

# **Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)**

**ABN 45 091 209 639**

**Financial Statements**

**For the year ended 30 June 2011**

## CONTENTS

	PAGE
Directors' Report	3
Pelorus Details	7
Auditor's Independence Declaration	8
Financial Statements	9
Directors' Declaration	59
Independent Audit Report	60

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

Your directors present their report for Pelorus Private Equity Limited (formerly Pelorus Property Group Limited) ("the Company") and its controlled entities ("the Group") for the financial year ended 30 June 2011.

**INFORMATION ON DIRECTORS**

The names of the directors in office at any time during or since the end of the year unless otherwise stated are set out below.

<b>Name</b>	<b>Special Experience</b>	<b>Position</b>
Seph Glew	<p>Seph has worked in the commercial property industry in NZ, the USA and Australia. Seph has driven large scale property development and financial structuring for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>Seph holds a Bachelor of Commerce Degree, and while working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer. In the 1980s he served as an executive director with New Zealand based property group Chase Corporation and as a non-executive director with a number of other listed companies in New Zealand and Australia. Seph is a non-executive director of BlackWall Property Funds Limited.</p>	Non-Executive Chairman
Robin Tedder	<p>Robin has over 30 years experience in investment and financial markets. Robin manages private equity interests and is the Chairman of Vintage Capital Pty Ltd. He is a former member of the ASX and has served on the boards of several merchant banks in Australia and overseas, including Rand Merchant Bank Ltd, Kleinwort Benson Australia Ltd and Australian Gilt Securities Ltd (as CEO from 1988 to 1995). He is a director of Italtile Australia Pty Ltd (a national retailer under the CTM brand, and developer of bulky goods stores) and is also a Fellow of the Financial Services Institute of Australasia. Robin is a director of Blackwall Property Funds Limited.</p>	Non-Executive Director
Stuart Brown	<p>Stuart has been involved in property investment for over 15 years. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over half a billion dollars. Stuart was Managing Director of the Pelorus Property Group Limited (as it was then known). Following the Demerger Stuart was appointed Chief Executive Officer of BlackWall Property Funds Limited. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin.</p>	Non-Executive Director

Richard Hill, Guy Wynn and Paul Tresidder resigned as directors on 31 January 2011.

## **DIRECTORS' REPORT (continued)**

David Sellin was the Company Secretary from 31 July 2010 until Alex Breen was appointed the Company Secretary from 20 October 2010 until 12 January 2011 when Don Bayly was appointed as the Company Secretary. Don has over 20 years compliance management experience.

ESV Chartered Accountants audits the Group. Amounts paid to the auditor during the year are detailed at Note 25 of the financial statements.

## **PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN AFFAIRS**

On 22 December 2010 Shareholders approved a Demerger of the Pelorus Property Group (the Demerger). The Demerger was detailed in the Explanatory Memorandum dated on 18 November 2010 which is available at [www.pelorus.com.au](http://www.pelorus.com.au).

Under the Demerger Pelorus structure and operations have changed materially. Specifically the Group:

- changed its name to Pelorus Private Equity Limited;
- delisted from the Australian Stock Exchange;
- transferred its operating businesses into a wholly owned subsidiary known as BlackWall Property Funds Limited;
- distributed all shares it held in BlackWall Property Funds Limited to its shareholders by way of a return of capital (completed February 2011 – BlackWall was listed on the ASX in October 2011 – ASX Code: BWF);
- restructured its interests in a large-scale property development known as the Bakehouse Quarter into a managed investment scheme known as BQF (ARSN 153 458 489);
- distributed all units it held in BQF to its shareholders by way of a return of capital.

On completion of these transactions the Group shareholders held three securities (rather than just the Pelorus shares held prior to the Demerger). These securities are:

1. shares in the Group;
2. shares in BlackWall Property Funds Limited;
3. units in BQF.

As part of the Demerger Group shareholders were offered the opportunity to swap their holdings in the Group and BQF for units in an ASX listed property investment trust known as P-REIT (ASX Code: PXT). RFML Limited (a wholly owned subsidiary of the Group) is the responsible entity of P-REIT and BlackWall Property Funds Limited is its asset manager. Over 200 shareholders accepted this offer.

With the Demerger now complete the Group has become a holder of assets rather than an operating business. Some of these asset positions are either “work outs” or speculative in nature, however, the Directors believe that they have the potential to generate value over time if the Group’s strategies for these positions can be successfully executed.

## **REVIEW OF OPERATIONS**

The net result from continuing operations for the Group for the financial year ended 30 June 2011 was a loss after tax of \$932,000 (2010: Profit \$7,796,000). These financial statements are comprised of an approximately 6 month period in which the Group operated under its previous structure with the balance of the reporting period under the Demerged structure.

## **DIVIDENDS**

There were no dividends paid or declared in the financial period ended 30 June 2011.

## **EVENTS SUBSEQUENT TO REPORTING DATE AND LIKELY DEVELOPMENTS**

The Directors are not aware of any other matter, or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or state of affairs of the Group in financial years subsequent to the year ended 30 June 2011.

## **DIRECTORS' REPORT (continued)**

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

To the best knowledge of Directors, there are no significant developments expected in respect of the Group. The performance of the Group in the future will be subject to the underlying investment markets over time.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

All proceeding initiated against or by the company relate to one of the Group's subsidiary's RFML Limited in that company's position as responsible entity of P-REIT (ASX Code: PXT). In one of these matters RFML Limited is named as a defendant in its personal capacity. Details of these actions are set out in Note 27 to these financial statements.

### **MEETING ATTENDANCES**

The number of meetings of the Company's Directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

<b>Director</b>	<b>Board Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Seph Glew	8	8
Robin Tedder	8	8
Stuart Brown	8	8

Held: represents the number of meetings held during the time the Director held office.

### **NON-AUDIT SERVICES**

Amounts paid to the auditor for non-audit services during the year are detailed at Note 25 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in the financial report.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

### **INDEMNITIES OF OFFICERS**

During the financial period the Company has paid premiums to insure each of the directors named in this report along with officers of that company against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a willful breach of duty.

**DIRECTORS' REPORT (continued)**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the company.

Signed in accordance with a resolution of directors.

A handwritten signature in black ink, consisting of a large, stylized initial 'S' followed by a long, horizontal, wavy line extending to the right.

---

Stuart Brown  
Director

Dated at Sydney on 23 November 2011

## THE COMPANY DETAILS

The company's details are as follows:

Registered Office	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Principal Place of Business	Level 1, 50 Yeo Street Neutral Bay NSW 2089
Telephone	02 9033 8611
Fax	02 9033 8600
Website	<a href="http://www.blackwallfunds.com.au">www.blackwallfunds.com.au</a>



chartered  
accountants

Level 18, City Centre,  
55 Market Street, Sydney NSW 2000  
T +61 2 9283 1666 F +61 2 9283 1866  
E admin@esvgroup.com.au  
www.esvgroup.com.au

### **Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

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

Dated at Sydney on 22 November 2011

*ESV Chartered Accountants*

**ESV Chartered Accountants**

**Tim Valtwies**  
Partner



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Statement of comprehensive income

For the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fund and asset management income		-	2,523	192	2,190
Property services income		-	2,989	-	-
Property rental income		3,447	14,863	-	-
Investment income	2	255	329	91	250
Gain on disposal of assets		352	744	352	516
Share of associate loss		(671)	(508)	(671)	(508)
Gains on acquisition of subsidiaries		-	48	-	48
Gain on exchange differences		-	4	-	-
Unrealised gain / (loss) on revaluation of assets	2	1,117	4,435	1,815	(1,819)
<b>Total revenue</b>		<b>4,500</b>	<b>25,427</b>	<b>1,779</b>	<b>677</b>
Business operating expenses	3	(1,334)	(5,400)	(606)	(1,380)
Property outgoings		(536)	(3,860)	-	-
Finance costs	4	(2,067)	(6,845)	(1)	-
Other expenses		(91)	(317)	(88)	(198)
<b>Profit / (loss) before income tax</b>		<b>472</b>	<b>9,005</b>	<b>1,084</b>	<b>(901)</b>
Income tax expense	5	(1,404)	(1,209)	(110)	(188)
<b>Profit / (loss) from continuing operations after tax</b>		<b>(932)</b>	<b>7,796</b>	<b>974</b>	<b>(1,089)</b>
<b>Discontinued operations</b>					
Profit / (loss) from discontinued operations	12	(4,850)	-	149	-
<b>Net profit / (loss) after tax</b>		<b>(5,782)</b>	<b>7,796</b>	<b>1,123</b>	<b>(1,089)</b>
<b>Other comprehensive income</b>					
Foreign currency translation		-	5	-	-
Other comprehensive income for the year		-	5	-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>(5,782)</b>	<b>7,801</b>	<b>1,123</b>	<b>(1,089)</b>
Profit / (loss) attributable to:					
Owners of the company		(5,705)	7,132	1,123	(1,089)
Non-controlling interests		(77)	664	-	-
		(5,782)	7,796	1,123	(1,089)
Total comprehensive income / (loss) attributable to:					
Owners of the company		(5,705)	7,137	1,123	(1,089)
Non-controlling interests		(77)	664	-	-
		(5,782)	7,801	1,123	(1,089)
<b>Earnings Per Share:</b>					
<b>Continuing operations</b>					
Basic and diluted earnings per share		\$0.00	\$0.02	-	-

