exit the investment over the next 12 months. The non-current assets relate to property joint ventures that BWR holds an interest in, which are discussed in section 7.1.2 above.

5. BWR's payables are typically comprised of third party creditors but it is noted that related party payables accounted for approximately 30% of BWR's accounts payable in FY2014.
6. Other liabilities primarily represent rental income received in advance. In FY2015 this increased as a result of the loan and loan facility from Commonwealth Bank of Australia in respect of the Bald Rock Hotel. Both the loan and loan facility were repaid from the proceeds of sale of the Bald Rock Hotel.
7. BWR's borrowings relate to a bill facility held with National Australia Bank ("NAB") that is secured by registered first mortgages over BWR's properties. The facility matures on 31 May 2016 and BWR is in discussions with NAB to extend the facility. Management expects the facility to be extended on similar terms to the current facility.
8. BWR has interest rate swaps in place as a normal course of business in order to hedge exposure. BWR currently has two interest rate collars that are held as non-current assets, the details of which follow:
 - o \$20 million collar with a floor rate of 2.72% p.a. and a cap rate of 4.55% p.a. The collar will expire in July 2019; and
 - o \$30 million collar with a floor rate of 2.24%p.a. and a cap rate of 3.24% p.a. The collar will expire in January 2020.
9. The provision in the FY2013 accounts relates to a judgement against BWR in respect of a capital raising undertaken in 2007. BWR's total liability under the Judgement was \$16.9 million and the matter has been finalised.

7.3.3 Property values

Set out below are the carrying values for BWR's properties as at 31 December 2015:

Property	HY2016 value (\$'000)
APN Yandina	24,750
Chancellor Homemaker Centre	22,000
Silver @ the Exchange	18,500
Canberra Eye Hospital	8,500
APN Toowoomba	6,100
Bluescope Cooloom	4,000
Total	83,850

Source: BWR financial statement for the half year ended 31 December 2015.

7.3.4 Debt facility details

BWR holds a debt facility with NAB, the details of which are provided below:

Provision	Details
Facility type	Bill – Floating Rate
Facility limits	Facility 1: \$16,000,000 Facility 2: \$17,500,000 Facility 3: \$18,600,000 Total: \$52,100,000
Expiry date	31 May 2016
Default interest rate	The total of NAB's base indicator rate plus a customer margin of 1.95% plus a default margin of 4.50%.
Security	<ul style="list-style-type: none"> • General security agreements over the whole of BWR's assets (including goodwill, uncalled capital and called but unpaid capital); • Guarantee and indemnity in favour of NAB; • Registered mortgages over BWR's properties detailed in section 7.3.3 above; • Hedging agreement between BWR and NAB.
Specific performance undertakings	<ul style="list-style-type: none"> • Maintain a loan to value ratio of no greater than 65%; • Maintain a minimum interest cover ratio of 1.5 times.
Holding over	If NAB continues to make the facility available to BWR after its expiry date and the facility has not been extended, amended or replaced, then the terms of the facility will continue to apply unless otherwise advised by NAB.

Source: Facility agreement dated 28 November 2007 between NAB and TFML Limited as responsible entity for the P-REIT (now BWR) (as amended)

7.4 Capital Structure and Ownership

BWR's issued capital as at 12 May 2016 comprised 46,467,601 ordinary, fully paid units. The top ten unitholders, as at 12 May 2016, hold 68.00% of the issued capital of BWR and are set out below:

Unit holder	Unit holding	% Total
Pelorus Private Equity Limited	6,961,265	14.98%
Sandhurst Trustees Ltd	5,847,669	12.58%
Blackwall Property Funds Limited	5,400,000	11.62%
Mr Archibald Geoffrey Loudon	3,770,372	8.11%
Seno Management Pty Ltd <Taipa A/c>	2,735,000	5.89%
Blackwall Fund Services Limited	2,100,000	4.52%
Lymkeesh Pty Ltd <Employees Super Fund A/c>	1,418,717	3.05%
Stanbox Pty Ltd <The Salem Family Account>	1,200,000	2.58%
Glenahilty Pty Ltd	961,234	2.07%
Koonta Pty Ltd <Koonta Super Fund A/c>	781,489	1.68%
Top ten unit holders	31,175,746	68.00%
Other unit holders	15,291,855	32.00%
Total unit holders	46,467,601	100.00%

Source: Share registry at 12 May 2016

On 2 May 2016, BWR announced the acquisition of units in BlackWall Telstra House Trust ("BTHT"), whereby BWR offers to acquire BTHT units in exchange for new BWR units on a 10 for 8 basis. If successful, this transaction will result in the number of securities on issue in BWR immediately prior to the commencement of the Proposed Transaction increasing to 50,050,651 units on issue.

