Consolidated Annual Financial Report

Year Ended 30 June 2022

Pelorus Private Equity Limited
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Pelorus Private Equity Limited (**Pelorus, Group** or **Company**) is an unlisted public investment company. The Company is a significant investor in the ASX listed WOTSO Property (ASX:WOT) (**WOT**) and BlackWall Limited (ASX:BWF) (**BWF**), and also periodically takes positions in start-up businesses and other opportunistic investments. At 30 June 2022, Pelorus had Net Tangible Assets (NTA) of $0.187 per share (2021: $0.178 per share).

The Plan for Pelorus

Pelorus has steadily grown its asset base over the last five years and now holds around $38 million of investments. Some of these holdings are substantial, but not controlling interests in various investment vehicles. These entities predominantly hold investments controlled by the group many of which Pelorus already owns directly. We think that growing the size of Pelorus makes sense and will increase cashflow. We are putting a proposal to the annual general meeting in November for a transaction that, if approved, will consolidate some of these minority holdings onto the Pelorus balance sheet and will double the asset base to close to $80 million. The end result would see a simpler underlying structure that will act as the platform to move the business forward. A detailed breakdown of the transaction will be provided in a formal notice of meeting and explanatory memorandum in October.

The Current Investment Portfolio

A summarised asset snapshot of Pelorus is shown below. It shows the look through investment in its various major assets. Accounting standards dictate that the financial statements themselves show a slightly different picture, for example Pelorus' direct holding in WOTSO Property (WOT) is 16 million securities but on a look through basis it is over 18 million. These shares are also held at their ASX trading price at 30 June of $1.39 per share, a 16% discount to NTA of WOT of $1.66 per share. If we adjust this holding price to NTA the Pelorus NTA moves from 18.7cps to 25.6cps. We have shown this adjustment below as well.

	2022 $'000	**2021 $'000**
Cash and other receivables	111	75
Investment in WOT	30,013	25,621
Investment in BWF	1,518	1,255
Other investments	5,663	4,449
Loans receivable	1,129	550
Other assets	68	68
Total Assets	**38,502**	**32,018**
Borrowings	4,011	3,180
Other liabilities	347	33
Total Liabilities	**4,358**	**3,213**
Adjusted Net Assets	**34,144**	**28,805**
Adjusted NTA per share	**$0.256**	**$0.216**
Statutory Adjustments:		
- Adjustment for WOT valuation at ASX closing price	(4,917)	(708)
- Deferred tax liability on unrealised investment gains	(4,263)	(4,370)
Statutory Net Assets	**24,964**	**23,727**
Statutory NTA per share	**$0.187**	**$0.178**

PELORUS PRIVATE EQUITY

Directors' Report

A summary of the major investments of Pelorus are as follows:

WOTSO Property (ASX: WOT)

At 30 June 2022, Pelorus held directly and indirectly approximately 11% of WOT securities, valued at $30 million.

WOT is Australia's first listed flexible property security and has continued with its growth trajectory in 2022 with four properties purchased by WOT during the year, following on from the three properties acquired in the 2021 financial year. In 2022 two adjoining properties were purchased in Cremorne NSW along with expansion into Western Australia for the first time with a property in Mandurah, and finally it secured a property in Auckland, New Zealand. Each property is earmarked to have a WOTSO and, if large enough, other service based uses.

Independent revaluations of some of the WOT property portfolio during the year, resulted in a $30 million valuation uplift being declared in the June 2022 annual report. The WOTSO flexspace business saw its annualised turnover rise to $23.7 million in June 2022, which is 50% higher than pre-pandemic levels. These factors have combined to contribute to an increase in the adjusted Net Asset Value of WOT to $1.66 per security at 30 June 2022 (2021: $1.49 per security) with an ASX closing price of $1.39 per security.

BlackWall Limited (ASX: BWF)

BWF is a listed property fund manager with capabilities across investment, asset, development and property management. The largest fund that BWF manages is WOT.

Over the past year, BWF's assets under management have increased by 12% to $500 million and it has seen revenue growth of 11% from 2021.

During 2022, BWF has seen its share price increase from $0.56 per share at 30 June 2021 to $0.675 per share at 30 June 2022. Pelorus has maintained its position in BWF at 1,950,000 shares throughout 2022, and with the appreciation in BWF's share price, the value of this investment has increased to $1.3 million at 30 June 2022.

