Consolidated Annual Financial Statements

Year Ended 30 June 2014

Pelorus Private Equity Limited
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Directors' Report

Principal Activities and Significant Changes in Affairs

Pelorus is a property investment company invested in two properties directly and a number of property security positions. The Company's investments are managed by BlackWall Property Funds Limited (ASX Code: BWF) (BlackWall). The Company had 202,481,427 shares on issue at 30 June 2014.

Pelorus' portfolio predominantly comprises direct property holdings, specifically at 30 June 2014:

Direct Property		
120 Mulgoa Rd, Penrith	$17,600,000	
The Woods Action Centre, Villawood	$14,000,000	$31,600,000
Listed Property Securities		
BlackWall Property Trust (ASX: BWR)	$6,632,000	
BlackWall Property Funds Ltd (ASX: BWF)	$670,000	$7,302,000
Unlisted Property Securities		
Pelathon Pub Group (Ordinary)	$1,762,000	
Pelathon Pub Group (Preferred)	$400,000	
Tankstream Property Investments Fund	$595,000	$2,757,000
Borrowings		
120 Mulgoa Rd, Penrith	($10,725,000)	
The Woods Action Centre, Villawood	($7,000,000)	($17,725,000)
Other Financial Liabilities		
Preference Shares	($1,985,000)	
BlackWall Penrith Fund No. 3	($4,500,000)	($6,485,000)
Other net assets		$138,000
Net Tangible Assets		$17,587,000
Shares on Issue		202,481,427
NTA per share		**9 cents**

The Penrith property was independently valued in December 2013 at $16.5 million reflecting a market yield of 9.5%. The Directors have taken the view that the yield on this property is now 9%, given improvements made to the property and market changes since December 2013. That equates to a carrying value of $17.6 million. In December 2014 we have agreed terms with Boating Camping and Fishing to extend their lease for another 7 years from December 2015 with no rental increase in the first year and 6 months rent free. The property is subject to a tiered financing structure, shown in order of preference below:

120 Mulgoa Road, Penrith

Property Value	17,600,000
Senior Debt	(10,725,000)
BlackWall Penrith Fund No. 3 (1)	(4,500,000)
Preference Shares (2)	(1,985,000)
Pelorus Ordinary Shareholders	390,000

(1) BlackWall Penrith Fund No 3 is a hybrid property investment vehicle with a $4,500,000 interest in the Penrith property secured by a second mortgage. The current interest rate is 9% per annum.
(2) The Preference Shares are preferred equity securities issued by the Group to BWR, with a coupon of 10% per annum and share in any value increase in the Penrith property.

The Woods Action Centre was independently valued in October 2012 at $10 million using a 12% cap rate. To arrive at this, the property was compared to bulky goods retail centres, some of which have been sold in distressed circumstances. In our view this is not appropriate and ignores The Woods' unique tenancy mix. The Directors have adopted a yield of 9.75%, which equates to a value of $14 million.

Pelorus holds substantial interests in the ASX-listed BlackWall Property Trust (BWR) and BlackWall Property Funds Limited (BWF). Pelorus has issued options to its Directors and senior executive over 2,650,000 BWF shares and 2,650,000 BWR units, at a strike price of 25 cents and 12.8 cents respectively. These options expire on 30 June 2015. More information on BWR and BWF is available in these entities' 2014 Annual Reports and other announcements published on www.asx.com.au.

The Group acquired 13,333,333 Pelathon Pub Group Preferred units during the period under the terms of a 1 for 1.5 pro rata offer. Units issued under this offer are partly paid to 2.4 cents per unit. The issuer may call on the second instalment of 3.6 cents per unit by October 2015. The carrying value is the current value ($880,000) less the second instalment ($480,000).

Dividends

There were no dividends paid or declared for the period ended 30 June 2014 (2013: $nil).

Events Subsequent to Reporting Date and Likely Developments

On 24 July 2014, TPIF declared and made an in-specie distribution. The distribution was by way of a return of capital and the Group received approximately 1.4 units in BWR for every TPIF unit held. As a result, in addition to the current TPIF units held, the Group now also owns an additional 3,593,303 BWR units.

On 18 December 2014, Pelorus made an offer to shareholders to buy back Pelorus shares, offering 1 unit in the ASX-listed BlackWall Property Trust for every 2 Pelorus shares held. This offer closes 5pm 30 January 2015.

Aside from the in-specie distribution of BWR units described above, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Information on Officeholders

The names of the Directors in office at any time during or since the end of the year are set out below. Unless otherwise stated, Directors have been in office since the beginning of the financial year to the date of these financial statements.