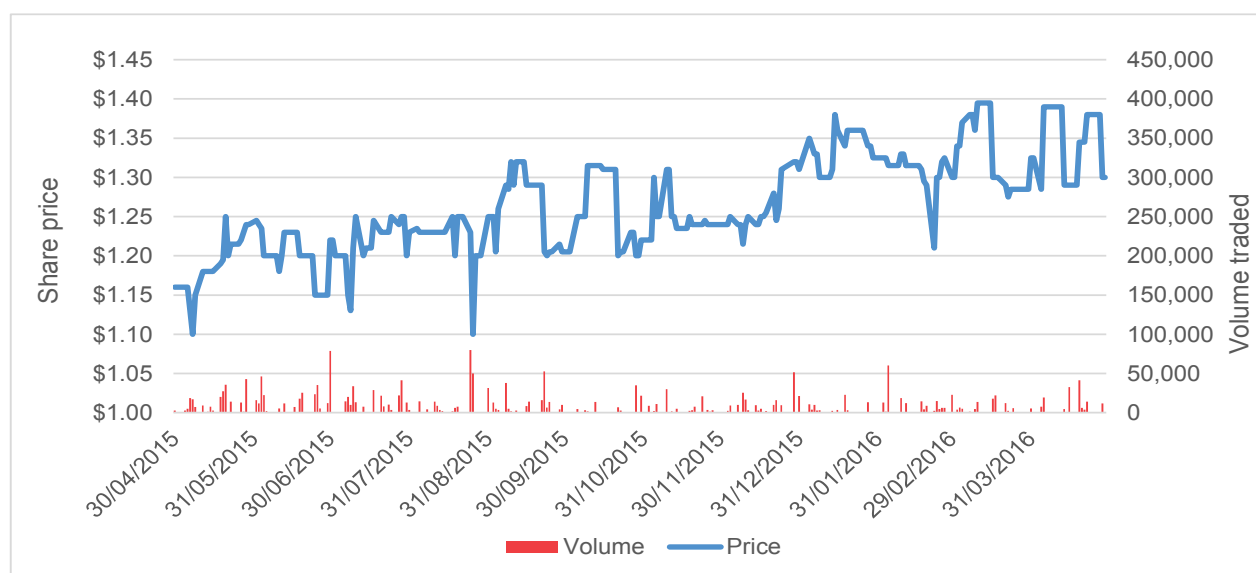
The table below summarises shareholders by size of unit holding at 12 May 2016:

Range	No. of holders	Units	% of Total
1 – 1,000	244	147,341	0.32%
1,001 – 5,000	518	1,324,283	2.85%
5,001 – 10,000	178	1,290,726	2.78%
10,001 – 100,000	191	4,981,129	10.72%
100,001 and over	40	38,724,122	83.34%
Total	1,171	46,467,601	100.00%

Source: Share registry at 12 May 2016

7.5 Share Price and Volume Trading Analysis

The following chart provides a summary of the trading volumes and prices for BWR shares from 30 April 2015 through to 29 April 2016, being the last full day of trading prior to the announcement of the Proposed Transaction:



Source: S&P CapitalIQ

The chart above indicates that the closing share price of BWR has traded within a range of \$0.97 and \$1.40 over the 12 months to 29 April 2016 (the last full day of trading before the announcement of the Proposed Transaction) with a closing price of \$1.30.

The volume of BWR shares that have been traded over the period has been low and prices and volumes for the last 180 days prior to 29 April 2016 are summarised in the table below.

Period prior to 29 April 2016	Share Price Low	Share Price High	Cumulative volume traded	Trading as a % of current issued capital
1 Day	\$1.30	\$1.30	0	0.00%
30 Days	\$1.28	\$1.39	208,455	0.45%
60 Days	\$1.21	\$1.40	420,164	0.90%
90 Days	\$1.21	\$1.40	621,431	1.34%
180 Days	\$1.10	\$1.40	1,269,678	2.73%

Source: S&P CapitalIQ and Nexia analysis

BWR's shares have a low level of liquidity, with 1.34% of BWR's capital being traded in the last 90 days and 2.73% in the last 180 days.

8. MARKET OVERVIEW

8.1 Pub, Bar and Nightclub Industry in Australia¹

The Pub and Bar industry has performed modestly over the past five years, with the impacts of declining alcohol consumption and increased regulation being offset by increasing discretionary incomes and changes in preferences towards more premium products. Through the five years to FY2016, industry revenue increased by 2.5% (annualised), however, this was not seen to be consistent for all participants in the industry. For instance, pubs were observed to have comparatively weaker performance, in large part due to changing consumer preferences.

Industry revenue is primarily derived from the sale of alcohol, both on- and off-premises, and gambling. It is noted that:

- On-premises alcohol sales revenue has grown steadily with a consumer preference shift towards higher revenue, premium products offsetting a decline in demand for traditional, mass-produced beverages.
- Off-premises alcohol sales refer to sales from bottle shops attached to and associated with premises, for example drive-through bottle shops. Revenue has declined from this source over the past five years as a consequence of a demand shift towards larger format liquor stores operated by major retailers, for example Dan Murphy's and First Choice Liquor.
- Gambling and gaming revenue has decreased over the past five years as a consequence of government regulation, for instance through caps placed on the number of gaming machines allowed on a premises. Additionally, online gambling platforms have experienced a surge in popularity in recent times which is placing additional pressure on this source of revenue.