The accompanying notes form part of these financial statements

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Statement of financial position

As at 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	77	2,074	(74)	1,357
Trade and other receivables	8	168	1,184	97	297
Other financial assets	9	16,579	7,605	11,931	9,155
Current tax receivable	22	319	-	381	110
Other assets	18	-	327	-	-
<b>Total current assets</b>		<b>17,143</b>	<b>11,190</b>	<b>12,335</b>	<b>10,919</b>
<b>Non-current assets</b>					
Equity accounted investments	10	2,656	2,258	2,656	2,170
Other financial assets	9	104	104	13,730	75,635
Property, plant and equipment	13	-	355	-	-
Investment properties	14	33,527	198,000	-	-
Deferred tax assets	22	12	1,235	9	254
Intangible assets	17	15	3,647	-	-
<b>Total non-current assets</b>		<b>36,314</b>	<b>205,599</b>	<b>16,395</b>	<b>78,059</b>
<b>TOTAL ASSETS</b>		<b>53,457</b>	<b>216,789</b>	<b>28,730</b>	<b>88,798</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	19	1,371	3,225	875	1,704
Current tax payable	22	-	193	-	-
Property debt	14	-	10,500	-	-
Financial liabilities	20	254	650	7	-
Other borrowings	20	-	500	-	-
Provisions	21	-	180	-	-
<b>Total current liabilities</b>		<b>1,625</b>	<b>15,248</b>	<b>882</b>	<b>1,704</b>
<b>Non-current liabilities</b>					
Property debt	14	18,500	85,500	-	-
Other financial liabilities	20	5,715	6,270	-	-
Provisions	21	-	6	-	-
<b>Total non-current liabilities</b>		<b>24,215</b>	<b>91,776</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>25,840</b>	<b>107,024</b>	<b>882</b>	<b>1,704</b>
<b>NET ASSETS</b>		<b>27,617</b>	<b>109,765</b>	<b>27,848</b>	<b>87,274</b>
<b>EQUITY</b>					
Share capital	23(a)	23,124	87,551	23,124	87,551
Reserves		-	(38)	-	-
Retained earnings / (accumulated losses)		3,757	21,369	4,724	(277)
<b>Parent Interest</b>		<b>26,881</b>	<b>108,882</b>	<b>27,848</b>	<b>87,274</b>
Minority interest		736	883	-	-
<b>TOTAL EQUITY</b>		<b>27,617</b>	<b>109,765</b>	<b>27,848</b>	<b>87,274</b>

The accompanying notes form part of these financial statements

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Statement of changes in equity

For the year ended 30 June 2011

Consolidated	Ordinary Shares \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Attributable to owner of the parent \$'000	Non- controlling interest \$'000	Total \$'000
<b>Balance at 1 July 2009</b>	<b>84,735</b>	<b>14,357</b>	<b>1</b>	<b>(43)</b>	<b>99,050</b>	<b>228</b>	<b>99,278</b>
Total comprehensive income attributable to members of the company	-	7,132	-	-	7,132	664	7,796
Revaluation increment (decrement)	-	-	(1)	-	(1)	-	(1)
Difference arising on disposal of interest in RASP 2 Pty Ltd	-	(18)	-	-	(18)	(9)	(27)
Changes as a result of additional interests acquired	-	(102)	-	-	(102)	-	(102)
Issue of options under employee share based payment	6	-	-	-	6	-	6
Issue of shares	2,820	-	-	-	2,820	-	2,820
Exchange difference on foreign entity	-	-	-	5	5	-	5
Cost of issuing equity	(10)	-	-	-	(10)	-	(10)
<b>Balance at 30 June 2010</b>	<b>87,551</b>	<b>21,369</b>	<b>-</b>	<b>(38)</b>	<b>108,882</b>	<b>883</b>	<b>109,765</b>
Total comprehensive loss attributable to members of the company	-	(5,705)	-	-	(5,705)	(77)	(5,782)
Post acquisition accumulated losses of subsidiaries distributed to shareholders (i)	-	(1,958)	-	-	(1,958)	-	(1,958)
Pelorus Demerger distribution of Bakehouse Quarter Fund units (i)	(51,429)	(9,949)	-	-	(61,378)	-	(61,378)
Pelorus Demerger distribution of BlackWall Property Funds Limited shares (i)	(8,330)	-	-	-	(8,330)	-	(8,330)
Cancellation of Pelorus Private Equity Limited shares (ii)	(4,853)	-	-	-	(4,853)	-	(4,853)
Reversal of foreign currency translation reserve on disposal of BlackWall Management Services (NZ) Limited	-	-	-	38	38	-	38
Decrease in non controlling interest on disposal of Capital Self Storage Pty Ltd	-	-	-	-	-	(70)	(70)
Issue of options under employee share based payments	120	-	-	-	120	-	120
Issue of shares for options	70	-	-	-	70	-	70
Share buy backs	(5)	-	-	-	(5)	-	(5)
<b>Balance at 30 June 2011</b>	<b>23,124</b>	<b>3,757</b>	<b>-</b>	<b>-</b>	<b>26,881</b>	<b>736</b>	<b>27,617</b>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Statement of changes in equity (continued)

For the year ended 30 June 2011

Parent	Ordinary Shares \$'000	Retained Earnings / (Accumulated Losses) \$'000	Total \$'000
<b>Balance at 1 July 2009</b>	<b>84,734</b>	<b>812</b>	<b>85,546</b>
Total comprehensive loss attributable to members	-	(1,089)	(1,089)
Issue of options under employee share based payment	6	-	6
Issue of shares	2,821	-	2,821
Cost of issuing equity	(10)	-	(10)
<b>Balance at 30 June 2010</b>	<b>87,551</b>	<b>(277)</b>	<b>87,274</b>
Total comprehensive income attributable to members	-	1,123	1,123
Net gain on disposal / Demerger of subsidiaries (i)	-	13,827	13,827
Pelorus Demerger distribution of Bakehouse Quarter Fund units (i)	(51,429)	(9,949)	(61,378)
Pelorus Demerger distribution of BlackWall Property Funds Limited shares (i)	(8,330)	-	(8,330)
Cancellation of Pelorus Private Equity Limited shares (ii)	(4,853)	-	(4,853)
Issue of options under employee share based payments	120	-	120
Issue of options	70	-	70
Share buy backs	(5)	-	(5)
<b>Balance at 30 June 2011</b>	<b>23,124</b>	<b>4,724</b>	<b>27,848</b>

- (i) The amounts recognised in retained earnings represents the post acquisition retained earnings / accumulated losses distributed in relation to the Pelorus Demerger. Pelorus transferred its funds management and property services businesses to BlackWall Property Funds Limited (BPFL) in exchange for shares in BPFL. Pelorus has then distributed all of the BPFL shares in-specie to shareholders proportionate to their Pelorus shareholding. In addition, Pelorus has distributed its units in the Bakehouse Quarter Fund in-specie to shareholders pro rata to their holding of Pelorus shares as a part of the Demerger.

The amount represents the difference between the cost base of the subsidiaries disposed of by Pelorus in relation to the Demerger and the consideration in the form of the shares received in BPFL.