Property Asset Vehicles

Through Pelorus' investment in Kirela-C Unit Trust, it indirectly holds positions in three commercial properties in NSW at 55 Pyrmont Bridge Road, NSW, 11-13 George Street North Strathfield, NSW, and 743 Military Road, Mosman, NSW. All of these assets are managed by the BlackWall Group. Over 2022, the Company's holdings in these investments have increased to $1.6 million (2021: $1.5 million) for the Pyrmont property, $1 million (2021: $800,000) for the Strathfield property, and $572,000 (2021: $508,000) for the Mosman property.

Private Equity Investments

Pelorus from time to time looks at opportunities to invest in private equity ventures often in start-up ventures. As to be expected in early stage investments there have been some wins and losses but our positions that we take are relatively small. More details on their performance can be found in Note 3 of the financial statements.

2022 has seen some of these investments enter the listed environment, which allows for some more accurate valuation but others are guided by the company itself. You will see that for some we have written down to nil although the entities continue to trade.

Dividends

There were no dividends paid or declared for the period ended 30 June 2022 (2021: $nil).

PELORUS PRIVATE EQUITY

Financial Statements

Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	1	12	40
Trade and other receivables	2	572	27
Financial assets	3	4,404	2,624
Loans	4	240	185
Total current assets		5,228	2,876
Non-current assets			
Financial assets	3	28,905	28,702
Property, plant and equipment		68	68
Total non-current assets		28,973	28,770
TOTAL ASSETS		**34,201**	**31,646**
LIABILITIES			
Current liabilities			
Trade and other payables	5	1,515	22
Borrowings	6	3,397	2,875
Current tax payable	7	62	652
Total current liabilities		4,974	3,549
Non-current liabilities			
Deferred tax liabilities	10	4,263	4,370
Total non-current liabilities		4,263	4,370
TOTAL LIABILITIES		**9,237**	**7,919**
NET ASSETS		**24,964**	**23,727**
EQUITY			
Share capital		5,543	11,658
Retained earnings		8,631	8,137
Asset revaluation reserve		10,790	10,047
Treasury shares reserve		-	(6,115)
TOTAL EQUITY		**24,964**	**23,727**

Number of shares on issue (2021 normalised for share cancelation settled in 2022	133,472,726	133,472,726
NTA per share	$0.187	$0.178

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
REVENUE			
Investment income	8(a)	294	367
Gain on acquisition		-	395
Other income		-	138
Gain on disposal of assets		561	-
Total Revenue		**855**	**900**
EXPENSES			
Business operating expenses	9	(480)	(625)
Finance costs		(65)	(37)
Other expenses		(15)	(22)
Loss on disposal of assets		-	(54)
Total Expenses		**(560)**	**(738)**
Profit Before Tax		**295**	**162**
Income tax recovery / (expense)	10	199	(1,607)
Profit / (loss) After Tax from Continuing Operations		**494**	**(1,445)**
Loss from discontinued operations		-	(1,731)
Profit / (Loss) for the Year		**494**	**(3,176)**
Other Comprehensive Income / (Loss)			
Items that may be reclassified to profit or loss			
Unrealised gain on revaluation of financial assets		834	3,606
Deferred tax		(91)	(994)
Other comprehensive income for the year from continuing operations		743	2,612
Other comprehensive income for the year from discontinuing operations		-	3,675
Total Other Comprehensive Income	8(b)	**743**	**6,287**
Total Comprehensive Income for the Year		**1,237**	**3,111**

The accompanying notes form part of these consolidated financial statements.

PELORUS PRIVATE EQUITY

Financial Statements

Statement of Cash Flows
For the Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash Flows from Operating Activities			
Dividends received		210	71
Interest received		6	297
Payments to suppliers		(968)	(543)
Interest paid		(65)	(38)
Net Cash Flows Used in Operating Activities		**(817)**	**(213)**
Cash Flows from Investing Activities			
Returns of capital received		925	791
Proceeds from disposal of financial assets		592	494
Cash entering group from acquisition of Narraweena		-	4
Cash leaving group from disposal of Planloc		-	(104)
Payments for purchase of financial assets		(1,195)	(4,795)
Net Cash Flows From (Used in) Investing Activities		**322**	**(3,610)**
Cash Flows from Financing Activities			
Net proceeds from related party loans and borrowings		467	3,714
Net Cash Flows From Financing Activities		**467**	**3,714**
Net Decrease in Cash and Cash Equivalents		**(28)**	**(109)**
Net Decrease in Cash and Cash Equivalents (discontinued)		**-**	**(30)**
Cash and cash equivalents at the beginning of the year		40	179
Cash and Cash Equivalents at End of the Year		**12**	**40**
Cash Flow Information - Discontinued			
Net Cash Flows used in operating activities		-	(1,330)
Net Cash Flows used in investing activities		-	(7)
Net Cash Flows from financing activities		-	1,307
Net Decrease in Cash and Cash Equivalents (discontinued)		**-**	**(30)**