The industry is characterised by a couple of large players competing in a market with many small scale operators. Woolworths Ltd and Wesfarmers Limited are the largest players with estimated market shares of 9.0% and 2.4% respectively. Woolworths Ltd is built around a substantial property portfolio and poker machine holdings, with approximately 80 pubs, 530 liquor retail outlets and 13,000 poker machines. Wesfarmers Limited operates its pubs predominantly in Queensland due to liquor licensing regulations and also holds approximately 2,900 poker machines.

Performance over the next five years to FY2021 is expected to be impacted by a number of external factors, which include declining alcohol consumption and changes in consumer preferences and increased scrutiny by governments of alcohol consumption and gambling activities. It is anticipated that traditional pub operations will experience the most stress as a consequence of the changing industry landscape. These pressures mean that revenue growth in the industry will slow, with an increase of 1.4% (annualised) over the five years expected, resulting in industry revenue of approximately \$17.9 billion for the year ending 30 June 2021.

¹

IBIS World, January 2016, Industry Report H4520 – Pubs, Bars and Nightclubs in Australia. Available at: <http://clients1.ibisworld.com/reports/au/industry/default.aspx?entid=448>

8.2 Property industry²

The property industry in Australia is characterised by three distinct categories, being office, retail and industrial. Different trends are seen in each property class that are detailed below, however a common theme across all categories is that property values have been increasing in the past five years. This has generally had a negative impact on yields but it is more a consequence of the higher property values rather than an indication of reduced income in monetary terms.

Office property revenue has benefited from favourable conditions over the past five years, growing at 9.3% (annualised) to reach \$27.6 billion. This figure is not truly representative of performance as the base year occurred during the midst of the global financial crisis ("GFC"). As the impact of the GFC has reduced, operators and investors, both domestic and foreign, have been taking advantage of favourable lending conditions that boost operator earnings per property. Additionally, the market supply of office properties is moving towards demand equilibrium, which is encouraging for operators as it points towards improved yields. Most demand is expected for prime-grade offices as domestic growth shifts away from mining activity towards service-based offerings in the eastern states. Against this backdrop, revenue from office properties is anticipated to grow at approximately 2.2% (annualised) over the five years to FY2021.

Retail properties have performed strongly over the past five years, with revenues growing at 7.0% (annualised) to reach \$18.3 billion. Despite low yield growth and structural issues in the retail industry, investor activity has increased, which has increased capital values. While property values are expected to remain strong, the industry appears to be in a relatively precarious position with a strong push towards online shopping challenging retail property operators. Further, with other sectors of the economy struggling, it is likely that consumer sentiment will remain volatile. This has a direct impact on retail tenants and a significant effect on the performance that retail property operators can expect. Accordingly, it is expected that the revenue growth over the next five years will be 1.2% (annualised).

Industrial property performance has been strong over the five years to FY2016, with revenue growing at 5.9% (annualised). This industry is particularly influenced by downstream business markets and, to that end, there has been a significant shift away from manufacturing orientated industrial properties. Structural changes in the retail trade, however, has caused growth in demand for spaces that are capable of distributing goods directly to consumers. It is expected that this will continue to drive growth in the industry over the next five years but this is expected to occur at a much slower rate, approximately 2.0% (annualised).

Generally, it is expected that the property industry will continue to perform well over the next five years, with lending conditions anticipated to remain favourable for some time yet. This will continue to drive investor activity and will lead to further increases in property values, though at a lower rate to what was experienced over the past five years. Structural changes in Australia's economic environment will impact property class performance, with retail properties likely to face the most significant upheaval.

2

IBIS World, March 2016, *Industry Report L6712a – Office Property Operators in Australia*. Available from: <http://clients1.ibisworld.com/reports/au/industry/default.aspx?entid=1893>

IBIS World, April 2016, *Industry Report L6712b – Retail Property Operators in Australia*. Available from: <http://clients1.ibisworld.com/reports/au/industry/default.aspx?entid=1894>

IBIS World, March 2016, *Industry Report L6712c – Industrial and Other Property Operators in Australia*. Available from: <http://clients1.ibisworld.com/reports/au/industry/default.aspx?entid=1895>

9. VALUATION METHODOLOGIES

9.1 Definition of market value

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the BWF shareholders, we have assessed the fair value of a minority interest in BWR and the fair value of a minority interest in PPG. RG 111 defines fair value as the amount:

“assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length...”

9.2 Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.

In determining the fair value of BWR, we have applied the realisation of assets methodology. As a secondary valuation methodology we have considered the quoted market price. We have determined these to be the most appropriate methodologies as:

- BWR is a real estate investment trust and holds a variety of different types of properties across Australia. The main value of BWR is its ownership interests in these properties, therefore the realisation of assets is an appropriate methodology.
- Each property interest has been separately valued for BWR. At the time of completing this report 77.5% of the gross value of assets had been valued by independent property consultants. Final valuation reports are in progress for some of these properties; however the independent valuer has confirmed preliminary values. 17.8% of the gross value of assets has been valued based on recent genuine offers and the remaining 4.7% has been valued by the directors and at cost for recent purchases.
- BWR is a listed entity however, its units are thinly traded on the ASX with only 1.35% being traded over the last 90 days. However, we have considered the traded share price as a secondary valuation methodology.