- (ii) The cancellation of Pelorus shares represents an offer taken up by Pelorus shareholders to sell their unlisted positions in exchange for units in P-REIT.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Statement of cash flows

For the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities:</b>					
Receipts from customers		14,714	20,456	907	2,279
Payments to suppliers and employees		(7,934)	(9,574)	(1,445)	(423)
Dividends and distributions received		56	185	-	180
Interest paid		(4,817)	(6,817)	(1)	-
Interest received		30	220	57	145
Income tax paid		(129)	(220)	(214)	(291)
<b>Net cash provided by / (used in) operating activities</b>	7(a)	<b>1,920</b>	<b>4,250</b>	<b>(696)</b>	<b>1,890</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of investment properties		-	600	-	-
Purchase of land		(1,853)	(282)	-	-
Proceeds from sale of investments		424	5,072	424	4,960
Acquisition of property, plant and equipment		(246)	(112)	-	-
Acquisition of other investments		(695)	(3,528)	(668)	(3,427)
Acquisition of subsidiaries, net of cash acquired		-	(127)	-	(127)
Proceeds from disposal of subsidiaries, net of cash disposed		-	36	-	-
Payment for development of investment properties		(1,740)	(6,094)	-	-
Loans to related parties		(1,615)	(1,174)	(2,999)	(13,881)
Loan repayments from related parties		807	267	2,513	9,285
<b>Net cash provided by / (used in) investing activities</b>		<b>(4,918)</b>	<b>(5,342)</b>	<b>(730)</b>	<b>(3,154)</b>
<b>Cash flows from financing activities:</b>					
Cash reduction through Demerger of entities		(443)	-	-	-
Proceeds from borrowings		1,499	-	-	-
Repayment of borrowings		(50)	-	-	-
Share buy backs		(5)	-	(5)	-
Transaction costs for issue of shares		-	(10)	-	(10)
<b>Net cash provided by / (used in) financing activities</b>		<b>1,001</b>	<b>(10)</b>	<b>(5)</b>	<b>(10)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,997)</b>	<b>(1,102)</b>	<b>(1,431)</b>	<b>(1,274)</b>
Cash at beginning of year		2,074	3,181	1,357	2,631
Effect of exchange rates on cash		-	(5)	-	-
<b>Cash and cash equivalents at end of year</b>	6(b)	<b>77</b>	<b>2,074</b>	<b>(74)</b>	<b>1,357</b>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies

### General Information

#### Introduction

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Corporations Act 2001.

The financial statements cover the economic entity of Pelorus Private Equity Ltd and Controlled Entities (the Group), and Pelorus Private Equity Ltd as an individual parent entity. Pelorus Private Equity Ltd is an unlisted public company, incorporated and domiciled in Australia.

The company changed its name from Pelorus Property Group Limited on 31 December 2010 as part of the Demerger of the Pelorus Property Group.

#### *The Demerger*

Pelorus Private Equity Limited ("Pelorus") was an ASX listed property company up until 7 January 2011. The Demerger of Pelorus involved the transfer by Pelorus of its operating business, on 1 January 2011, to BlackWall Property Funds Limited ("BlackWall") via an In-Specie transfer of BlackWall shares to Pelorus shareholders.

The In-Specie transfer occurred by way of capital reduction, which was approved by shareholders of Pelorus at an extraordinary meeting held on 22 December 2010.

The Demerger was accounted for in accordance with AASB Interpretation 17 - Distributions of Non-cash Assets to Owners. The obligation for distribution of Bakehouse Quarter Fund was recognized at fair value and the corresponding debit was allocated between issued capital and the retained earnings.

The results were presented as a discontinued operation in the financial statement. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. The statement of comprehensive income has been re-presented as if the operation had been discontinued from the start of the year.

The financial statements for Pelorus and controlled entities for the year ended 30 June 2011 were authorised for issue in accordance with the resolution of the directors on 23 November 2011.

The financial statements of Pelorus and controlled entities, and Pelorus as an individual parent entity comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the Group in preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

# **Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)**

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## **1 Statement of Significant Accounting Policies (continued)**

### **Basis of Preparation**

#### **Reporting Basis and Conventions**

The financial statements have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Group is a Group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### **Going Concern**

This financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### **Presentation of Financial Statements**

##### **Presentation Currency**

Both the functional and presentation currency of Pelorus and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency which was disposed of on 31 December 2010, is New Zealand Dollars, which is translated to presentation currency (refer to Foreign Currency Translation note below).

##### **Principles of Consolidation**

##### **Controlled Entities**

The consolidated financial statements comprise the financial statements of Pelorus and its subsidiaries as at 30 June 2011. A list of controlled entities is contained in note 29 to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies.

Investments in subsidiaries held by Pelorus are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in the statement of comprehensive income as incurred.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

Where controlled entities have entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until control was ceased.

### Inter-company Balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

### Non controlling Interests

Non controlling interest not held by the Group are allocated their share of net profit and comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

### Critical Accounting Estimates and Judgments

#### General

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

#### *Key Estimates – Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The directors believed it is appropriate to raise impairment provisions against financial assets, loans and receivables and goodwill in the year ended 30 June 2011. Financial asset provisions have been raised with reference to the prevailing prices at 30 June 2011 of held for trading assets. Goodwill in relation to the RFML Limited acquisition has been impaired in 2010 given management's assessment of the benefits to be received of the cash generating unit it belongs to (refer to note 17 in the notes to the financial statements).

### Foreign Currency Translation

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

Exchange difference arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

### Property, Plant and Equipment

#### General Information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The cost of replacing part of an item or property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

#### Useful Life

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	Over 2 to 5 years
Office Equipment	Over 2 to 5 years
Motor Vehicles	Over 5 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

#### Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within "other income" in the statement of comprehensive income in the year asset is derecognised.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of comprehensive income in the year in which they arise. Included in the value measurement are adjustments for straight-line basis in accordance with AASB 117.

### Impairment of Asset

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss has been recognised.

### Financial Instruments

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Derivative Instruments

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income for the year.

### Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

### Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### Held For Trading Financial Assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

### Loans and Receivables

Loans and receivables including loans to related entities and to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through amortisation process.

# **Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)**

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## **1 Statement of Significant Accounting Policies (continued)**

### **Financial Liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debts less principal payments and amortisation.

Derivative financial liabilities are measured at fair value. Revaluations are included in the statement of comprehensive income where hedge accounting is not applied.

### **Fair Value**

The fair value of investments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference published unit prices of these investments, which are based on the net tangible assets of each of the investments.

### **Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognized in the statement of comprehensive income.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Intangibles

#### Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment of more frequently if circumstances indicate it might be impaired and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is allocated:

-represents the lowest level within the Group at which the goodwill is monitored for internal management purpose; and

-is not larger than an operating segment determined in accordance with AASB 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and that unit is disposed of, the goodwill associated with the unit disposed of is included in the carrying amount of the unit when determining the gain or loss on disposal of the unit. Impairment losses recognised for goodwill are not subsequently reversed.

#### Investments in Associates

Investments in associate companies are recognised in the financial statement by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have the control or joint control over those policies. The Group generally deems they have significant influence if they have between 20% to 50% of the voting rights.

Under the equity methods of accounting, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of post-acquisition profits / losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

# **Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)**

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## **1 Statement of Significant Accounting Policies (continued)**

### **Interest in Joint Ventures**

The Group has an interest in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the ventures rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interests in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of services by the jointly controlled operations.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term high liquid investments with original maturities of three months or less, and bank overdrafts.

### **Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect for the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

### **Trade and Other Payables**

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the company at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Interest-bearing Borrowings**

Interest-bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

### **Employee Benefits**

#### **Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as an expense in the statement of comprehensive income when they are due.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Other Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

### Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

### Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probably that an outflow of economic benefits will result and that outflow can be reliably measured.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

### Revenue

Income from management fees in relation to managed investment schemes is recognised when it becomes legally due and payable to the Group.

Revenue from property services contracts is recognised monthly in arrears.

### Property Income

Property income comprises rental and recovery of outgoings from property tenants. It is recognised when it becomes legally due and payable to the Property Owner.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Investment Income

Finance income comprises interest on funds invested, gains on the disposal of held for trading financial assets and changes in the fair value of financial assets at fair value through profit and loss.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

Trust distributions are recognised when they are declared by the Trustee or responsible entity.

Foreign currency gains or losses are reported on a net basis.

All revenue is stated net of the amount of goods and services tax (GST).

### Income Tax

#### Current Income Tax Expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

#### Accounting for Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

#### Deferred Tax Calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised and liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Deferred Tax Assets

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

### Benefit Brought to Account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### Tax Consolidations

Pelorus Private Equity Limited has elected to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime with effect from 1 July 2005. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is Pelorus Private Equity Limited.