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Statement of Changes in Equity

For the Year Ended 30 June 2022

	Note	Ordinary Shares $'000	Retained Earnings $'000	Treasury Shares Reserve $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July 2021		**11,658**	**8,137**	**(6,115)**	**10,047**	**23,727**
Profit for the year		-	494	-	-	494
Other comprehensive income		-	-	-	743	743
Cancellation of issued shares		(6,115)	-	6,115	-	-
Balance at 30 June 2022		**5,543**	**8,631**	**-**	**10,790**	**24,964**
Balance at 1 July 2020		**10,641**	**1,584**	**-**	**13,489**	**25,714**
Movement in between retained earnings and reserve		-	9,729	-	(9,729)	-
Loss for the year		-	(3,176)	-	-	(3,176)
Other comprehensive income		-	-	-	6,287	6,287
Narraweena investment in Pelorus		-	-	(6,115)	-	(6,115)
Issue of new shares		1,017	-	-	-	1,017
Balance at 30 June 2021		**11,658**	**8,137**	**(6,115)**	**10,047**	**23,727**

The Asset Revaluation Reserve represent the cumulative unrealised gains and losses arising on the revaluation of the Group's financial assets, and any associated deferred tax on these financial asset revaluations.

Share Capital

(a) Summary table

	2022 $'000	2021 $'000
133,472,726 (2021: 163,178,879) Ordinary shares	5,543	11,658
Total	**5,543**	**11,658**

(b) Movement in shares on issue

	2022 $'000	2021 $'000
At the beginning of the year	163,178,879	158,161,465
Cancellation of issued shares	(29,706,153)	-
Issue new shares	-	5,017,414
At the end of the year	**133,472,726**	**163,178,879**

During the year, 29,706,153 shares with a value of $6.1 million referred to as treasury shares, that were previously held by Narraweena were cancelled following the Group taking 100% ownership of Narraweena in 2021.

The accompanying notes form part of these consolidated financial statements.

Notes to the Financial Statements

1. Cash and Cash Equivalents

	2022 $'000	2021 $'000
Cash at bank	12	40
	12	**40**

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

2. Trade and Other Receivables

	2022 $'000	2021 $'000
Trade receivables:		
- Related parties	160	6
- Other parties	92	21
- Teletrack investors agreement	320	-
	572	**27**

Further information relating to trade receivables from related parties is set out in Note 18. No receivables were impaired as at 30 June 2022 (2021: $nil).

During the year, Pelorus entered into arrangements with various other investors, which grant the investors the option to each acquire a defined quantity of the Teletrack shares from Pelorus at cost. In exchange for this option, the investors will advance funds as collateral, which will be set-off against the option price on the exercising of the options. The option agreements expire on 1 August 2025.

At 30 June 2022, Pelorus has received $270,000 in collateral from the option agreement investors, and $480,000 remains receivable ($160,000 of this balance is included in related parties above).

Notes to the Financial Statements

3. Financial assets

The Group has investments in various listed and unlisted investments. Investments which are held for trading from time to time are classified as current assets, whereas investments which are held as long-term investments and are not intended for trading are classified as non-current assets. The details are as follows:

	Note	Units held	Cost $'000	2022 $'000	2021 $'000
Listed - BlackWall Limited	(i)	1,950,000	652	1,316	1,092
Unlisted Startup - Linqto	(ii)	212,919	40	1,000	77
Unlisted Startup – Teletrack	(iii)	18,000	1,000	1,000	-
Unlisted – Waratah Hotel Group (formally Pelathon Pub Group)	(iv)	244,617	86	394	345
Listed – Li-S Energy Limited	(v)	900,000	58	396	977
Unlisted – Thinxtra	(vi)	100,000	100	100	-
Listed - Complii	(ii)	1,000,000	27	80	-
Listed - Southern Palladium	(vii)	90,000	45	78	-
Unlisted - IndigoBlack *	(viii)	100	-	40	58
Unlisted Startup – Primary Market	(ii)	-	-	-	41
Unlisted Startup - Lake Road Project		-	-	-	34
Unlisted Startup - Sportility	(ix)	14	300	-	-
Unlisted Startup – Unifii	(ix)	10,000	50	-	-
Total current financial assets			**2,358**	**4,404**	**2,624**
Listed - WOTSO Property	(x)	15,974,274	12,376	22,204	22,270
Unlisted - Kirela-C Unit Trust	(xi)	199,495	3,504	6,701	6,432
Total non-current financial assets			**15,880**	**28,905**	**28,702**
Total			**18,238**	**33,309**	**31,326**

* This entity is not equity accounted despite owning more than 20 percent of the issued capital as Pelorus does not exercise significant influence or control over this entity.