In determining the fair value of PPG, we have applied the realisation of assets methodology. As a secondary valuation methodology we have considered the capitalisation of earnings methodology. We have determined these to be the most appropriate methodologies as:

- PPG owns 100% of the freehold of three properties in NSW. The main value of PPG is its ownership interests in these properties, therefore the realisation of assets is an appropriate methodology.
- Each property has received a valuation performed by independent property consultants
- PPG has a history of profitable results and we have identified comparable companies and transaction in the market. Therefore, we have applied the earnings capitalisation as a secondary methodology.

10. FAIR VALUE OF A MINORITY INTEREST IN BWR

As discussed in section 4, in evaluating the transaction we are considering the fair value of consideration received being a minority interest in BWR.

10.1 Realisation of assets of BWR

The realisation of assets value reflects the value of a BWR unit for a controlling interest. This reflects an interest where the unit holder has influence over the strategic direction of the trust. To determine the fair value of BWR on a minority basis a minority discount has been applied.

The fair value of BWR based on the realisation of assets following the proposed transaction is set out below:

	Note	\$
Net assets attributable to owners as at HY2016 (see section 7.3.2 above)		63,764,000
Add: Increase in property values	1	3,050,000
Add: Increase in interests of indirect property holdings	2	4,421,365
Less: Value of PPG securities held	3	(3,238,000)
Fair value of net assets		67,997,365
Discount for minority interest		(20%)
Fair value on a minority basis		54,397,892
Units on issue as at 12 May 2016		46,467,601
Add: BTHT conversion (see section 7.4 above)	2	3,583,050
Add: Units issued as part of the Proposed Transaction		5,085,963
Units on issue post the Proposed Transaction		55,136,614
Value per unit on a minority basis		\$0.99

1. Since HY2016 the fair value of the BWR's direct property interest has increased overall. A summary of the movement is shown below and a detailed summary of all property valuations are included at Appendix E.

	Value as at HY2016	Current Market value	Change in value
APN Yandina	24,750,000	24,700,000	(50,000)
Chancellor Homemaker Centre	22,000,000	26,200,000	4,200,000
Silver @ the Exchange	18,500,000	18,000,000	(500,000)
Canberra Eye Hospital	8,500,000	8,100,000	(400,000)
APN Toowoomba	6,100,000	6,500,000	400,000
Bluescope Cooloom	4,000,000	3,400,000	(600,000)
Total	83,850,000	86,900,000	3,050,000

2. Since HY2016 BWR indirect holding in property has increased primarily due to the increased interest in Blackwall Telstra House Trust. A summary of the movements in value are shown below:

	Value as at HY2016	Current Market value	Change in value
Kirela Development Unit Trust	20,000,000	20,000,000	-
Pymont Bridge Trust	2,800,000	2,800,000	-
WRV Unit Trust	1,400,000	1,825,000	425,000
Woods PIPES Fund	2,000,000	336,000	(1,664,000)
BlackWall Telstra House Trust	26,000	272,000	246,000
BlackWall Telstra House Trust (new holding) ^a	-	5,678,366	5,678,366
Other unlisted entities	264,000	-	(264,000)
Total	26,490,000	30,911,365	4,421,365

- a. As part of the purchase of BTHT units mentioned above (see section 7.4) BWR will acquire an additional 5,009,144 BTHT units. These units have a fair value of \$1.13 per unit.
3. On completion of the Proposed Transaction BWR will have completed an in-specie distribution of all its interests in PPG.

10.2 Quoted market price of BWR units

There has been a low volume of units traded in the last 180 days prior to the announcement on 2 May 2016. The low, high and volume weighted average price for the 180 days to 2 May 2016 are set out below.

	Low	High	VWAP
1 Day	\$ 1.30	\$ 1.30	\$ 1.32
30 Days	\$ 1.28	\$ 1.39	\$ 1.32
60 Days	\$ 1.21	\$ 1.40	\$ 1.32
90 Days	\$ 1.21	\$ 1.40	\$ 1.27
180 Days	\$ 1.10	\$ 1.40	\$ 1.32

Source: S&P Capital IQ and Nexia Australia calculations

The quoted market price reflects a minority interest in BWR.

10.3 Conclusion on fair value of a share in BWR on a minority basis after the Proposed Transaction

In determining the fair value of a minority interest in BWR after the Proposed Transaction, we have applied both our valuation methodologies and determined that the value of a unit on a minority interest is represents by the average value of each methodology.