Name and Position	Special Experience
Joseph (Seph) Glew Executive Chairman	Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large-scale property development and financial structuring for real estate 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. While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. 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 was Chairman of formerly ASX-listed Pelorus Property Group Limited and is a Director of ASX-listed BlackWall Property Funds Limited.
Robin Tedder Non-Executive Director	Robin has 38 years’ experience in investment and financial markets. He has been an investor in BlackWall’s projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Previously, Robin was a Director of formerly ASX-listed Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited.
Stuart Brown Non-Executive Director	Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX-listed Pelorus Property Group and later Managing Director. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. 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. Stuart is also a Director of ASX-listed company, BlackWall Property Funds Limited, and an independent Director of Coogee Boys’ Preparatory School.

Don Bayly is the Company Secretary and he has over 20 years’ compliance management experience.

Meeting Attendances

Director	Board Meetings
Meetings Held	5
Seph Glew	5
Robin Tedder	5
Stuart Brown	5

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 Group has paid premiums to insure each of the Directors named in this report along with officers of that Group 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 Group, other than conduct involving a willful breach of duty.

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 Group.

Auditor and Non-audit Services

Amounts paid to the auditor for non-audit services during the year are detailed at the Auditor's Remuneration note 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.

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

ESV continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The Group is a group of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.

Seph Glew
Chairman
Sydney, 23 December 2014

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

As auditor for the audit of Pelorus Private Equity Limited and Controlled Entities for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

no contraventions of the 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 the 23rd day of December 2014

ESV

ESV

Tim Valtwies
Partner

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

		Consolidated		Parent	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Property rental income		3,008	3,291	-	-
Investment income		352	180	318	118
Fund and asset management income		-	16	470	736
Unrealised gain on revaluation		-	2,868	-	1,569
Gain on disposal of assets		366	45	338	158
Other income		400	-	400	-
Total Revenue	1(a)	**4,126**	**6,400**	**1,526**	**2,581**
Business operating expenses	2	(699)	(967)	(536)	(705)
Depreciation expenses	2	(414)	(477)	-	-
Property outgoings		(818)	(748)	-	-
Finance costs	2	(1,633)	(1,579)	(1)	(1)
Other expenses		(4)	(2)	-	-
Impairment	2	-	(140)	-	(205)
Foreign exchange loss		-	(6)	-	-
Profit Before Tax		**558**	**2,481**	**989**	**1,670**
Income tax expense	3	-	-	-	-
Profit After Tax		**558**	**2,481**	**989**	**1,670**
Other Comprehensive Income / (Loss)					
Items that will be reclassified to profit or loss					
Unrealised gain/(loss) on revaluation of assets	1(b)	2,013	195	979	(939)
Total Comprehensive Income For the Year		**2,571**	**2,676**	**1,968**	**731**
Profit Attributable To:					
Owners of the Group		312	1,994	989	1,670
Non-controlling interest		246	487	-	-
		558	2,481	989	1,670
Total Comprehensive Income Attributable To:					
Owners of the Group		2,174	2,189	1,968	731
Non-controlling interest		397	487	-	-
		2,571	2,676	1,968	731

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	4	181	703	127	533
Trade and other receivables	5	32	49	24	19
Other financial assets	6(a)	10,968	8,324	10,312	7,697
Total Current Assets		11,181	9,076	10,463	8,249
Non-current Assets					
Other financial assets	6(b)	-	104	10,442	10,546
Investment properties	7	31,600	30,500	-	-
Total Non-current Assets		31,600	30,604	10,442	10,546
TOTAL ASSETS		**42,781**	**39,680**	**20,905**	**18,795**
LIABILITIES					
Current Liabilities					
Trade and other payables	8	929	557	372	125
Current tax payable	9	55	56	-	-
Other financial liabilities	10(a)	-	-	3,529	2,957
Borrowings	11	17,725	18,075	-	-
Total Current Liabilities		18,709	18,688	3,901	3,082
Non-current Liabilities					
Other financial liabilities	10(b)	6,485	6,000	-	-
Total Non-current Liabilities		6,485	6,000	-	-
TOTAL LIABILITIES		**25,194**	**24,688**	**3,901**	**3,082**
NET ASSETS		**17,587**	**14,992**	**17,004**	**15,713**
EQUITY					
Share capital	12	14,599	15,276	14,599	15,276
Retained earnings/(accumulated losses)		(342)	(654)	2,365	1,376
Reserves		2,057	195	40	(939)
Parent Interest		16,314	14,817	17,004	15,713
Non-controlling interest		1,273	175	-	-
TOTAL EQUITY		**17,587**	**14,992**	**17,004**	**15,713**