(i) BlackWall Limited is a listed property and fund management company (ASX:BWF) that manages over 124,000 sqm of space, including the WOT group. It generates annuity income through management fees, as well as transactional and performance fees. It aims to continue to grow its properties under management, which will in turn increase its revenue.

(ii) The Primary Markets investment that Pelorus took up for $50,000 in 2015 has undergone restructuring over the last couple of years. It was initially taken over by Linqto, an investment company based in California, USA. It was later demerged from Linqto, and subsequently taken over by a listed company, Complii (ASX:CF1) in November 2021. Linqto runs a private equity investing platform and the Pelorus holding in Linqto is valued at $1,000,000 as at June 2022 representing a gain of $884,000 during 2022. Complii is a fintech compliance and technology driven business solutions provider and the investment in Complii is valued at $80,000 at June 2022. Therefore, the initial investment of $50,000 is now worth a combined of $1,080,000 across Complii and Linqto.

(iii) Teletrack is a telematic solutions provider for the freight and heavy machinery industries. During the year, Pelorus entered into an investment in Teletrack of $1 million, and also entered into arrangements with various other investors, which grant the investors the option to acquire up to $750,000 of Pelorus' Teletrack investment at cost. The option agreements expire on 1 August 2025.

(iv) Waratah Hotel Group declared distributions of $92,343 to Pelorus during 2022, including a special distribution of $73,385 received in July 2022.

Notes to the Financial Statements

(v) Li-S listed on the ASX (ASX: LIS) on 28 September 2021. During the year its share price appreciated to $3.05/share from Pelorus' holding value of $0.85/share. To capitalize on this value uplift, Pelorus unwound its position by 250,000 shares at an average sale price of $2.23/share, for total proceeds of $559,000. At 30 June 2022, Li-S share price has decreased to $0.44/share, in line with a general downturn in equity markets in the second half of 2022. This equates to a valuation decrease of $369,000 in Pelorus' remaining investment of 900,000 shares.

(vi) Thinxtra is a company that provides Internet of Things (IoT) solutions, connecting the physical and the digital world for their business customers to track the location of their assets or monitor the condition in real time. Thinxtra is raising $5 million via a convertible note ahead of a slated initial public offering in 2023.

(vii) Southern Palladium Limited (ASX: SPD) is an Australian public company which has acquired a 70% interest in the Bengwenyama palladium/rhodium dominated PGM project located on the Eastern limb of the Bushveld in South Africa. It floated on the Australian Securities Exchange on 8 June 2022 and was traded at $0.86/share on 30 June 2022 from its offer price of $0.50/share. In September 2022 it was trading at levels of around $1.30.

(viii) IndigoBlack is a construction company located in Sydney. It does commercial and residential construction around the Sydney area. Pelorus has a 25% share in Indigoblack. During the year, Indigoblack declared and paid a dividend to Pelorus of $90,000, which has been recognized as investment income in 2022.

(ix) Investments in Sportility and Unifii have been written down to nil due to the significant uncertainty around the overall impact of COVID on these entities and the subsequent impact to the valuation of Pelorus' investment. These entities continue to operate, and their valuations will continue to be assessed and updated at each reporting period. They had original investments made in them of $300,000, and $50,000 respectively. According to Unifii's Shareholder Update report for Quarter 4 2022, their overall revenue result for FY22 was $2.6m, and their Annualized Recurring Revenue (ARR) had grown to $1.5m. Investment in Unifii will continue to be revalued and updated align with the future growth.

(x) Pelorus holds 9% of WOTSO Property. WOTSO Property (ASX:WOT) is a listed stapled security that owns over 81,000 sqm of property and operates nearly 42,000 sqm of flexible space. The closing ASX price of $1.39 p/s is at a 16% discount to NTA which is at $1.66 p/s

(xi) Pelorus holds around 30% of the Kirela-C Unit Trust which is an investment trust that ultimately holds various positions in BlackWall controlled investments. The trust has exposure to key assets such as the listed WOT and BWF as well as interests in properties located at 55 Pyrmont Bridge Rd NSW, 743 Military Rd Mosman NSW, and a commercial property in North Strathfield.