Based on the above we have concluded that the fair value of a unit on a minority basis to be:

	Low	Preferred	High
Fair value based on a realisation of assets (see section 10.1)	\$0.99	\$0.99	\$0.99
Fair value based on the quoted market price (see section 10.2)	\$1.27	\$1.30	\$1.32
Fair value of BWR on a minority interest	\$1.13	\$1.14	\$1.15

11. FAIR VALUE OF PPG ON A MINORITY BASIS

As discussed in section 4, in evaluating the transaction we are considering the fair value of assets sold, being a minority interest in PPG.

11.1 Realisation of assets of PPG

The realisation of assets value reflects the value of a PPG security on a controlling interest. This reflects an interest where the security holder has influence over the strategic direction of the trust. To determine the fair value of PPG on a minority basis a minority discount has been applied.

The fair value of PPG based on the realisation of assets is set out below:

	Note	\$
Fair value of PPG net assets (see section 6.4.2 above)	1	9,909,832
Minority discount		(20%)
Fair value of PPG on a minority basis		7,927,866
Number of securities on issue		121,647,097
Value per security on a minority basis		\$0.065

1. There are no adjustments to the net assets at HY2016. Since that date there has been no material movement in the value of the properties PPG holds or any other balance sheet items. A summary of the properties is included in Appendix E.

11.2 Capitalisation of earnings

The capitalisation of earning reflects a capitalisation of the future maintainable earnings. Comparable companies and transactions are identified to determine the appropriate rate at which the future maintainable earnings should be capitalised.

Set out below is the calculation of the capitalisation of future maintainable earnings.

	Note	\$		
Total comprehensive income for FY2015 (see section 7.3.1 above)				379,338
Add: Depreciation, amortisation and finance costs				1,239,124
Add: Fair value adjustment of property, plant and equipment and loss on sale of hotels	1			4,377
EBITDA				1,622,839
Less: EBITDA for Macquarie Arms	2			(63,678)
Future maintainable earnings				1,559,161
		Low	Preferred	High
Applied multiple	3	6.7x	7.1x	7.4x
Enterprise value		10,447,058	10,996,903	11,546,748
Less: Net debt	4	(12,453,942)	(12,453,942)	(12,453,942)
Equity value		-	-	-
Securities on issue		121,647,097	121,647,097	121,647,097
Value per security on a minority basis		\$0.00	\$0.00	\$0.00

1. Fair value adjustment are a one-off transaction that do not represent the underlying operations of PPG.
2. In September 2014, PPG completed the sale of the Macquarie Arms. This add back represents the trading for the Macquarie Arms until sale date.

3. We have identified listed comparable companies and transactions relevant to PPG, these are detailed in Appendices F and G respectively. In these comparables we have observed EBITDA multiples ranging from 6x to 13.9x, however, due to the nature of the PPG business we have applied various adjustments to these multiples. The adjustments reflect the following
 - a. A lack of negotiability – unlisted companies are harder to sell and transaction costs are higher making them less attractive than a listed company
 - b. Size – PPG is significantly smaller than the comparable listed companies. Studies conducted have found that the size of a company directly impacts on PE ratios
4. The net debt position of secured bank debt and cash and cash equivalents on hand as at HY2015.

11.3 Conclusion on fair value of a security in PPG in on a minority basis

As noted above, there is a significant difference between the two valuation approaches. The primary reason for the difference in the two approaches relates to the determination of the fair value of each of the properties as set out in Section 6.4.3. In determining the property valuations, adjustments have been to the underlying earnings to reflect the potential earnings that could be generated from an owner rather than the actual historical earnings. These adjustments relate to certain factors including, management fees and equipment hire. This valuation therefore reflects the potential value that could be realised from the sale of the asset to an experienced pub operator. The capitalised earnings approach represents the current valuation based on the existing performance of the pubs.

The ability to realise each valuation depends on the future strategy, whether to sell each individual asset or to continue operations in their current form. Therefore, in determining the fair value of a minority interest in PPG, we have applied both our valuation methodologies and determined that the value of a security on a minority basis is represented by the average value of each methodology.

Based on the above we have concluded that the fair value of a security on a minority basis to be:

	Low	Preferred	High
Fair value based on a realisation of assets (see section 11.1)	\$0.07	\$0.07	\$0.07
Fair value based on the capitalisation of earnings(see section 11.2)	\$0.00	\$0.00	\$0.00
Fair value of PPG on a minority basis	\$0.03	\$0.03	\$0.03

12. ASSESSMENT OF FAIRNESS

Under the Proposed Transaction BWF will receive 22,159,299 PPG securities through in specie distributions and 2,026,982 units in BWR and in return will sell to BWR 40,854,037 securities in PPG. The net result is that BWF will reduce its holding in PPG by 18,694,738 securities and increase its holding in BWR by 2,026,982 units. The net impact on BWF is that it will hold 0.1084 BWR units for each PPG previously held.