PELORUS PRIVATE EQUITY

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

Consolidated	Ordinary Shares $'000	Retained Earnings/ (Accumulated Losses) $'000	Asset Revaluation Reserves $'000	Attributable to Owners of the Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at 1 July 2013	**15,276**	**(654)**	**195**	**14,817**	**175**	**14,992**
Profit for the year	-	312	-	312	246	558
Other comprehensive income	-	-	1,862	1,862	151	2,013
Cancellation of shares	(677)	-	-	(677)	-	(677)
Transactions with non-controlling interest	-	-	-	-	701	701
Balance at 30 June 2014	**14,599**	**(342)**	**2,057**	**16,314**	**1,273**	**17,587**
Balance at 1 July 2012	**15,401**	**(2,648)**	**-**	**12,753**	**(296)**	**12,457**
Profit for the year	-	1,994	-	1,994	487	2,481
Other comprehensive income	-	-	195	195	-	195
Cancellation of shares	(125)	-	-	(125)	-	(125)
Transactions with non-controlling interest	-	-	-	-	(16)	(16)
Balance at 30 June 2013	**15,276**	**(654)**	**195**	**14,817**	**175**	**14,992**

Parent	Ordinary Shares $'000	Retained Earnings/ (Accumulated Losses) $'000	Asset Revaluation Reserves $'000	Total $'000
Balance at 1 July 2013	**15,276**	**1,376**	**(939)**	**15,713**
Profit for the year	-	989	-	989
Other comprehensive income	-	-	979	979
Cancellation of shares	(677)	-	-	(677)
Balance at 30 June 2014	**14,599**	**2,365**	**40**	**17,004**
Balance at 1 July 2012	**15,401**	**(294)**	**-**	**15,107**
Profit for the year	-	1,670	-	1,670
Other comprehensive income	-	-	(939)	(939)
Cancellation of shares	(125)	-	-	(125)
Balance at 30 June 2013	**15,276**	**1,376**	**(939)**	**15,713**

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	Consolidated		Parent	
		2014	**2013**	**2014**	**2013**
		$'000	**$'000**	**$'000**	**$'000**
Cash Flows From Operating Activities					
Receipts from customers		3,798	3,730	442	65
Payments to suppliers and employees		(1,887)	(2,287)	(703)	(853)
Dividends and distributions received		289	14	289	4
Interest paid		(1,585)	(1,521)	(1)	(1)
Interest received		32	46	29	26
Income tax refunded		-	7	-	-
Net Cash Flows From / (Used in) Operating Activities	15	**647**	**(11)**	**56**	**(759)**
Cash Flows From Investing Activities					
Proceeds from sale of investments		869	1,224	644	1,243
Acquisition of investments		(1,826)	(1,786)	(1,826)	(1,941)
Payment for development of investment properties		(473)	(120)	-	-
Net loans from/(to) related parties		(5)	1,442	1,089	1,775
Net Cash Flows From / (Used in) Investing Activities		**(1,435)**	**760**	**(93)**	**1,077**
Cash Flows From Financing Activities					
Proceeds from issue of preference shares		485	-	-	-
Proceeds from issue of units		500	-	-	-
Repayment of borrowings		(350)	(650)	-	-
Share buy backs		(369)	(125)	(369)	(125)
Net Cash Flows From / (Used in) Financing Activities		**266**	**(775)**	**(369)**	**(125)**
Net Increase / (Decrease) in Cash Held		**(522)**	**(26)**	**(406)**	**193**
Cash and cash equivalents at the beginning of the year		703	729	533	340
Cash and Cash Equivalents at End of the Year	4	**181**	**703**	**127**	**533**

PELORUS PRIVATE EQUITY

Notes to the Financial Statements

For the Year Ended 30 June 2014

1. Revenue

		Consolidated		Parent	
		2014	**2013**	**2014**	**2013**
(a) Revenue	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Fund and asset management income		-	16	470	736
Property rental income		3,008	3,291	-	-
Investment income:					
- Dividends and distributions		289	14	289	4
- Finance income		63	166	29	114
Unrealised gain on revaluation	1(b)	-	2,868	-	1,569
Gain on disposal of assets		366	45	338	158
Other Income *		400	-	400	-
Total		**4,540**	**6,400**	**1,526**	**2,581**

* The Company received $400,000 damage settlement as a result of the legal proceedings against the Responsible Entity for APW in respect of alleged breaches of the APW Constitution and Corporations Act 2001 with regard to a deeply discounted rights issue undertaken in May 2011.