In addition to its own current and deferred tax amounts, Pelorus Private Equity Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Company recognised deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amount receivable from or payable to other entities in the Group.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are present in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### New, revised or amending Standards and Interpretations

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The following Accounting Standards and Interpretations are most relevant to the Group:

*AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The Group has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

*AASB 101 'Presentation of Financial Statements'* - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

*AASB 107 'Statement of Cash Flows'* - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

*AASB 117 'Leases'* - removal of specific guidance on classifying land as a lease;

*AASB 118 'Revenue'* - provides additional guidance to determine whether an entity is acting as a principal or agent; and

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### New, revised or amending Standards and Interpretations (continued)

*AASB 136 'Impairment of Assets'* - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2011. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Group.

*AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 1 Statement of Significant Accounting Policies (continued)

### **New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)**

The adoption of these amendments from 1 July 2011 will not have a material impact on the Group.

#### *AASB 2010-5 Amendments to Australian Accounting Standards*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Group.

#### *AASB 124 Related Party Disclosures (December 2009)*

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Group.

#### *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Group when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the Group continues to have a continuing exposure to the asset after the sale.

#### *AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Group is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 2 Revenue

### (a) Investment Income

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Dividends and distributions		57	109	31	105
Finance income	4	198	220	60	145
Total investment income		<u>255</u>	<u>329</u>	<u>91</u>	<u>250</u>

### (b) Unrealised gain / (loss) on revaluation of assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revaluation of interest rate hedges	185	1,510	-	-
Provision for impairment of other financial assets	153	(1,205)	1,716	(1,696)
Provision for loans impairment	(156)	(995)	(196)	(403)
Goodwill impairment	-	(357)	-	-
Change in fair value of listed securities	295	280	295	280
Change in fair value of The Woods	640	692	-	-
Change in fair value of Mulgoa Rd, Penrith	-	(33)	-	-
Change in fair value of The Bakehouse Quarter	-	4,543	-	-
Unrealised gain/(loss) on revaluation of assets	<u>1,117</u>	<u>4,435</u>	<u>1,815</u>	<u>(1,819)</u>

Impairments of other financial assets relate to the Group's investments in the BlackWall Pub Fund, P-REIT and Tankstream Property Investment Fund, which were all acquired during the 2010 financial year. They are classified as Held for Trading assets.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 3 Business Operating Expenses

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee & consultants costs	431	3,820	416	971
Occupancy costs	-	212	-	-
Depreciation expenses	326	98	-	-
Administration expenses	577	1,270	190	409
Total business operating expenses	1,334	5,400	606	1,380

Employee and administration expenses have decreased in the current year, due to the Group's Demerger during the year.

## 4 Finance Income and Expense

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance income:				
Interest income on bank deposits	11	74	9	48
Interest income on loans and receivables	187	146	51	97
Total finance income	198	220	60	145
Finance expense:				
Interest expense on financial liabilities measured at amortised cost	(2,067)	(6,845)	(1)	-
Total finance expense	(2,067)	(6,845)	(1)	-
Net finance income and expense	(1,869)	(6,625)	59	145

Finance expenses have decreased in the current year. The decrease is due to the Group's Demerger during the year.

## 5 Income Tax Expense

(a) The components of income tax expense comprise:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current tax	370	543	6	181
Relating to origination and reversal of temporary differences	1,163	667	88	8
Under / (over) provision in prior year	(129)	(1)	16	(1)
Total income tax expense	1,404	1,209	110	188

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Notes to the Financial Statements

For the year ended 30 June 2011

### 5 Income Tax Expense (continued)

(b) The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit / (loss) from ordinary activities before income tax	472	9,005	1,084	(901)
Prima facie tax payable / (receivable) at 30% (2010: 30%)	142	2,702	325	(270)
Add tax effect of:				
-Entertainment	2	8	-	-
-Impaired goodwill	-	107	-	-
-Provisions and write downs	-	1	-	540
-Options expenditure	-	2	-	1
-Distributions	39	-	2	-
-Gross up imputation credits	-	-	-	1
-Penalties	-	1	-	-
-Merger and acquisition expenses	32	-	32	-
- Under provision in prior year	-	-	16	-
-Tax rate differential of foreign subsidiary	-	2	-	-
Less tax effect of:				
-Cost of issuing equity	(26)	(104)	(26)	(104)
-Deferred acquisition consideration write back	-	(33)	-	(33)
-Revaluation and impairments	(311)	(1,393)	(545)	-
-Gains on acquisition of investments	-	(28)	-	-
-Over provision in prior year	(129)	(1)	-	(1)
Other adjustments:				
- Recoupment of prior years tax losses previously not brought into accounts	(237)	-	-	-
-Current year tax losses not brought into account	364	-	100	-
-Adjustment to prior year deferred tax assets	1,528	(55)	206	54
Income tax expense attributable to entity	<u>1,404</u>	<u>1,209</u>	<u>110</u>	<u>188</u>
Unused tax losses for which no deferred tax asset has been recognised @ 30% (all losses were incurred by entities that are not part of the tax consolidated group)	364	600	-	-

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 6 Cash and Cash Equivalents

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash on hand	-	4	-	-
Cash at bank	77	2,070	(74)	1,357
Total cash and cash equivalents	77	2,074	(74)	1,357

### (a) Effective Interest Rate

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### (b) Reconciliation of Cash

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	77	2,074	-	1,357
Bank overdraft	-	-	(74)	-
Total cash and cash equivalents	77	2,074	(74)	1,357



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 7 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net profit / (loss) for the year	(5,782)	7,796	1,123	(1,089)
Non-cash flows in profit / (loss):				
Straightline lease income	-	(125)	-	-
Loss / (revenue) from associates	671	(10)	671	(10)
Fund and asset management income	-	-	(710)	-
Finance income	(170)	-	(35)	-
Depreciation	326	98	-	-
Share based payments	190	6	190	6
Net (gain)/loss on disposal of investments	(352)	(744)	(352)	(517)
Unrealised (gains)/losses on investments	4,548	(49)	(142)	(49)
Provision of impairment of loans	-	-	-	403
Revaluations, write downs and impairments of assets	(1,534)	(4,273)	(1,604)	1,935
Impairment of goodwill	1,324	357	-	-
Unrealised (gains)/losses in foreign exchange	-	(4)	-	-
Amortisation of borrowing costs	-	28	-	-
Consultants fees	21	-	21	-
Directors fees	19	-	19	-
Administration fees	323	-	15	-
Other expenses	153	-	83	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and term receivables	1,098	(1,327)	201	43
(Increase)/decrease in other receivables	10	53	80	425
(Increase)/decrease in prepayments	260	(54)	-	-
Increase/(decrease) in unearned revenue	-	73	-	-
Increase/(decrease) in trade payables and accruals	58	1,447	(260)	845
Increase/(decrease) in income taxes payable	(365)	(179)	(242)	(294)
Increase/(decrease) in deferred tax balances	1,114	1,173	246	192
Increase/(decrease) in provisions	8	(16)	-	-
<b>Cashflow provided by / (used in) operating activities</b>	<b>1,920</b>	<b>4,250</b>	<b>(696)</b>	<b>1,890</b>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 8 Trade and Other Receivables

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CURRENT</b>				
Trade receivables				
- Related parties	21	522	97	71
- Other parties	22	324	-	226
Cash/deposit held on trust	-	282	-	-
Deposits	-	56	-	-
Sundry receivables	125	-	-	-
Total trade and other receivables	168	1,184	97	297

## 9 Financial Assets

### (a) Current Financial Assets

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Held for Trading	9(c)	13,526	5,742	9,490	1,912
Loans and receivables	9(d)	3,053	1,863	2,441	7,243
Total current financial assets		16,579	7,605	11,931	9,155

### (b) Non Current Financial Assets

Other financial assets	9(e)	104	104	104	104
Investment in controlled entities	29	-	-	13,626	75,531
Total non current financial assets		104	104	13,730	75,635

### (c) Held for Trading Financial Assets

Listed securities		1,963	683	1,728	683
P-REIT		11,069	3,729	7,268	-
BlackWall Storage Fund		-	464	-	464
BlackWall Telstra House Trust		-	302	-	201
Tankstream Property Investment Fund		494	564	494	564
Total held for trading financial assets		13,526	5,742	9,490	1,912

The increase in held for trading assets is due to the acquisition of units in various managed investment schemes that members of the group act as responsible entity for. The Group now holds units in BlackWall Property Funds, P-REIT and Tankstream Property Investment Fund (see note 11). These investments were acquired for a combination of issued equity and assets swaps.