As discussed in section 4, in determining whether the transaction is fair to BWF shareholders, we have considered the fair value of the consideration transferred on a per share basis. This is summarised below:

	Low	Preferred	High
BWR value per unit of PPG securities sold	\$0.12	\$0.12	\$0.13
Fair value of PPG per security	\$0.03	\$0.03	\$0.03

As the fair value received is higher than the fair value of a security in PPG, **we have concluded that the Proposed Transaction is fair.**

13. ASSESSMENT OF REASONABLENESS

13.1 Approach to assessing Reasonableness

In forming our conclusions in this Report, we have compared the advantages and disadvantages to shareholders if the Proposed Transaction proceeds.

13.2 Advantages of the transaction

We outline below potential advantages of the Proposed Transaction:

Advantage	Explanation
BWF/BFS will obtain a minority interest in a listed property trust in exchange for a minority interest in an unlisted security.	BWR is a listed property trust that is actively traded on the ASX. The Proposed Transaction will result in BWF/BFS obtaining a 17.28% interest in BWR.
Market reports suggest that the Australian property industry will outperform the pub, bar and nightclub industry over the next five years.	IBIS World expects revenue growth in the pub, bar and night to be approximately 1.4% (annualised) over the next five years. In contrast revenue growth in the office, retail and industrial property sectors is anticipated to be 2.2%, 1.2% and 2.0% (annualised) respectively. Accordingly, the Proposed Transaction provides BWF with exposure to an industry that may perform more strongly than the industry to which BWF is currently exposed.

13.3 Disadvantages of the transaction

We outline following the potential disadvantages of the Proposed Transaction:

Disadvantage	Explanation
The structure of the Proposed Transaction may give rise to taxation implications for BWF, which we understand will reduce available losses	Due to the sale of PPG securities, BWF will realise a capital gain. We understand that BWF has sufficient tax losses to cover any capital gain however, this will erode their tax losses that could be utilised in the future against profits.

13.4 Alternatives to the transaction

The Directors have advised us that there are no alternatives to the Proposed Transaction.

13.5 Implications of the transaction not proceeding

If the Proposed Transaction is not approved, BFS will continue to hold its minority interest in PPG and trade as normal.

13.6 Conclusion as to Reasonableness

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

As the Proposed Transaction is fair and, taking into account other significant factors, **we have concluded that the Proposed Transaction is reasonable.**

14. OPINION

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the BWF shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting and Explanatory Memorandum, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

APPENDIX A – GLOSSARY

Term	Definition
Notice of Meeting and Explanatory Memorandum	Document to be sent to shareholders on or about the date of this Report in which this Report is included
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BFS	BlackWall Fund Services Limited (ACN 079 608 825)
BTHT	BlackWall Telstra House Trust
BWF or Company	BlackWall Property Funds Limited (ACN 146 935 131)
BWR	BlackWall Property Trust (ARSN 109 684 773)
Corporations Act	Corporations Act 2001 (Cth)
EBITDA	Earnings before interest, tax, depreciation and amortisation
FSG	Financial Services Guide
FY2013	the financial year ended or as at 30 June 2013
FY2014	the financial year ended or as at 30 June 2014
FY2015	the financial year ended or as at 30 June 2015
GFC	Global Financial Crisis
Group	BWF and its subsidiaries
HY2016	the six months ended or as at 31 December 2015
NCFS	Nexia Court Financial Solutions Pty Ltd (AFSL 247300)
PE	Price Earnings
PFML	Pelathon Funds Management Limited (ACN 606 091 543)
PHL	Pelathon Hotels Limited (ACN 117 204 225)
PPF	Pelathon Pub Fund (ARSN 123 286 304)
PPG	Pelathon Pub Group, comprised of PHL and PPF.
Proposed Transaction	Transfer of 18,694,738 securities in Pelathon Pub Group to BlackWall Property Trust in exchange for 2,026,982 units in BlackWall Property Trust.
Report	Independent Expert's Report
RG 111	ASIC Regulatory Guide 111: Content of expert Reports
RG 76	ASIC Regulatory Guide 74: Related party transactions
VWAP	Volume Weighted Average Price of shares

APPENDIX B - SOURCES OF INFORMATION

- APES 225 – Valuation Services
- Australia Securities and Investment Commission's (ASIC) database
- Audited financial statements of BlackWall Property Trust for the years ended 30 June 2013, 2014 and 2015.
- Reviewed financial statement of BlackWall Property Trust for the six months ended 31 December 2015.
- Audited financial statements for Pelathon Pub Group for the years ended 30 June 2013, 2014 and 2015.
- Unaudited financial statements for Pelathon Pub Group for the six months ended 31 December 2015.
- Draft Notice of Meeting and Explanatory Memorandum prepared by BlackWall Property Funds Limited
- Regulatory Guide 74: Acquisitions approved by members
- Regulatory Guide 76: Related party transactions
- Regulatory Guide 111: Content of expert Reports
- Regulatory Guide 112: Independence of expert's Reports
- S&P Capital IQ

APPENDIX C - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Court Financial Solutions Pty Ltd ("NCFS") determined its independence with respect to BWF and BWR with reference to ASIC Regulatory Guide 112: Independence of expert's Reports ("RG 112"). NCFS considers that it meets the requirements of RG 112 and that it is independent of BWF and BWR.