(b) Unrealised gain/(loss) on revaluation

Unrealised gain under profit or loss	-	2,868	-	1,569
Unrealised gain/(loss) under other comprehensive income	2,013	195	979	(939)
	2,013	**3,063**	**979**	**630**
Represented as follows:				
- Financial assets	979	1,921	979	1,764
- Investment in controlled entities	-	-	-	(1,134)
- Investment properties	1,034	858	-	-
- Interest rate swaps	-	284	-	-
	2,013	**3,063**	**979**	**630**

2. Expenses

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Business operating expenses:				
Director & consultants fees	306	331	290	290
Administration expenses	393	636	246	415
	699	967	536	705
Depreciation expenses - buildings	414	477	-	-
Finance costs	1,633	1,579	1	1
Impairment:				
- Loans and receivables	-	140	-	205

3. Income Tax Expense

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Total	**-**	**-**	**-**	**-**
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	167	744	297	501
Add / (less) tax effect of:				
- Gain on sale of assets	(110)	(47)	(101)	(47)
- Revaluation and impairments	-	(818)	-	(409)
- Tax losses recouped	(57)	-	(196)	(45)
- Current year tax losses not brought into account	-	121	-	-
	-	**-**	**-**	**-**
Unused tax losses for which no deferred tax asset has been recognised @ 30% (includes all losses incurred by entities that are not part of the tax consolidated group)	1,598	1,510	-	-

4. Current Assets - Cash and Cash Equivalents

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank	181	703	127	533
Total	**181**	**703**	**127**	**533**

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

5. Current Assets - Trade and Other Receivables

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables:				
- Related parties	24	18	24	18
- Other parties	7	30	-	-
	31	48	24	18
Other receivables	1	1	-	1
Total	**32**	**49**	**24**	**19**

Further information relating to trade receivables to related parties is set out in the Related Party Transactions note. None of the receivables were impaired as at 30 June 2014 (2013: $nil).

6. Current and Non-current Assets - Financial Assets

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(a) Current Financial Assets					
Financial assets	6(c)	10,059	7,444	10,059	7,444
Loans and receivables	6(d)	909	880	253	253
Total		**10,968**	**8,324**	**10,312**	**7,697**
(b) Non-current Financial Assets					
Other financial assets		-	104	-	104
Investment in controlled entities		-	-	10,442	10,442
Total		**-**	**104**	**10,442**	**10,546**
(c) Financial assets					
Listed - non-related parties		-	122	-	122
Listed - BlackWall Property Trust		6,632	3,993	6,632	3,993
Listed - BlackWall Property Funds		670	358	670	358
Unlisted - TPIF		595	1,102	595	1,102
Unlisted - Pelathon Pub Group (Ordinary)		1,762	1,869	1,762	1,869
Unlisted - Pelathon Pub Group (Preferred)		400	-	400	-
Total		**10,059**	**7,444**	**10,059**	**7,444**

The Group acquired 13,333,333 Pelathon Pub Group Preferred units during the period under the terms of a 1 for 1.5 pro rata offer. Units issued under this offer are partly paid to 2.4 cents per unit. The issuer may call on the second instalment of 3.6 cents per unit by October 2015. The carrying value is the current value ($880,000) less the second instalment ($480,000).

Pelorus has issued options to its Directors and senior executive over 2,650,000 BWF shares and 2,650,000 BWR units, at a strike price of 25 cents and 12.8 cents respectively. These options expire on 30 June 2015.

	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(d) Loans and Receivables				
Loans - related parties	1,509	2,336	853	853
Provision for impairment	(600)	(1,456)	(600)	(600)
Total	**909**	**880**	**253**	**253**

Further information relating to financial assets and loans to related parties is set out in the Related Party Transactions note.

7. Non-current Assets - Investment Properties

Consolidated 30 June 2014	**Penrith $'000**	**The Woods $'000**	**Total $'000**
Balance at the beginning of year	16,500	14,000	30,500
Capital improvements	480	-	480
Revaluations	756	278	1,034
Depreciation	(136)	(278)	(414)
Balance at the end of year	**17,600**	**14,000**	**31,600**

30 June 2013			
Balance at the beginning of year	16,500	13,500	30,000
Capital improvements	-	72	72
Borrowing costs	47	-	47
Revaluations	142	716	858
Depreciation	(189)	(288)	(477)
Balance at the end of year	**16,500**	**14,000**	**30,500**

Refer to Borrowings note for details of borrowings secured against the properties.