Blackwall Property Funds Limited (ASX code: BWF) and P-REIT (ASX code: PXT) were listed on the ASX in October 2011. Subsequent to the balance date, the ASX quoted prices as at 23 November 2011 for BWF and PXT are \$0.14 and \$0.10 respectively.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 9 Financial Assets (continued)

### (d) Loans and Receivables

	Consolidated		Parent	
	2011 \$'000	2010 \$'00	2011 \$'00	2010 \$'00
Loans and receivables to related parties	3,053	1,728	2,441	7,243
Loans and receivables to other parties	-	135	-	-
Total loans and receivables	<u>3,053</u>	<u>1,863</u>	<u>2,441</u>	<u>7,243</u>

### (e) Other Financial Assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other financial assets	104	104	104	104
Total other financial assets	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>

## 10 Investments Accounted for Using the Equity Method

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest in joint venture entity	11	-	5	-	5
Associated entities	11	2,656	2,253	2,656	2,165
Total investments		<u>2,656</u>	<u>2,258</u>	<u>2,656</u>	<u>2,170</u>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 11 Associated Entities

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carrying Amount of Investment	
			30 June 2011 %	30 June 2010 %	30 June 2011 \$'000	30 June 2010 \$'000
Pelorus Storage Advantage Pty Limited	Property Management company	Australia	33	33	-	-
BlackWall Pub Fund (formerly Pelorus Pub Fund)	Pub owner	Australia	38.76	28.80	2,656	2,229
APG Asset Management Group Pty Ltd	Financial services and management company	Australia	-	50	-	5
Pelathon Management Group Pty Ltd	Pub management company	Australia	-	40	-	15
Pelorus Private Clients Pty Ltd	Financial services and management company	Australia	50	50	-	-
WT Retail Services (India) Private Limited	Property management company	India	50	50	-	-
Trentham City Investments Limited	Shopping centre	New Zealand	40	40	-	9
					<u>2,656</u>	<u>2,258</u>

During the year, the Group disposed its interests in APG Asset Management Group Pty Ltd and Pelathon Management Group Pty Ltd as part of the Demerger.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 11 Associated Entities (continued)

Summarised financial information in respect of the Group's associates is set out below.

### BlackWall Pub Fund (formerly Pelorus Pub Fund)

	2011	2010
	\$'000	\$'000
Share of total assets	13,346	12,248
Share of total liabilities	(10,690)	(10,019)
Group shares of net assets of associates	<u>2,656</u>	<u>2,229</u>
Total loss for the year (2010: 21 January 2010 to 30 June 2010)	(1,732)	(4,105)
Groups share of loss for the year (2010: 21 January 2010 to 30 June 2010)	<u>(671)</u>	<u>(518)</u>

## 12 Profit / (Loss) on Discontinued Operations

On 1 January 2011, the Group disposed its interests in the following entities to BlackWall Property Funds Limited (BPFL) as follows:

- 100% interest in BlackWall Management Services Pty Ltd (BMS)
- 100% interest in WTSO Pty Ltd (WTSO)
- 51% interest in Capital Storage Services Pty Ltd (CSS)
- 100% interest in TFML Limited (TFML) and
- 100% interest in BlackWall Management (NZ) Limited (BMNZ).

In addition, Pelorus Private Equity Limited (PPE) transferred its funds management and property services businesses to BPFL in exchange for shares in BPFL. PPE has then distributed all of the BPFL shares in-specie to shareholders proportionate to their PPE shareholding. In addition, PPE has distributed its units in the Bakehouse Quarter Fund in-specie to shareholders pro rata to their holding of PPE shares as a part of the Demerger.

### (a) Assets and Liabilities – Discontinued Operations

	BMS	WTSO	CSS	TFML	BMNZ	BQF	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	(204)	(18)	73	3	334	-	-	188
Trade and other receivables	313	76	15	(21)	(7)	-	-	376
Financial assets	45	-	-	-	264	81,415	-	81,724
Investments in related parties	-	-	100	6,579	-	-	-	6,679
Property plant and equipment	534	-	-	55	-	-	-	589
Deferred tax assets	34	-	-	-	-	-	-	34
Trade and other payables	(288)	(22)	(17)	(73)	(91)	-	-	(491)
Borrowings	-	-	-	(450)	-	-	-	(450)
Loan from related parties	447	465	-	(6,010)	-	-	-	(5,098)
Provisions	(112)	-	(26)	-	(78)	-	-	(216)
<b>Net identifiable assets and liabilities</b>	<b>769</b>	<b>501</b>	<b>145</b>	<b>83</b>	<b>422</b>	<b>81,415</b>	<b>-</b>	<b>83,335</b>
<b>Goodwill derecognised</b>	<b>(1,210)</b>	<b>(335)</b>	<b>-</b>	<b>(710)</b>	<b>(28)</b>	<b>-</b>	<b>(1,324)</b>	<b>(3,607)</b>

The accompanying notes form part of these financial statements.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 12 Profit / (Loss) on Discontinued Operations (continued)

### (b) Profit / (Loss) on Discontinued Operation and Gain / (Loss) on Disposal / Demerger

Consolidated	BMS \$'000	WTSO \$'000	CSS \$'000	TFML \$'000	BMNZ \$'000	BQF \$'000	Other \$'000	Total \$'000
Revenue	1,130	212	43	154	233	6,898	1,095	9,765
Expenses	(1,982)	(740)	(43)	(166)	(194)	(4,418)	(758)	(8,301)
Impairment of goodwill	-	-	-	-	-	-	(1,324)	(1,324)
Unrealised loss on revaluation of assets	-	-	-	-	-	(4,996)	-	(4,996)
Profit/(loss) before income tax expense	(852)	(528)	-	(12)	39	(2,516)	(987)	(4,856)
Income tax benefit/(expense) on operating activities of discontinued operations	255	(27)	-	(23)	(11)	-	(188)	6
<b>Profit/(loss) on deconsolidation, net of tax</b>	<b>(597)</b>	<b>(555)</b>	<b>-</b>	<b>(35)</b>	<b>28</b>	<b>(2,516)</b>	<b>(1,175)</b>	<b>(4,850)</b>
<b>Parent</b>	<b>BMS \$'000</b>	<b>WTSO \$'000</b>	<b>CSS \$'000</b>	<b>TFML \$'000</b>	<b>BMNZ \$'000</b>	<b>BQF \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
Profit on discontinued operation	-	-	-	-	-	-	149	149
<b>Profit on discontinued operation, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>149</b>

The following gain / (loss) on disposal have been recognised directly in retained earnings of the Parent and the Consolidated Accounts. Refer to Statement of Changes in Equity for further details.

	BMS \$'000	WTSO \$'000	CSS \$'000	TFML \$'000	BMNZ \$'000	BQF \$'000	Total \$'000
Accumulative earnings / (losses)	1,793	(382)	(69)	(189)	(440)	(5,654)	(4,941)
Gain/(loss) on disposal	(2,972)	47	95	(204)	363	5,654	2,983
Post acquisition earnings / (losses) distributed to shareholders	<b>(1,179)</b>	<b>(335)</b>	<b>26</b>	<b>(393)</b>	<b>(77)</b>	<b>-</b>	<b>(1,958)</b>
	<b>BMS \$'000</b>	<b>WTSO \$'000</b>	<b>CSS \$'000</b>	<b>TFML \$'000</b>	<b>BMNZ \$'000</b>	<b>BQF \$'000</b>	<b>Total \$'000</b>
Consideration received (i)	800	500	100	400	400	61,379	63,579
Costs of investment	(3,772)	(453)	(5)	(604)	(37)	(44,881)	(49,752)
Gain/(loss) on disposal	<b>(2,972)</b>	<b>47</b>	<b>95</b>	<b>(204)</b>	<b>363</b>	<b>16,498</b>	<b>13,827</b>

- (i) Shares were issued by Blackwall Property Funds Ltd as consideration for each entity:
- BMS: 3,666,220 shares were issued at \$0.22 per share.
  - WTSO: 2,291,387 shares were issued at \$0.22 per share.
  - CSS: 458,277 shares were issued at \$0.22 per share.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## Notes to the Financial Statements

For the year ended 30 June 2011

### 12 Profit / (Loss) on Discontinued Operations (continued)

- TFML: 1,833,110 shares were issued at \$0.22 per share.
- BMNZ: 1,833,110 shares were issued at \$0.22 per share.

In relation to the Demerger of the fund management and property services businesses, an In-Specie transfer of BWFL shares to PPE shareholders occurred. The distribution of BQF units was settled in October 2011 following the issue of the tax ruling by the Australian Taxation Office.