Also, in accordance with s648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with BWF or BWR, its related parties or associates that would compromise our impartiality.

Mr Brent Goldman, authorised representative of NCFS, has prepared this Report. Neither he nor any related entities of NCFS have any interest in the promotion of the Proposed Transaction nor will NCFS receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NCFS does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NCFS provided a draft copy of this Report to the Directors and management of BWF for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NCFS alone. Changes made to this Report, as a result of the review by the Directors and management of BWF, have not changed the methodology or conclusions reached by NCFS.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report NCFS has relied upon information provided on the basis it was reliable and accurate. NCFS has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NCFS evaluated the information provided to it by BWF and BWR as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. NCFS does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

NCFS carries on business at Level 16, 1 Market Street, Sydney NSW 2000. NCFS holds Australian Financial Services Licence No 247300 authorising it to provide financial product advice on securities to retail clients. NCFS's representatives are therefore qualified to provide this Report.

Brent Goldman specifically was involved in the preparing and reviewing this Report. Brent Goldman is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand, a Business Valuation Specialist of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia. He has over 15 years of corporate finance experience in both Australia and the UK.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of BWF. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of Meeting to be sent to BWF shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NCFS's opinion as to whether or not the Proposed Transaction is fair and reasonable to BWF shareholders.

NCFS consent to the issue of this Report in the form and context in which it is included in the Notice of Meeting to be sent to BWF shareholders.

Shareholders should read all documents issued by BWF that consider the Proposed Transaction in their entirety, prior to proceeding with a decision. NCFS had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the shareholders of BWF. Neither NCFS, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of BWF, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for NCFS to update this Report for information that may become available subsequent to its date.

APPENDIX D - VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

APPENDIX E – SUMMARY OF PROPERTY VALUATIONS

Property / Trust Name	Property Address	Valuation date	Gross Valuation	Valuation Provider	Interest Holder	Ownership %	BWR/PPG Portion of Valuation
APN Yandina	54 Pioneer Rd, Yandina, QLD	25/05/2016	24,700,000	Independent Valuer	BlackWall Property Trust	100%	24,700,000
Chancellor Homemaker Centre	30 Chancellor Village Blv, Sippy Downs, QLD	25/05/2016	26,200,000	Independent Valuer	BlackWall Property Trust	100%	26,200,000
Silver @ The Exchange	194 Varsity Pde, Varsity Lakes, QLD	25/05/2016	18,000,000	Independent Valuer	BlackWall Property Trust	100%	18,000,000
Canberra Eye Hospital	10-14 Wormald Street, Symonston, ACT	25/05/2016	8,100,000	Independent Valuer	BlackWall Property Trust	100%	8,100,000
Toowoomba	50 Industrial Ave, Toowoomba, QLD	25/05/2016	6,500,000	Independent Valuer	BlackWall Property Trust	100%	6,500,000
Coolum	51 Quanda Rd, Coolum, QLD	25/05/2016	3,400,000	Independent Valuer	BlackWall Property Trust	100%	3,400,000
Kirela Development Unit Trust and Bakehoue Bonds	Bakehouse Quarter, North Strathfield, NSW	14/01/2016	154,280,000	Offer received from Aqualand	BlackWall Property Trust	13.0%	20,000,862
Pymont Bridge Trust	55 Pymont Bridge Road	30/06/2015	15,500,000	Subordinated notes (7% coupon) - IM	BlackWall Property Trust	18.1%	2,800,000
WRV Unit Trust	The Woods, 850 Woodville Rd, Villawood, NSW	31/03/2016	4,000,000	Directors Valuation	BlackWall Property Trust	45.6%	1,825,000.0
Woods PIPES Fund	The Woods, 850 Woodville Rd, Villawood, NSW	31/12/2015	5,000,000	Information Memorandum	BlackWall Property Trust	6.7%	336,000.0
BlackWall Telstra House Trust	490 Northbourne Avenue, Dickson, ACT	30/04/2016	14,170,000	Directors Valuation	BlackWall Property Trust	1.9%	272,045
Amaroo Tavern	Moree, NSW	26/10/2015	5,600,000	Independent Valuer	Pelathon Pub Group	100%	5,600,000
Mary G's	Lismore, NSW	23/10/2015	6,300,000	Independent Valuer	Pelathon Pub Group	100%	6,300,000
The Victoria Hotel	Wagga Wagga, NSW	22/10/2015	12,000,000	Independent Valuer	Pelathon Pub Group	100%	12,000,000