The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith, Sydney. The property was independently valued in December 2013 at $16.5 million reflecting market yield of 9.5%. The Directors have adopted a yield of 9%, which equates to a value of $17.6 million. Tenants include Toys R Us, Boating Camping Fishing and Barbeques Galore. Two new tenants recently opened at the site - a childcare operator (20 year term) and a restaurant (10 year term).

The Woods Action Centre is an entertainment precinct in Villawood, Sydney. In October 2012, the property was independently valued at $10 million using a 12% cap rate. To arrive at this, the property was compared to bulky goods retail centres, some of which have been sold in distressed circumstances. In our view this is not appropriate and ignores The Woods' unique tenancy mix. The Directors have adopted a yield of 9.75%, which equates to a value of $14 million. It is the Directors' opinion that this value more accurately reflects the nature of the asset. Tenants include AMF Bowling, Sydney Indoor Climbing Gym and Chipmunks Play Centre.

8. Current Liabilities - Trade and Other Payables

	Consolidated		**Parent**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables:				
- Related parties	558	203	329	118
- Other parties	264	262	43	7
	822	465	372	125
Sundry payables and accrued expenses	45	30	-	-
Rental income in advance	62	62	-	-
Total	**929**	**557**	**372**	**125**

Further information relating to payables from related parties is set out in the Related Party Transactions note.

9. Current Liabilities - Current Tax Payable

	Consolidated		**Parent**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Current tax payable	55	56	-	-
Total	**55**	**56**	**-**	**-**

Notes to the Financial Statements

For the Year Ended 30 June 2014

10. Current and Non-current Liabilities – Other Financial Liabilities

	Consolidated		Parent	
	2014	2013	2014	2013
(a) Current	$'000	$'000	$'000	$'000
Loans - related parties	-	-	3,529	2,957
Total	**-**	**-**	**3,529**	**2,957**
(b) Non-current				
Preference Shares	1,985	-	-	-
BlackWall Penrith Fund No 3	4,500	-	-	-
BlackWall Penrith Fund No 2	-	6,000	-	-
Total	**6,485**	**6,000**	**-**	**-**

The Preference Shares are preferred equity securities issued by the Group to BWR, with a coupon of 10% per annum and share in any value increase in the Penrith property.

BlackWall Penrith Fund No 3 is a hybrid property investment vehicle with a $4,500,000 interest in the Penrith property secured by a second mortgage. The current interest rate is 9% per annum. It commenced in January 2014 following the termination of BlackWall Penrith Fund No 2 in December 2013.

Further information relating to loans from related parties is set out in the Related Party Transactions note.

11. Current Liabilities - Borrowings

	Consolidated		
	Penrith	The Woods	Total
	$'000	$'000	$'000
30 June 2014			
Borrowings	10,725	7,000	17,725
	10,725	**7,000**	**17,725**
30 June 2013			
Borrowings	10,725	7,350	18,075
	10,725	**7,350**	**18,075**

The Penrith and the Woods properties' borrowings are due for renewal in July 2015 and February 2015 respectively. Both borrowings are classified as current liabilities. The Penrith and the Woods facilities are subject to a margin of 2.2% per annum (2013: 2.2% per annum) and 2.35% per annum (2013: 2.75% per annum) over BBSY, respectively. Refer to Financial Risk Management note for sensitivity analysis.

There was one swap over the Penrith property for $5.7 million at 4.53% that expired in August 2014.

The interest rate swap was not on the Group's balance sheet given the ability to hold these to maturity and their inclusion in interest expense going forward.

Notes to the Financial Statements

For the Year Ended 30 June 2014

12. Share Capital

(a) Summary Table

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
202,481,427 (2013: 218,051,256) Ordinary	14,599	15,276	14,599	15,276
Total	**14,599**	**15,276**	**14,599**	**15,276**

(b) Movement in shares on issue

	2014	2013	2014	2013
	No.	No.	No.	No.
At the beginning of the year	218,051,256	222,385,025	218,051,256	222,385,025
Cancellation of shares	(15,569,829)	(4,333,769)	(15,569,829)	(4,333,769)
At the end of the year	**202,481,427**	**218,051,256**	**202,481,427**	**218,051,256**

During the year, the Company cancelled 15,569,829 (2013: 4,333,769) ordinary shares. Total cost of $677,000 (2013: $125,000) was deducted from ordinary shareholder equity.