#### (c) Cash Flow Information – Discontinued Operation

The cash flows from the discontinued operation contained in the Group cash flow statement are:

30 June 2011	BMS \$'000	WTSO \$'000	CSS \$'000	TFML \$'000	BMNZ \$'000	BQF \$'000	Other \$'000	Total \$'000
Net cash inflow/(outflow) from operating activities	(652)	(653)	70	4	145	2,077	337	1,328
Net cash inflow/(outflow) from investing activities	456	610	1	21	(301)	(3,255)	-	(2,468)
Net cash inflow/(outflow) from financing activities	-	-	-	(50)	-	1,500	-	1,450
<b>Net cash inflow / (outflow)</b>	<b>(196)</b>	<b>(43)</b>	<b>71</b>	<b>(25)</b>	<b>(156)</b>	<b>322</b>	<b>337</b>	<b>310</b>

### 13 Property Plant and Equipment

	Consolidated	
	2011 \$'000	2010 \$'000
Furniture, fixtures and fittings		
At cost	-	354
Less accumulated depreciation	-	(143)
Total furniture, fixtures and fittings	-	211
Office equipment		
At cost	-	286
Less accumulated depreciation	-	(177)
Total office equipment	-	109
Motor vehicles		
At cost	-	48
Less accumulated depreciation	-	(13)
Total motor vehicles	-	35
Total property, plant and equipment	-	355

No property plant and equipment is held by the Parent.

All property plant and equipment was disposed of as part of the Demerger.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 13 Property Plant and Equipment (continued)

### (a) Movements in Carrying Amounts

	Consolidated			Total \$'000
	Furniture, Fixtures and Fittings \$'000	Office Equipment \$'000	Motor Vehicles \$'000	
<b>30 June 2011</b>				
Balance at the beginning of year	211	109	35	355
Additions	-	-	-	-
Disposals	(211)	(96)	(35)	(342)
Depreciation expense	-	(13)	-	(13)
Balance at the end of year	-	-	-	-
<b>30 June 2010</b>				
Balance at the beginning of year	159	102	-	261
Additions	91	53	48	192
Disposals	-	-	-	-
Depreciation expense	(39)	(46)	(13)	(98)
Balance at the end of year	211	109	35	355



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 14 Investment Properties and Property Debt

	<b>Bakehouse Quarter \$'000</b>	<b>Penrith \$'000</b>	<b>The Woods \$'000</b>	<b>Total \$'000</b>
Investment property fair value at 30 June 2010	165,000	16,500	16,500	198,000
Capital improvements	1,540	27	173	1,740
Straight-line lease receivable	1,947	-	-	1,947
Revaluations	-	-	640	640
Depreciation	-	-	(313)	(313)
Distribution of Bakehouse Quarter	(168,487)	-	-	(168,487)
Investment property fair value at 30 June 2011	-	16,527	17,000	33,527
Property debt at 30 June 2010	(77,500)	(10,500)	(8,000)	(96,000)
Property debt at 30 June 2011	-	(10,500)	(8,000)	(18,500)
Other financial liabilities	-	(5,715)	-	(5,715)
Net property equity	-	312	9,000	9,312
Property debt to value ratio	-	64%	47%	55%

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road, Penrith, Sydney. The property was independently valued at 30 June 2011 at \$16.5 million that reflects an initial yield of 9.1%. The debt secured against the property was refinanced to July 2013 and is fully drawn at \$10.725 million post balance date. Other financial liabilities refer to the interests in the property of the Pelorus Penrith Fund No.2. (PPF2). PPF2 has a hybrid property investment vehicle with a \$6,000,000 interest in the property secured by a registered second mortgage. The Group holds 285,000 units in the fund, which represents net property equity. Any increase in the value of the property above 16.5 million (that is Property Debt plus Other Financial Liabilities) will accrue to the Group.

The Woods is a conversion of a 9,000 sqm failed bulky goods retail site into a mixed-use action centre situation on Woodville Road, Villawood, Sydney. The property is now fully leased and incorporates an AMF ten pin bowling centre, laser skirmish facility, Wiggles playland, indoor rock climbing gym and indoor go karting centre. A function centre is due to open in the next 6 months and a letter of offer has been signed and deposit taken for the country's first indoor sky diving facility at the site. Authority approvals are currently being sort for this development and it is expected that work will commence in the new year. A coffee shop is also planned for the property.

A directors' valuation was performed on the property following the new leasing deals and the property is now valued at \$17 million that reflects a capitalisation rate of 8.25%.

In arriving at fair value of the properties the directors consider the discounted cashflows of the investment property based on estimates of future cash flows, recent prices for similar properties and capitalised income projections based on the properties' net market income.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 15 Lease Commitments Receivable

The Group leases out its investment property held under operating leases. The future minimum lease payments receivable are disclosed below.

	<b>Rent Receivable</b>
	<b>\$'000</b>
Receivable within 1 year	3,086
Receivable within 1-5 years	10,641
Receivable more than 5 years	2,403
<b>Total</b>	<b><u>16,130</u></b>

## 16 Income and expenses from direct property investments

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>		
Direct Property Investment Income (i)	9,478	14,863
<b>Expenses</b>		
Direct Property Outgoings (i)	(2,741)	(3,860)
Finance costs	(4,817)	(6,846)

There has been a significant decrease in direct property income and expenses in the current period when compared to the comparable June 2010 period. This decrease is due to the Group's Demerger.

(i) includes discontinued operations income and expenses

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 17 Intangible Assets

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill		
Goodwill on consolidation	1,681	3,964
- Accumulated impairment losses	(1,681)	(357)
Net carrying value	<u>-</u>	<u>3,607</u>
Capitalised borrowing costs		
Cost	<u>15</u>	<u>40</u>
Net carrying value	<u>15</u>	<u>40</u>
Total intangible assets	<u>15</u>	<u>3,647</u>
	<b>Notes</b>	
Goodwill as at 30 June 2010		3,607
Goodwill derecognised on distribution of subsidiaries	12	<u>(3,607)</u>
Goodwill as at 30 June 2011		<u>-</u>

The reduction in goodwill is as a result of the Demerger and the distribution of a number of subsidiaries that goodwill was held in.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 18 Other Assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Prepayments	-	327	-	-
Total other assets	-	327	-	-

## 19 Trade and Other Payables

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Unsecured liabilities				
Trade payables	1,175	2,726	845	1,740
Deposits Payable	15	96	-	-
GST payable/ (receivable)	69	263	-	(36)
Sundry payables and accrued expenses	-	31	30	-
Rental income in advance	112	109	-	-
Total trade and other payables	1,371	3,225	875	1,704

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 20 Financial Liabilities

### Other Borrowings

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Other borrowings	-	500	-	-
Total other borrowings	-	500	-	-

The decrease in other borrowings is due to the Group's Demerger.

### Other Liabilities

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Interest rate hedge	60	650	-	-
Loan and payables – related parties	194	-	7	-
Total other liabilities	254	650	7	-
NON CURRENT				
Interest rate hedge	-	555	-	-
Pelorus Penrith Fund No. 2	5,715	5,715	-	-
Total other liabilities	5,715	6,270	-	-

The interest rate hedge liabilities represent the mark to market valuations of hedges in place at 30 June 2011 with respect to property debt held over the Penrith and The Woods properties.

The Pelorus Penrith Fund No. 2 (PPF2) liabilities represents the second mortgage granted over the Penrith property, held in PPF2.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 21 Provisions

	<b>Employee entitlements \$'000</b>	<b>Total \$'000</b>
Opening balance at 1 July 2010	186	186
Amounts transferred	(186)	(186)
Closing balance at 30 June 2011	-	-

### (a) Analysis of Total Provisions

	<b>Consolidated</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Current	-	180
Non current	-	6
	-	186

Employee provisions reduced as a result of the Group's Demerger. The number of employees for the Group as at 30 June 2011 is Nil (30 June 2010: 31).

## 22 Tax

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2011 \$'000</b>	<b>2010 \$'000</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<b>CURRENT</b>				
Income tax receivable / (payable)	319	(193)	381	110
<b>NON-CURRENT</b>				
Deferred tax balance comprises:				
Fair value adjustments	-	659	-	-
Employee entitlements	-	56	-	-
Interest rate swaps	-	362	-	-
Asset impairment	-	554	-	133
Load Provisions	-	177	-	-
FBT Instalments	-	120	-	-
Accruals	12	-	9	-
Unearned income	-	33	-	-
Loans and investments impairments	-	-	-	121
Deferred income	-	(691)	-	-
Straightline income	-	20	-	-
Prepayments	-	(55)	-	-
Total deferred tax assets	12	1,235	9	254

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 23 Issued Capital

### (a) Summary Table

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
339,330,395 (2010: 379,564,893) Ordinary	23,124	87,551	23,124	87,551
Total issued capital	<u>23,124</u>	<u>87,551</u>	<u>23,124</u>	<u>87,551</u>

The reduction in issued capital represents an offer taken up by Pelorus shareholders to sell their unlisted positions in exchange for units in P-REIT and distribution to Pelorus shareholders as part of the Demerger.