Notes to the Financial Statements

4. Loan

	2022 $'000	2021 $'000
Related party loans (unsecured):		
Loan - Other	7	183
Loan – Kirela-C	180	-
Loan - Tidy Harold	53	2
Total	**240**	**185**

5. Trade and Other Payables

	2022 $'000	2021 $'000
Trade payables:		
- Teletrack	640	-
- Teletrack investors arrangement	750	-
- Related parties	83	5
- Other parties	42	17
Total	**1,515**	**22**

Further information relating to payables to related parties is set out in Note 18.

During the year, Pelorus entered into arrangements with various other investors, which grant the investors the option to acquire up to $750,000 of the Teletrack investment from Pelorus at cost. The option agreements expire on 1 August 2025.

6. Borrowings

	2022 $'000	2021 $'000
Borrowings – SAO Investments	3,397	-
Borrowings – Alerik	-	2,875
Total	**3,397**	**2,875**

The loan from SAO Investments, a related party of Pelorus, is subject to interest at a margin of 2.0% over the RBA cash rate. The loan is repayable on call and as such are classified as a current liability.

7. Tax payable

	2022 $'000	2021 $'000
Current tax payable	62	652
Total	**62**	**652**

The current tax payable has decreased to $62,000. The 2021 tax payable balance was largely driven by a gain on the disposal of Planloc.

PELORUS PRIVATE EQUITY

8. Revenue

(a) Revenue

	2022 $'000	2021 $'000
Investment income:		
- Dividends	288	296
- Finance income	6	71
	294	**367**

Note that WOT distributions of $925,000 (2021: $791,000 from BWR) are treated as return of capital due to the tax position of WOT and are not included in income.

(b) Unrealised gain / (loss) on revaluation contained in other comprehensive income

	2022 $'000	2021 $'000
Financial assets	834	3,882
Investment properties	-	140
Provision for Planloc performance fees adjustment	-	1,718
Deferred tax on unrealised gain	(91)	547
	743	**6,287**

9. Expenses

	2022 $'000	2021 $'000
Director & consultants fees	290	290
Administration expenses	190	335
	480	**625**

10. Income tax expense and deferred tax liabilities

(a) Income tax (recovery) / expense

	2022 $'000	2021 $'000
Current tax	-	590
Deferred tax (recovery) / expense through profit or loss	(199)	1,017
Total income tax (recovery) / expense	**(199)**	**1,607**

Notes to the Financial Statements

Reconciliation of prima facie tax payable to income tax

	2022 $'000	2021 $'000
Gain / (Loss) from ordinary activities before income tax	295	(1,569)
Expected tax benefit at 30% (2021: 30%)	88	(471)
Adjusted for tax effect of:		
Amounts related to the exit of Planloc	-	2,058
Accounting gain on sale	(168)	-
Movement in deferred balance related to losses	(70)	-
Sundry adjustments	(45)	116
Prior period over provided	(4)	(96)
Total income tax (recovery) / expense	**(199)**	**1,607**

(b) Deferred tax liabilities

	2022 $'000	2021 $'000
Financial assets	4,461	4,370
Tax losses	(198)	-
Total deferred tax liabilities	**4,263**	**4,370**

Movements

	2022 $'000	2021 $'000
Balance at the beginning of the year	4,370	2,359
Charged / (credit) to the profit and loss	(198)	1,017
Charged / (credit) to asset revaluation reserve	91	-
Planloc deferred tax	-	994
Total	**4,263**	**4,370**

11. Auditor's remuneration

	2022 $	2021 $
Audit and other audit related services	45,232	52,845
Tax compliance services	-	9,450
	45,232	**62,295**

12. Commitments and contingencies

There are no other commitments and contingencies as at 30 June 2022 (2021: Nil).

Notes to the Financial Statements

13. Reconciliation of profit / (loss) after income tax to operating cash flows

	2022 $'000	2021 $'000
Profit / (loss) for the year	494	(3,176)
Non-cash flows included in profit:		
Depreciation	-	146
Net (gain) / loss on disposal of investments	(561)	54
Net gain on acquisition of assets	-	(394)
Changes in assets and liabilities:		
(Decrease) / increase in deferred tax liability	(198)	1,016
Decrease in trade and other receivables	(65)	122
Increase in trade and other payables	103	99
(Decrease) / increase in tax payable	(590)	590
Net cash flows used in operating activities	**(817)**	**(1,543)**

Table above is a reconciliation for both continuing and discontinued operations together.