13. Auditor's Remuneration

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Remuneration of the auditor of the Group for:				
-Auditing or reviewing the financial statements	52	52	52	52
-Taxation and compliance services	13	14	8	12
Total	**65**	**66**	**60**	**64**

14. Commitments and Contingencies

The Group leases out its investment properties held under operating leases. The future minimum lease payments receivable are disclosed as follows:

Consolidated	2014	2013
	$'000	$'000
Receivable within 1 year	3,339	2,910
Receivable within 1-5 years	7,051	7,531
Receivable more than 5 years	4,599	168
Total lease receivable	**14,989**	**10,609**

There are no other commitments and contingencies as at 30 June 2014 (2013: Nil).

15. Reconciliation of Profit After Income Tax to Operating Cash Flows

	Consolidated		Parent	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Profit for the year	558	2,481	989	1,670
Non-cash flows included in profit:				
Finance income	(31)	(120)	-	(88)
Non-cash income	-	-	(470)	(720)
Depreciation	414	477	-	-
Net gain on disposal of investments	(366)	(45)	(338)	(158)
Unrealised gain on revaluation	-	(2,868)	-	(1,569)
Impairment	-	140	-	205
Foreign exchange loss	-	6	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	79	28	(5)	4
Decrease in other assets		10	-	-
Decrease in trade payables and accruals	(7)	(127)	(120)	(103)
Increase in income taxes payable	-	7	-	-
Net cash flows from / (used in) operating activities	647	(11)	56	(759)

16. Subsequent Events

Aside from the in-specie distribution of BWR units described in the Directors' Report, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially 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.

17. Controlled Entities

Name	**Country of incorporation**	**Percentage Owned 2014 %**	**2013 %**
Parent Entity:			
Pelorus Private Equity Ltd	Australia		
Subsidiaries of parent entity:			
Planloc Pty Ltd	Australia	100	100
RASP Investments Pty Ltd	Australia	100	100
Pelorus Pipes 5 Trust	Australia	100	100
WRV Unit Trust	Australia	49	68

18. Related Party Transactions

(a) Related Entities

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

Fees and Transactions

Management fees are charged to entities predominately for property management services and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to: 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 and managed funds, for administration services, and those expenses that are incurred by members of the Group on behalf of the related entities and managed funds.

All transactions with related parties were made on normal commercial terms and conditions and at market rates, and were approved by the Board where applicable.

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

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue:				
- Management fees	-	-	470	720
- Interest received	54	105	23	88
- Dividend and distribution received	289	14	289	4
Expenses:				
- Fees paid	266	365	50	50
- Director's fees	240	240	240	240
- Interest paid	554	529	-	-
Outstanding balances:				
- Trade receivables - current	24	18	24	18
- Loan receivables (net of impairment) – non-current	909	880	253	253
- Trade and loan payables - current	(558)	(203)	(3,858)	(3,075)
- Loan payables - non-current	(6,485)	(6,000)	-	-

(b) Interests in Related Parties

As at year end the Group owned units in the following related entities.

Entity	Holdings (No.'000)		Distribution / Dividend Received ($'000)	
	2014	2013	2014	2013
BlackWall Property Trust	66,985	25,760	234	-
BlackWall Property Funds	2,680	2,650	55	14
TPIF	2,586	5,680	-	-
Pelathon Pub Group (Ordinary)	26,705	26,705	-	-
Pelathon Pub Group (Preferred)	13,333	-	-	-
	112,289	**60,795**	**289**	**14**

Further details refer to Financial Assets note.

(c) KMP

KMP include Directors only. Their relevant interests in shares of the Company are as follows:

	Balance at 30 June 2013 No. '000	Net change No. '000	Balance at 30 June 2014 No. '000
Joseph (Seph) Glew	54,737	-	54,737
Robin Tedder	20,000	-	20,000
Stuart Brown	5,327	42	5,369
Total	**80,064**	**42**	**80,106**

Pelorus also issued options to the Directors and senior executive in the form of remuneration. Refer to Financial Assets note for further details.

19. Financial Risk Management

(a) Financial risk management

The main risks the Group are exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are financial assets and borrowings. From the parent entity's perspective, major assets and liabilities that are exposed to financial risk were already included in the Group's balances therefore no separate disclosure is presented.

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. They monitor the Group's risk exposure by regularly reviewing finance and property markets.

The Group holds the following major financial instruments:

	Consolidated 2014 $'000	2013 $'000
Financial Assets		
Financial assets	10,968	8,428
Financial liabilities		
Other financial liabilities	6,485	6,000
Borrowings	17,725	18,075

(b) Market risk

(i) Foreign exchange risk

The Group had dealings with a company that operates in New Zealand, however the exposure to foreign exchange risk is not material.