APPENDIX F – LISTED COMPARABLE COMPANIES

Listed company comparables as 11 May 2016														
Name	Industry	Description	Country	Exchange	TEV	MC	AUD\$m		EBITDA	EBIT	Margins		Multiples	
							Net debt	Rev			EBITDA%	EBIT%	Revenue	EBITDA
Enterprise Inns plc	Restaurants	Enterprise Inns plc operates leased and tenanted pubs in the United Kingdom.	GB	LSE	5,450.2	907.0	4,254.1	1,176.9	551.0	521.0	47%	44%	4.5x	9.9x
Fuller Smith & Turner plc	Restaurants	Fuller, Smith & Turner P.L.C. operates managed pubs and hotels in the United Kingdom.	GB	LSE	1,546.7	1,178.0	413.0	729.2	132.6	95.3	18%	13%	2.3x	17.9x
Reef Casino Trust	Casinos and Gaming	Reef Casino Trust owns and leases The Reef Hotel Casino complex located in Cairns, Australia.	AU	ASX	181.7	184.3	(2.6)	25.1	19.6	15.1	78%	60%	7.2x	9.3x
JD Wetherspoon plc	Restaurants	JD Wetherspoon plc owns and operates pubs in the United Kingdom and the Republic of Ireland.	GB	LSE	2,873.9	1,552.8	1,376.5	3,182.5	332.9	202.9	10%	6%	0.9x	14.8x
Marston's plc	Restaurants	Marston's PLC operates managed, franchised, tenanted, and leased pubs and bars in the United Kingdom and internationally.	GB	LSE	4,448.9	1,633.5	3,107.5	1,899.1	408.1	329.6	21%	17%	2.6x	14.9x
Mitchells & Butlers plc	Restaurants	Mitchells & Butlers plc operates managed restaurants and pubs in the United Kingdom and Germany.	GB	LSE	6,495.7	2,212.9	4,724.0	4,538.3	911.5	676.1	20%	15%	1.6x	7.9x
Eumundi Group Ltd.	Hotels, Resorts and Cruise Lines	Eumundi Group Limited engages in hotel management and retail property investment businesses in Australia.	AU	ASX	31.0	23.0	7.9	22.0	3.8	3.0	17%	13%	1.4x	8.2x
Punch Taverns plc	Restaurants	Punch Taverns plc, together with its subsidiaries, operates and leases pubs in the United Kingdom.	GB	LSE	3,198.6	507.1	2,632.6	789.2	344.4	324.1	44%	41%	4.0x	8.9x
Transmetro Corp. Ltd.	Hotels, Resorts and Cruise Lines	Transmetro Corporation Limited, through its subsidiaries, owns and operates hotels, inns, serviced apartments, and theme pubs in Australia.	AU	ASX	33.9	13.7	20.2	29.4	4.1	2.5	14%	8%	1.2x	8.3x
Mean					2,695.6	912.5	1,837.0	1,376.8	300.9	241.1	30%	24%	2.9x	12.6x
Median					2,873.9	907.0	1,376.5	789.2	332.9	202.9	20%	15%	2.3x	12.0x

APPENDIX G – COMPARABLE TRANSACTIONS

Comparable transactions		Target	Description	Industry	% acquired		TEV	AUD\$m		Rev	EBITDA	EBIT	Margins		Multiples	
Date	Buyer					Country		MC	Net debt				EBITDA%	EBIT%	Revenue	EBITDA EBIT
	Aquis Casino Acquisitions Pty Ltd.	Reef Casino Trust	Reef Casino Trust owns and leases The Reef Hotel Casino complex located in Cairns, Australia.	Casinos and Gaming	0	AU	-	-	(0.3)	23.2	18.0	13.6	77%	58%	4.7x	6.0x 8.0x
16/04/2013	Wavehill Investments Pty Ltd	Donaco International Limited	Donaco International Limited operates in the leisure and entertainment businesses in the Asia Pacific region.	Casinos and Gaming	4.74	AU	111.6	119.4	(10.2)	14.6	10.7	10.6	73%	72%	10.1x	13.8x 14.0x
27/02/2007	Axiom Properties Ltd.	Eumundi Group Ltd.	Eumundi Group Limited engages in hotel management and retail property investment businesses in Australia.	Hotels, Resorts and Cruise Lines	16.92	AU	39.6	25.3	14.3	15.1	4.2	3.9	28%	26%	2.6x	9.3x 10.0x
	Axiom Properties Ltd.	Eumundi Group Ltd.	Eumundi Group Limited engages in hotel management and retail property investment businesses in Australia.	Hotels, Resorts and Cruise Lines	0	AU	-	-	14.3	15.1	4.2	3.9	28%	26%	2.8x	10.1x 10.9x
Mean							37.8	36.2	4.5	17.0	9.3	8.0	52%	46%	5.1x	9.8x 10.7x
Median							19.8	12.6	7.0	15.1	7.5	7.2	51%	42%	3.7x	9.7x 10.5x

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BLACKWALL PROPERTY FUNDS

BlackWall Property Funds Limited
ABN 37 146 935 131

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

BWF

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:00am (Sydney time) on Wednesday, 22 June 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of BlackWall Property Funds Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of BlackWall Property Funds Limited to be held at BlackWall Property Funds Limited, 50 Yeo Street, Neutral Bay NSW on Friday, 24 June 2016 at 10:00am (Sydney time) and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Change of name to BlackWall Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Sale of PPG Securities to BlackWall Property Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

BWF

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Computershare +