### (b) Movement in shares on issue

	Consolidated		Parent	
	2011 No.	2010 No.	2011 No.	2010 No.
At the beginning of reporting period	379,564,893	364,593,893	379,564,893	364,593,893
Shares issued during the year:				
Employee share scheme	2,196,600	125,000	2,196,600	125,000
Issue for acquisition of Pelorus Pub Fund units	-	14,846,000	-	14,846,000
Unmarketable buyback	(40,899)	-	(40,899)	-
Cancellation of shares (P-REIT swap offer)	(42,390,199)	-	(42,390,199)	-
At reporting date	<u>339,330,395</u>	<u>379,564,893</u>	<u>339,330,395</u>	<u>379,564,893</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All shares are fully paid and have no par value.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 24 Dividends

There were no dividends declared or paid in the year ended 30 June 2011 (30 June 2010: nil)

### (a) Balance of franking account

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>The amount of franking credits available for the subsequent financial year are:</b>				
-franking account balance as at the end of the period at 30% (2010:30%)	443	230	367	155
-franking credits that will arise from the payment of income tax	-	207	-	207
Total franking account balance	<b>443</b>	<b>437</b>	<b>367</b>	<b>118</b>

## 25 Auditors' Remuneration

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Remuneration of the auditor of the parent entity for:				
-Auditing or reviewing the financial statements of the group	80	127	80	143
-Auditing or reviewing the financial statements of the group subsidiaries	8	27	-	-
-Auditing or reviewing the financial statements of the Managed Investment Schemes for whom Pelorus acts as a responsible entity	57	8	-	8
-Taxation and compliance services	52	16	52	14
-Others services	-	5	-	5
Total auditors' remuneration	<b>197</b>	<b>183</b>	<b>132</b>	<b>170</b>



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 26 Capital and leasing Commitments

### Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Payable – minimum lease payments -not later than 12 months	-	193	-	-
Total operating lease commitments	-	193	-	-

## 27 Contingent Liabilities and Contingent Assets

### *MacarthurCook Property Securities Fund (MPS)*

As disclosed to the market on 14 May 2010, one of the Investors in P-REIT, MacarthurCook Fund Management Limited in its capacity as responsible entity of the ASX-listed MacarthurCook Property Securities Fund (MPS), commenced legal proceedings against RFML Limited (a subsidiary of PPE) both in its capacity as the Responsible Entity of P-REIT and in its personal capacity. MPS is claiming a right to redeem 15 million of the 22.6 million units it holds in P-REIT in priority to all other unitholders at a price of \$1 per unit. MPS's claim relates to a series of contracts entered into from October 2006 (prior to the current management's involvement in P-REIT) with respect to MPS's investment in P-REIT. Current management disputes the claim and is defending the action. P-REIT is in the process of filing its evidence and the matter is not expected to be set down for hearing within the next six months. The total value of MPS's claim is \$18 million. As part of MPS's cause of action it has initiated proceedings against P-REIT both in its capacity as responsible entity of P-REIT and in its personal capacity.

## 28 Events After the Balance Sheet Date

There has been no other matter or circumstance that has arisen since the end of the financial year that has or may affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 29 Controlled Entities

Name	Country of incorporation	Percentage Owned 30 June 2011	Percentage Owned 30 June 2010
<b>Parent Entity:</b>			
Pelorus Property Group Ltd	Australia		
<b>Subsidiaries of parent entity:</b>			
Armada Holdings Pty Ltd	Australia	-	100
Armada Investment Management Pty Ltd	Australia	-	100
Armada Securities Limited	Australia	-	100
Bakehouse Quarter Fund	Australia	-	100
BQF Pty Ltd	Australia	-	100
Capital Storage Services Pty Ltd	Australia	-	51
DDT Projects Pty Limited	Australia	-	100
BlackWall Management (NZ) Ltd (formerly Pelorus Management (NZ) Limited)	New Zealand	-	100
BlackWall Management Services Pty Ltd (formerly Pelorus Management Services Pty Ltd)	Australia	-	100
Pelorus PIPES Trust No. 5	Australia	100	100
Planloc Pty Ltd	Australia	100	100
RASP Investments Pty Ltd	Australia	100	100
RFML Limited	Australia	100	100
RFM Nominees Pty Ltd	Australia	100	100
Tankstream Fund Management Limited	Australia	-	100
Tankstream Hotels Pty Ltd	Australia	-	100
WRV Pty Limited	Australia	100	100
WRV Unit Trust	Australia	68	68

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 30 Related Party Transactions

### (a) Related Entities, Associates and Joint Venture Entities, Managed Funds

The Group provides a wide range of corporate services to its related entities, associates, joint venture entities and managed funds.

#### *Associated and Joint Venture Entities*

Interests held in associates and joint venture entities by the Group are set out in note 11 "Associated Entities" to the financial statements.

#### *Managed Funds*

The Group holds investments in a number of property funds for which it has acted as either manager or responsible entity (refer to note 9 "Financial Assets").

#### *Fees and Transactions*

Management fees were charged to these entities predominately for property and fund management services. The management fees are paid under a management agreement and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to:

- Investment management: provision of strategic investment advice, asset management and investment portfolio services.
- Asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services.

The Group recharges its related entities, associates, joint venture entities and managed funds, for administration services which include accounting and bookkeeping fees, corporate secretarial services, and those expenses that are incurred by members of the Group on behalf of the related entities, associates, joint venture entities and managed funds.

Other transactions and outstanding balances with related entities, associates, joint venture entities and managed funds relate to loans payable and receivable and distributions from managed funds.

The majority of these fees will now cease to be charged by the Group as a result of the Demerger.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 30 Related Party Transactions (continued)

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between the Group and its related entities.

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue:</b>				
Management fees and recharges	745	3,777	876	3,777
Interest received	42	185	42	155
Distributions from managed funds	56	605	31	96
<b>Expenses:</b>				
Management and consultancy fees	434	1,054	209	690
Directors fees	388	240	388	240
Interest paid	525	525	-	-
<b>Outstanding Balances:</b>				
Loans receivable	2,978	2,131	6,119	503
Loans payable	(6,194)	-	(3,760)	-

### (b) Other Related Party Transactions

Related party transactions that occurred during the year other than those described in note 30 (a) above are as follows:

#### (1) Demerger

During the year, a number of subsidiaries were demerged from the Group (refer to note 12) as part of the Group's Demerger. Transactions with related parties in regards to the Demerger are disclosed in Statement of Changes in Equity.

#### (2) Other

- PPE received 50,000,000 P-REIT units in return for \$15 million Bakehouse Bonds.
- PPE acquired 269,500 shares in Blackwall Property Funds Ltd (BWPF) from BWPF @\$0.25.
- PPE acquired 700,000 units in BlackWall Storage Funds from Kirela Development Unit Trust @\$1.15 per unit.
- PPE acquired 391,672 units in BlackWall Telstra House Trust from Kirela Development Unit Trust @\$1.04 per unit.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 31 Directors' options and shares

The following persons were directors of the Company during the year:

Seph Glew

Robin Tedder

Stuart Brown

Richard Hill, Guy Wynn and Paul Tresidder resigned as directors on 31 January 2011.

Directors related entities had relevant interest in options in the Company until the options were cancelled in exchange for an issue of shares as agreed in the Extraordinary General Meeting held during the year.

	<b>Balance</b> <b>30/06/2010</b> <b>No. '000</b>	<b>Options</b> <b>cancelled</b> <b>No. '000</b>	<b>Balance</b> <b>30/06/2011</b> <b>No. '000</b>
Seph Glew	7,660	(7,660)	-
Guy Wynn	3,900	(3,900)	-
Stuart Brown	5,600	(5,600)	-
Paul Tresidder	4,720	(4,720)	-
Robin Tedder	2,500	(2,500)	-
Richard Hill	500	(500)	-
<b>Total</b>	<b>24,880</b>	<b>(24,880)</b>	<b>-</b>

## 32 Directors and Key Management Personnel

Details of directors are noted in note 31 of the financial statement. Other key management personnel includes Tim Brown who is the Chief Financial Officer of the company.