(ii) Interest rate risk

The Group has exposure to market risk for changes in interest rates on borrowings. This risk is managed by the Group by entering into hedging transactions with financial institutions as detailed in the Borrowings note.

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 interest rates on borrowings is as follows:

	June 2014		June 2013	
	Interest rate %	**Balance $'000**	**Interest rate %**	**Balance $'000**
Borrowings – unhedged portion	5.01	12,000	5.31	4,350
Other financial liabilities	9.31	6,485	8.75	6,000

Sensitivity analysis
At 30 June, if interest rates on borrowings had moved (after hedging effects), as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

Consolidated	**Net profit Higher / (Lower)**	
	2014	**2013**
Movement in interest rates	**$'000**	**$'000**
+ 1.0%	(14)	(19)
- 0.5%	7	10

(iii) Price risk

The major exposure is the Group's investments in BWR units. In relation to the investment in BWR units, a 10% decrease in the ASX trading price (from the price at 30 June 2014, i.e. 9.9 cents per unit) would result in an unrealised loss after tax of $482,000.

(c) 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.

The Group has credit risk exposures 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.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has borrowings of $8 million that are due for renewal within 12 months. Management is confident that the borrowings will be renewed.

Consolidated	Maturing within 1 year $'000	Maturing 1 – 5 years $'000	Total $'000
At 30 June 2014			
Financial assets			
Cash and cash equivalents	181	-	181
Trade and other receivables	32	-	32
Financial assets	10,968	-	10,968
	11,181	**-**	**11,181**
Financial liabilities			
Trade and other payables	929	-	929
Other financial liabilities	-	6,485	6,485
Borrowings	17,725	-	17,725
	18,654	**6,485**	**25,139**
At 30 June 2013			
Financial assets			
Cash and cash equivalents	703	-	703
Trade and other receivables	49	-	49
Financial assets	8,324	104	8,428
	9,076	**104**	**9,180**
Financial liabilities			
Trade and other payables	557	-	557
Other financial liabilities	-	6,000	6,000
Borrowings	18,075	-	18,075
	18,632	**6,000**	**24,632**

(e) Fair value measurements

(i) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price and the quoted market price for financial liabilities is the current asking price.

The following table presents the Group's financial assets (exclude loan receivables and other financial assets) measured at fair value as at 30 June. Refer to the Critical Accounting Estimates and Judgments note for further details of assumptions used and how fair values are measured.

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
At 30 June 2014				
Financial assets	7,302	-	2,757	10,059
At 30 June 2013				
Financial assets	4,473	-	2,971	7,444

(ii) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities.

(iii) Fair value measurements using significant observable inputs (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

	$'000
At 30 June 2014	
Balance at the beginning of year	2,971
Purchase	320
Sale	(345)
Fair value movement	(189)
Balance at the end of year	**2,757**
At 30 June 2013	
Balance at the beginning of year	760
Purchase	2,016
Fair value movement	195
Balance at the end of year	**2,971**

20. Dividend

There were no dividends paid or declared for the year ended 30 June 2014 (2013: $nil).

	Parent 2014 $'000	2013 $'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2013: 30%)	**511**	**481**

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax,
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

21. Segment Reporting

The Group currently operates in one business segment being leasing of retail properties in New South Wales.

22. Group Details

The principal place of business of the Group is:
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

23. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments 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. Refer to Financial Assets note.

Key estimates – financial assets
Investments in listed and unlisted securities have been classified as financial assets and movements in fair value are recognised directly in the reserves. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the Australian Securities Exchange as at the reporting date.

Key estimates - fair values of investment properties
The Group carries its investment properties at fair value with changes in the fair values recognised in the reserves. At the end of each reporting period, the Directors review and update their assessment of the fair value of each property, taking into account the most recent independent valuations.

24. Statement of Significant Accounting Policies

Pelorus Private Equity Ltd is a public company, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with the resolution of the directors on the date they were issued.

Basis of Preparation

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 the Corporations Act 2001, except for the following standards:

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, except for the following:

AASB 9 Financial Instruments

AASB 101 Presentation of Financial Statements
AASB 139 Financial Instruments Recognition and Measurement (fair value movement to profit and loss)
AASB 140 Investment Properties (fair value movement to profit and loss)

The Directors considered it more appropriate not to adopt the above Standards to give a more commercial and true results to the users of these financial statements. Refer to Independent Auditor's Report relating to quantitative impact should these Standards be adopted. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

The financial statements have been prepared on an accruals basis and are 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. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

The Group is a group of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for these financial statements:

i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

AASB 11 introduces a principles based approach to accounting for joint arrangements. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has adopted these standards and there are no material changes to the Group's financial statements.