14. Subsequent events

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.

15. Controlled entities

Name	Country of incorporation	Percentage Owned 2022 %	Percentage Owned 2021 %
Parent Entity:			
Pelorus Private Equity Ltd	Australia	n/a	n/a
Subsidiaries of parent entity:			
Bin24 Business Advisors Pty Ltd	Australia	100	100
Narraweena Pty Ltd	Australia	100	100
RASP Investments Pty Ltd	Australia	100	100
Pelorus Pipes 5 Trust	Australia	100	100
WOTSO S.E.A. Pty Ltd *	Australia	100	-

* WOTSO S.E.A. Pty Ltd was acquired during 2022 and is a dormant company with $nil net assets and was acquired for $nil consideration.

16. Parent entity information

The following summarises the financial information of the parent entity, Pelorus Private Equity Limited, as at and for the year ended 30 June:

	2022 $'000	2021 $'000
Results:		
Profit / (loss) after tax	392	(3,080)
Other Comprehensive income	586	1,960
Total comprehensive income / (loss) after tax	**978**	**(1,120)**
Financial position:		
Current assets	3,890	5,871
Non-current assets	31,674	31,471
Total assets	**35,564**	**37,342**
Current liabilities	(5,348)	(3,475)
Non-current liabilities	(4,064)	(4,238)
Total liabilities	**(9,412)**	**(7,713)**
Net assets	**26,152**	**29,629**
Share capital	7,200	11,655
Reserve	2,320	1,734
Retained earnings	16,632	16,240
Total equity	**26,152**	**29,629**

The parent entity had no contingencies or capital commitments at 30 June 2022 (2021: Nil).

17. COVID Impact

During 2022 restrictions associated with COVID were eased, resulting in continued growth of Pelorus' investment portfolio. However, despite the easing of these COVID restrictions, there is potential for a further global economic downturn following from the residual impact of COVID. This residual impact of COVID includes inflation pressures, increasing interest rates and global supply chain disruptions. All these factors could affect Pelorus' portfolio of investments in the coming year.

18. Related party transactions

(a) Related entities

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

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.

PELORUS PRIVATE EQUITY

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.

	2022 $	2021 $
Revenue:		
- Dividend and returns of capital received	1,116,890	1,072,419
- Other income received	34,125	37,449
- Interest received	4,076	5,719
Expenses:		
- Interest paid	64,057	1,108,194
- Management fees paid	134,246	818,098
- Consulting fees paid	290,000	290,000
Outstanding balances:		
- Trade receivables – current	404	5,719
- Receivable on Teletrack options	160,000	-
- Loans receivable – current	239,809	184,709
- Trade payables – current	(75,612)	(4,846)
- Teletrack investors arrangement	250,000	-
- Borrowings payable – current	(3,397,000)	(2,875,000)

(b) Interests in related parties

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

Entity	Holdings		Returns of Capital / Dividend Received	
	2022 No.	2021 No.	2022 $	2021 $
WOTSO Property	15,974,274	15,150,000	925,490	-
BlackWall Limited	1,950,000	1,950,000	101,400	58,425
Indigoblack	100	100	90,000	-
Kirela-C Unit Trust	199,495	199,495	-	-
BlackWall Property Trust	-	-	-	791,033
			1,116,890	**849,458**

During 2021, the Group's interest in BlackWall Property Trust was converted to WOTSO Property following the stapling of BlackWall Property Trust, WOTSO Limited and Planloc Limited to form the stapled security WOTSO Property.

(c) Key Management Personnel (KMP)

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

	Balance at 30 June 2021 No. '000	Net change No. '000	Balance at 30 June 2022 No. '000
Joseph (Seph) Glew	39,459	101	39,560
Paul Tresidder	34,209	95	34,304
Richard Hill	17,164	5	17,169
Tim Brown	718	-	718
Jessie Glew	-	-	-
Total	**91,550**	**201**	**91,751**

PELORUS PRIVATE EQUITY

19. Financial risk management

(a) Financial risk management

The main risks the Group is 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, loans, the Teletrack option arrangements 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 overseeing 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:

	2022 $'000	2021 $'000
Financial Assets		
Financial assets	33,309	31,326
Loans	240	185
Financial liabilities		
Borrowings	3,397	2,875

(b) Market risk

(i) Interest rate risk

The Group has exposure to market risk for changes in interest rates on borrowings. The borrowings from SAO are subject to an interest rate of 2% over the RBA cash rate. As at September this rate has moved to an all up rate of 4.35%. The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the interest rates on borrowings is as follows:

	June 2022		June 2021	
	Interest rate %	Balance $'000	Interest rate %	Balance $'000
Borrowings – SAO Investments	2.85	3,397	-	-
Borrowings – Alerik	-	-	2.25	2,875

Sensitivity analysis:

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

Notes to the Financial Statements

	Net profit Higher / (Lower) 2022 $'000	2021 $'000
Movement in interest rates		
+ 1.0%	(34)	(29)
- 1.0%	34	29

(ii) Price risk

The major exposure is the Group's investments in financial assets. In relation to the investment in WOT securities, a 10% decrease in the ASX trading price (from the price at 30 June 2022, i.e. $1.39 per security) would result in an unrealised loss of $2.2 million (2021: $2.2 million) to reserve.

(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 mortgages over real property for related and unrelated party loan receivables and investments 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.

	Maturing within 1 year $'000	Maturing 2 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2022				
Trade and other payables	765	750	-	1,515
Borrowings	3,397	-	-	3,397
	4,162	**750**	**-**	**4,912**
At 30 June 2021				
Trade and other payables	22	-	-	22
Borrowings	2,875	-	-	2,875
	2,897	**-**	**-**	**2,897**

(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 (excluding loan receivables) 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.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2022				
Financial assets	24,074	-	9,235	33,309
At 30 June 2021				
Financial assets	23,362	-	7,964	31,326

(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) Reconciliation of movements (Level 3)

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

At 30 June 2022	**$'000**
Balance at the beginning of year	7,964
Purchase	1,100
Sale	(34)
Fair value movement	1,223
Conversion of Primary Market from Level 3 to Complii (Level 1)	(41)
Movement of Li-S Energy Limited from Level 3 to Level 1	(977)
Balance at the end of year	**9,235**

At 30 June 2021	
Balance at the beginning of year	7,957
Purchase	1,185
Sale	(19)
Fair value movement	1,191
Movement of WOTSO from Level 3 to Level 1 in Stapling	(2,182)
Investment in Narraweena (eliminated on acquisition)	(168)
Balance at the end of year	**7,964**

Notes to the Financial Statements

20. Dividend

There were no dividends paid or declared for the year ended 30 June 2022 (2021: $nil).

	2022 $'000	2021 $'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2021: 30%)	**1,205**	**550**

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. Group details

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

22. Critical accounting estimates and judgements

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 the Financial Assets note.

Key estimates – financial assets
Investments in listed and unlisted securities have been classified as financial assets and movements in fair value is recognised directly in the reserve. 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 ASX 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 reserve. 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.

Key estimates – COVID
The impact of the COVID pandemic is ongoing. It is not practical to estimate the potential impact, positive or negative, on the various revenue streams and the performance of the Group. The situation is dependent on measures imposed by the federal and state governments, and other countries, such as maintaining social distancing requirements, quarantine, vaccinations, travel restrictions and any economic stimulus that may be provided.

23. 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 a 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 112 Income Taxes (deferred tax movement to profit and loss)

The Directors considered it more appropriate not to adopt the above Standards to give more commercial and true results to the users of these financial statements. Refer to the 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.

Rounding of Amounts

The Group is a group of the kind referred to in ASIC Instrument 2016/191, and in accordance with that Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going Concern

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 currency

Both the functional and presentation currency of Pelorus Private Equity Limited and its Australian subsidiaries is Australian dollars.

Notes to the Financial Statements

Principles of Consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of Pelorus Private Equity Limited and its subsidiaries. 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 less any impairment charges.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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.

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.

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. The Group offsets financial assets and financial liabilities on recognition when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

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.

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 reserve 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.

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Notes to the Financial Statements

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.

PELORUS PRIVATE EQUITY

Notes to the Financial Statements

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.

Reserve

Revaluation gains and losses on financial assets are recognised in the Group's Asset Revaluation Reserve in the period those revaluation gains and losses are measured. When a financial asset is disposed, the related cumulative gains and losses associated with that financial asset are reduced from Asset Revaluation Reserve at the time of disposal.

Revenue

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

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.

In-specie distributions and returns of capital are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the comprehensive income as an unrealised gain.