### (a) Director' Relevant interests

The Directors have relevant interest in shares of the Company as set out in the following table.

	<b>Balance</b> <b>30/06/2010</b> <b>No. '000</b>	<b>Net Change</b> <b>Other</b> <b>No. '000</b>	<b>Balance</b> <b>30/06/2011</b> <b>No. '000</b>
Seph Glew	74,171	(12,153)	62,018
Guy Wynn	8,639	(8,639)	-
Stuart Brown	5,178	124	5,302
Paul Tresidder	71,515	(71,515)	-
Robin Tedder	17,495	(9,700)	7,795
Richard Hill	16,267	(16,267)	-
<b>Total shareholding</b>	<b>193,265</b>	<b>(118,150)</b>	<b>75,115</b>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 32 Directors and Key Management Personnel

### (b) Key management Personnel Compensation

	2011 \$'000	2010 \$'000
Short term benefits	367	1,416
Post employment	22	40
	<u>389</u>	<u>1,456</u>

The decrease in directors' interests and key management personnel compensation is due to Group's Demerger.

## 33 Financial Instruments

### (a) Financial Risk Management

The main risks the Group are exposed to through its financial instruments are interest rate risk, price risk and credit risk.

The Group's principal financial instruments are cash, loan receivables, investments in listed securities and investments in related and unrelated property structures. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors and senior management set appropriate risk limits and controls, and monitor risks and adherence to limits. Changes in market conditions and the Company's and Group's activities are monitored with respect to the Group's risk profile. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (b) Interest rate risk

The Group has exposure to market risk for change in interest rates on long-term borrowings. Borrowings at variable rate expose the Group to cash flow interest rate risk.

The Group undertakes hedging strategies to mitigate the risk on its Property Debt. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings at floating rates and hedges them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate derivatives, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rates interest amounts calculated by reference to agreed notional principal amounts.

Refer to note 33(f) for financial instruments subject to interest rate risk.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 33 Financial Instruments (continued)

### (c) Price Risk

The Group is exposed to price risk through the fluctuation of share prices for listed securities held by the Group and fluctuations in the underlying value of properties used as securities for investments in related and unrelated property structures.

### (d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The Group has credit risk exposure to related parties loan receivables and investments in related and unrelated property structures under financial instruments and contractual arrangements entered into by the Group.

The Group limits its exposure to credit risk by obtaining equitable mortgage over real property for related / unrelated party loan receivables and investment in related and unrelated property structures.

### (e) Exposure to credit risk

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

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other financial assets	104	104	13,730	75,635
Loans and receivables	3,053	1,863	2,441	7,243
Held for trading financial assets	13,526	5,742	9,490	1,912
Cash and cash equivalents	77	2,074	(74)	1,357
Trade and other receivables	168	1,184	97	297
	<u>16,928</u>	<u>10,967</u>	<u>25,684</u>	<u>86,444</u>

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 33 Financial Instruments (continued)

The Group has adopted the AASB 7 amendments, which require disclosure of how the following fair value measurements fit within the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. As prices) or indirectly (i.e. Derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

The following table presents the Group's financial assets and liabilities measured at fair value at 30 June 2011.

### 30 June 2011

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Held for trading financial assets	1,627	11,899	-	13,526
Total assets	1,627	11,899	-	13,526
<b>Liabilities</b>				
Interest rate hedges	-	60	-	60
Total liabilities	-	60	-	60

### 30 June 2010

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Held for trading financial assets	683	5,059	-	5,742
Total assets	683	5,059	-	5,742
<b>Liabilities</b>				
Interest rate hedges	-	1,205	-	1,205
Total liabilities	-	1,205	-	1,205

The accompanying notes form part of these financial statements.



# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 33 Financial Instruments (continued)

### Level 1 financial instruments

The fair value of financial instruments traded in active markets (such as held for trading securities traded on the ASX) are based on quoted market prices at the balance sheet date.

### Level 2 financial instruments

The fair values of held for trading assets that are not traded in active markets are based on published unit prices at the balance sheet date.

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows. There were no transfers between Level 1, 2 and 3 financial instruments during the year.

For all other financial assets & liabilities carrying value is an approximation of fair value.

### (f) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest		Floating Interest Rate		Hedged Interest Rate		Non-interest Bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>										
Cash and cash equivalents	4.75	4.50	77	2,074	-	-	-	-	77	2,074
Trade & other receivables	-	-	-	-	-	-	168	1,184	168	1,184
Loan and receivables	10.04	9.12	3,053	1,628	-	-	-	235	3,053	1,863
<b>Total financial assets</b>			<b>3,130</b>	<b>3,702</b>	<b>-</b>	<b>-</b>	<b>168</b>	<b>1,419</b>	<b>3,298</b>	<b>5,121</b>
<b>Financial liabilities:</b>										
Trade & other payables	-	-	-	-	-	-	1,371	3,225	1,371	3,225
Property debt	7.51	7.25	-	27,500	18,500	68,500	-	-	18,500	96,000
Other financial liabilities	8.75	8.75	-	-	5,715	5,715	254	1,205	5,969	6,920
Other borrowings	-	7.79	-	500	-	-	-	-	-	500
<b>Total financial liabilities</b>			<b>-</b>	<b>28,000</b>	<b>24,215</b>	<b>74,215</b>	<b>1,625</b>	<b>4,430</b>	<b>25,840</b>	<b>106,645</b>

The accompanying notes form part of these financial statements.

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

Notes to the Financial Statements

For the year ended 30 June 2011

## 33 Financial Instruments (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

	Maturing within 1 year		Maturing within 1-5 years		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>						
Cash and cash equivalents	77	2,074	-	-	77	2,074
Trade & other receivables	168	1,184	-	-	168	1,184
Loan and receivables	3,053	1,863	-	-	3,053	1,863
<b>Total financial assets</b>	<b>3,298</b>	<b>5,121</b>	<b>-</b>	<b>-</b>	<b>3,298</b>	<b>5,121</b>
<b>Financial liabilities:</b>						
Trade & other payables	1,371	3,225	-	-	1,371	3,225
Property debt	-	10,500	18,500	85,500	18,500	96,000
Other financial liabilities	254	650	5,715	6,270	5,969	6,920
Other borrowings	-	500	-	-	-	500
<b>Total financial liabilities</b>	<b>1,625</b>	<b>14,875</b>	<b>24,215</b>	<b>91,770</b>	<b>25,840</b>	<b>106,645</b>

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit would have been affected as follows:

	Pre tax profit higher/(lower)	
	2011	2010
	\$'000	\$'000
<b>Consolidated</b>		
+1.0% (100 basis points)	37	(253)
- 0.5% (50 basis points)	(18)	147

# Pelorus Private Equity Limited and Controlled Entities (Formerly Pelorus Property Group Limited)

ABN 45 091 209 639

## DIRECTORS' DECLARATION

In accordance with a resolution of directors of Pelorus Private Equity Limited, I state that:

In the opinion of the directors:

1. the financial statements and notes of the company and of the consolidated entities are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the company's and the consolidated entities' financial position as at 30 June 2011 and of their performance for the year ended on that date;
  - (b) complying with Accounting Standards and Corporations Regulations 2001; and
2. the financial statements comply with International Financial Reporting Standards as disclosed in Note 1.
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



---

**Stuart Brown**  
Director

Dated at Sydney on 23 November 2011



chartered  
accountants

Level 18, City Centre,  
55 Market Street, Sydney NSW 2000  
T +61 2 9283 1666 F +61 2 9283 1866  
E admin@esvgroup.com.au  
www.esvgroup.com.au

## **Independent Audit Report to the Members of Pelorus Private Equity Limited and Controlled Entities**

### *Report on the Financial Report*

We have audited the accompanying financial report of Pelorus Private Equity Limited and Controlled Entities ("the Group"), which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the Company and the consolidated entity.

### *Directors' Responsibility for the Financial Report*

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's report.

## Independent Audit Report to the Members of Pelorus Private Equity Limited and Controlled Entities

### Opinion

In our opinion the financial report of Pelorus Private Equity Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (a) (i) giving a true and fair view of the financial position of the Company and the Group as at ended 30 June 2011 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Dated at Sydney the <sup>24</sup> day of November 2011

*ESV Chartered Accountant*

**ESV Chartered Accountants**

*Tim Valtwies*

**Tim Valtwies**  
**Partner**