Going Concern

The Group has a current asset deficiency as at 30 June 2014 due to borrowings being classified as a current liability that is due within the next 12 months. The Directors are confident that the borrowings will be renewed when due.

These financial statements have 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 Private Equity Ltd and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency 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 Private Equity Ltd and its subsidiaries as at 30 June. A list of controlled entities is contained in the Controlled Entities note to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group 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 acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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 the date control ceased.

A controlled entity is an entity Pelorus Private Equity Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Intercompany balances

All intercompany 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 consistency with those policies applied by the parent entity.

Non-controlling interests

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

Foreign Currency Translation

Group companies

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 exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences 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 of.

Translation of foreign operations outside the group are transferred directly to the Group's outside equity interests on the balance sheet.

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 reserves in the year in which they arise.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its 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 profit or loss.

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.

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.

Derivative Instruments

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

Interest rate swaps 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 interest rate swaps are taken directly to the profit or loss 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.

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 profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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. Unrealised gains and losses arising from changes in the fair value of these assets are included in the reserves in the period in which they arise, unless they relate to reversal of previous unrealised loss, which were then recognised in profit or loss.

Financial liabilities

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

Fair value

The fair values of investments that are actively traded in organised 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 to 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 indicates 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 an 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 profit or loss.

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 recognised in profit and loss.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly 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 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 Group 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.

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.

Investment income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

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.

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed 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 differences 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 or liability is settled. Deferred tax is credited in the income statement 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 the 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.

Deferred income tax assets

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

The carrying amount of deferred income 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 income 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 taxation 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 consolidation

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 Group recognises 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 amounts receivable from or payable to other entities in the Group.

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

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

In August 2013, the AASB made amendments to the above standard which exempt investment entities from consolidating controlled investees. The amendments will apply to the Group from 1 July 2014.

The Group has assessed the investment entities definition and exemption, and does not expect the amendments to have a significant impact on its composition.

AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The impact to the Group shall not be material. The Group has not yet decided when to adopt AASB 9.

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Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Seph Glew
Chairman
Sydney, 23 December 2014

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 statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entities.

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 and fair presentation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 Group's preparation and fair presentation of the financial report 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 Group'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*.

Basis for Qualified Opinion

The Group has departed from Australian Accounting Standards in respect of its accounting policy for the recognition of changes in fair value of investments designated as held for trading financial assets and to the recognition of changes in fair values of investment properties.

For the year ended 30 June 2014 the financial impact of these departures is that Profit after tax is understated by:

	2014	2013
	$	$
Held for trading financial assets	978,559	195,380
Investment Properties	617,268	-
Total	1,595,827	195,380

Other comprehensive income is therefore overstated by $1,595,827 (2013:$195,380). Total comprehensive income remains unchanged.

AASB 139 Financial Instruments: Recognition and Measurement mandates that the changes in the fair value of held for trading financial assets be recognised through the profit or loss, and *AASB 9 Financial Instruments* stipulates that the initial election by management to designate the financial assets at fair value through profit or loss is irrevocable. Similarly, AASB140 *Investment Properties* mandates that where the fair value model is selected, the gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises. AASB *101 Presentation of Financial Statements* mandates the group include in its financial statements a summary of the departures from the Accounting Standards, including the financial effect of the departures for each period presented, this has not been presented.

The departure has not impacted the fair value of these assets as presented in the Statement of Financial Position at the reporting date.

Qualified Audit Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of Pelorus Private Equity Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

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

Dated at Sydney the 23rd day of December 2014

ESV

ESV

Tim Valtwies

Tim Valtwies
Partner

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PELORUS
PRIVATE EQUITY

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Notes to the Financial Statements

GLOSSARY

APW / MPS	Aims Property Securities Fund (formerly known as MacarthurCook Property Securities Fund)
ASX	Australian Securities Exchange
BlackWall / BWF	BlackWall Property Funds Limited
BWR	BlackWall Property Trust (previously P-REIT)
Company	Pelorus Private Equity Limited
Consolidated annual financial statements	Financial statements
FVTPL	Fair value through profit and loss
Group or Pelorus	Pelorus Private Equity Limited & subsidiaries
GST	Goods and services tax
HSBC	Hong Kong & Shanghai Banking Corporation
IFRS	International Financial Reporting Standards
KMP	Key management personnel
TPIF	Tankstream Property Investments Fund