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.

Notes to the Financial Statements

New Accounting Standards and Interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Directors' Report - Continued

Information on Officeholders

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

Joseph (Seph) Glew, Non-Executive Director and 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 40 years. In addition, since the early 1990s Seph has run many "turnaround" 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.

Timothy Brown, Joint Managing Director and Chief Financial Officer

Tim is Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. Tim joined the Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He took on the Managing Director role along with Jessie in late 2019. He has a Bachelor of Commerce from the University of New South Wales and is a member of the of Chartered Accountants of Australia and New Zealand. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy's Preparatory School.

Jessie Glew, Joint Managing Director and Chief Operating Officer

Jessie is Joint Managing Director and Chief Operating Officer (COO) for the BlackWall group and its funds. Jessie has been with BlackWall since early 2011. She was made COO in early 2018 and took on the Managing Director role along with Tim in late 2019. Jessie has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney. In addition Jessica is a Board Member of The Kids' Cancer Project.

Paul Tresidder, Non-Executive Director

Paul has considerable experience in retail management, leading, development and strategic planning. He spent eight years with Lend Lease where he held a number of roles, including National Leasing Manager, before being appointed to the position of Divisional Manager responsible for half of the General Property Trust retail portfolio. Paul and fellow Lend Lease executive Guy Wynn, formed a property management company which was subsequently acquired by Baillieu Knight Frank. In 1993, Paul joined Seph Glew in the development business that would ultimately become ASX listed BlackWall Limited.

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Richard Hill, Non-Executive Director

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute of Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formerly listed on ASX.

Alexander Whitelum, Company Secretary

Alex joined BlackWall in 2020 and executes all aspects of BlackWall's corporate and fund transactions, is responsible for BlackWall's corporate governance functions and oversees investor relations. Previously, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Meeting Attendances

Director	Board Meetings Held	Board Meeting Attendance
Seph Glew	1	1
Jessie Glew	1	1
Timothy Brown	1	1
Paul Tresidder	1	1
Richard Hill	1	1

Environmental Regulation

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 wilful 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 Business Advice and Accounting 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 Instrument 2016/191, and in accordance with that Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated

Events Subsequent to Reporting Date and Likely Developments

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, the results of those operations or the Group's state of affairs in future financial years.

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

Timothy Brown	Jessie Glew
Director	Director
Sydney, 30 September 2022	Sydney, 30 September 2022

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 2022 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.

Timothy Brown	Jessie Glew
Director	Director
Sydney, 30 September 2022	Sydney, 30 September 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of Pelorus Private Equity Limited and its Controlled Entities for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, 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 the 30th of September 2022.

ESV

ESV Business advice and accounting

T. Burns

Travas Burns
Partner

Level 13, 68 York Street Sydney NSW 2000
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esvgroup.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PELORUS PRIVATE EQUITY LIMITED AND CONTROLLED ENTITIES

Opinion

We have audited the financial report of Pelorus Private Equity Limited and its controlled entities ('the Group'), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies on pages, and the directors' declaration of the Group.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

The Group has departed from Australian Accounting Standards in respect of its accounting policy for the following:

- Recognition of changes in fair value of investments designated as held for trading financial assets.
- Recognition of changes in fair values of investment properties.
- Recognition of deferred tax assets and liabilities on revaluation of investments.

For the year ended 30 June 2022 the financial impact of these departures is that loss after tax is overstated by:

	2022 $	2021 $
Held for trading financial assets	834,483	3,883,462
Investment properties	-	1,857,470
Net unrecognised deferred tax expense	(91,114)	547,000
Total	743,369	6,287,932

Other comprehensive income is therefore overstated by $743,369 (2021: $6,287,932).

- *AASB 9 Financial Instruments*: Recognition and measurement stipulates that equity investments (Held for trading financial assets) are measured at fair value through profit or loss (FCPL), unless the entity makes an irrevocable election on initial recognition to present subsequent changes in the fair value in other comprehensive income.

- *AASB 140 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PELORUS PRIVATE EQUITY LIMITED AND CONTROLLED ENTITIES

- *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.
- *AASB 112 Income Taxes* provides that comprehensive income transactions which result in movements in the deferred tax assets and liabilities shall be recognised in comprehensive income tax expense.

Directors' Responsibilities 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 and have determined that the basis of preparation described in Note 23 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney the 30th of September 2022.

ESV

ESV Business advice and accounting

T. Burns

Travas Burns
Partner