



Consolidated Annual Financial Statements

Year Ended 30 June 2015

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 had 186,307,581 shares on issue at 30 June 2015 (2014: 202,481,427 shares).

Further information on some of the Company's investments is provided below:

BlackWall Property Trust (ASX Code: BWR)

Pelorus' largest investment is in BlackWall Property Trust (currently holds 7.4 million units), an ASX-listed real estate investment trust managed by BlackWall. The Trust has \$120 million of gross assets with \$50 million of bank debt giving rise to net tangible assets of \$64 million or \$1.40 per unit. The Trust has 46 million units on issue.

BlackWall aims to grow BWR's gross assets through property acquisition and development or mergers at the trust level.

The Trust has declared a final distribution of 6 cents per unit to be paid on 6 November 2015. This brings the full year distribution to 11.5 cents per unit (an interim distribution of 5.5 cents per unit was paid in April 2015). The Trust has carried forward revenue losses of over \$20 million and capital losses of approximately \$17 million. As a consequence for a significant period all distributions will be 100% tax deferred. Please refer to the BWR full year accounts released to the market on 17 August 2015 for more information.

Pymont Bridge Trust (PBT)

Pelorus holds 14.5% of the units in BlackWall Opportunities Fund, which is invested in Pymont Bridge Trust. PBT was structured by BlackWall to invest in an opportunistic property venture with National Australia Bank. The property, known as 55 Pymont Bridge Road, is an office, media and technology facility located in Pymont on the western fringe of Sydney's CBD.

There are a number of projects underway including the construction of the Pymont Bridge Road and Bulwara Road lobbies, and two childcare centres with a total of 141 places. BlackWall's growing serviced office and shared workspace business, WOTSO WorkSpace, has expanded its presence and plans to launch specialist laboratory, commercial kitchen and studio space. BlackWall expects the level of leasing enquiry to increase once the cosmetic changes to the building are complete.

On a fully leased basis the net income is expected to exceed \$8 million per annum. The leasing position is summarised below in the floor-by-floor breakdown.

	Net Lettable Area	Leased	Vacant
Level 6	1,510 sqm	1,510 sqm	-
Level 5	2,117 sqm	2,117 sqm	-
Level 4	2,449 sqm	2,449 sqm	-
Level 3	2,242 sqm	1,834 sqm	592 sqm
Level 2	2,756 sqm	-	2,756 sqm
Level 1	2,710 sqm	2710 sqm	-
Ground	741 sqm	491 sqm	250 sqm
Total	14,681 sqm	11,111 sqm	3,570 sqm
Percentage	100%	76%	24%

Woods PIPES Fund

During the year, Pelorus refinanced its \$5 million debt position over 850 Woodville Road, Villawood by underwriting BlackWall's latest PIPES offer in relation to the property. Under the offer investors have the opportunity to invest in the Woods Action Centre, Villawood by acquiring units in Woods PIPES Fund. The structure is forecast to generate quarterly income distributions of 8% per annum with a share of growth in the value of the property over the seven-year term.

This offer utilises the PIPES (Property Income and Participating Equity Securities) investment structure developed by BlackWall's funds management business in 2001. PIPES structures offer retail investors participation in income producing real estate with some capital protection and an interest in improvement in the underlying property value. For property owners the PIPES structure allows them to extract capital from mature income producing property while maintaining a partial interest in any growth.

At the time of writing, retail and wholesale investors have subscribed for \$1.3 million worth of units in Woods PIPES Fund.

BlackWall Property Funds Limited (ASX Code: BWF)

The options Pelorus had granted over 2,650,000 BWF shares were exercised during the year. Pelorus currently holds 205,000 BWF shares. BlackWall Property Funds Limited has declared a final dividend of 1.7 cents per share to be paid on 6 November 2015. For further information on BlackWall Property Funds Limited, please refer to the 2015 Annual Report released to the market on 19 August 2015.

Share Buy-Back

In December 2014, Pelorus made an offer to all shareholders to buy back their Pelorus shares in exchange for ASX-listed BlackWall Property Trust (BWR) units on the basis of one BWR unit for every two Pelorus shares held. Pelorus received acceptances for around 8% of its shares then on issue. Pelorus may buy back up to 10% in 12 months without obtaining shareholder approval.

Net Tangible Asset Value

Pelorus NTA at 30 June 2015 was \$20.3 million (2014: \$17.6 million). The 15% increase in NTA from the previous period was largely driven by the unrealised uplift in the market value of Pelorus' investments in property securities.

The Share Buy-Back described above also contributed positively to NTA per share, which increased from 9 cents at 30 June 2014 to **11 cents at 30 June 2015**.

Dividends

There were no dividends paid or declared for the period ended 30 June 2015 (2014: \$nil).

Events Subsequent to Reporting Date and Likely Developments

The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith. While the property's borrowings are shown as a current liability in the balance sheet, they were renewed in August 2015 for a further three years, reclassifying them as a non-current liability at that point. Refer to the Borrowings note for more information.

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 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.

Name and Position	Special Experience
Joseph (Seph) Glew Chairman and Non-Executive Director	<p>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 turnaround processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>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 is also a Director of the ASX-listed BlackWall Property Funds Limited.</p>
Robin Tedder Non-Executive Director	<p>Robin has around 40 years' experience in investment and financial markets. He has been an investor in the Company'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). Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Director of the ASX-listed BlackWall Property Funds Limited.</p>
Stuart Brown Executive Director and Chief Executive Officer	<p>Stuart has been involved in property investment for over 17 years. Stuart has run debt and equity raisings in relation to listed and unlisted real estate structures worth over a half a billion dollars.</p> <p>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 an independent Director of Coogee Boys' Preparatory School. Stuart is also a Director of the ASX-listed BlackWall Property Funds Limited.</p>
Caroline Raw Company Secretary from 18 February 2015 (Don Bayly Company Secretary until 18 February 2015)	<p>Caroline Raw joined the BlackWall team in 2013 and is responsible for executing corporate and fund transactions across the BlackWall Group. Caroline has been practising as a solicitor in NSW since 2005 and has worked predominantly on IPOs, public and private capital raisings, funds management, corporate advisory, takeovers and mergers and acquisitions. Caroline holds a Bachelor of Commerce, Bachelor of Laws and Graduate Diploma in Applied Corporate Governance. Caroline is also a Chartered Secretary and Associate Member of the Governance Institute of Australia.</p>

Meeting Attendances

Director	Board Meetings
Meetings Held	2
Seph Glew	2
Robin Tedder	2
Stuart Brown	2

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 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, 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, 29 September 2015



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 2015, 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 29th day of September 2015.

A handwritten signature in black ink that reads 'ESV'.

ESV Accounting and Business Advisors

A handwritten signature in black ink that reads 'Tim Valtwies'.

Tim Valtwies
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Property rental income		3,443	3,008
Investment income		78	118
Gain on disposal of assets		366	366
Other income		-	400
Total Revenue	1(a)	3,887	3,892
Business operating expenses	2	(530)	(699)
Depreciation expenses	2	(426)	(414)
Property outgoings		(725)	(818)
Finance costs	2	(1,453)	(1,633)
Other expenses		(8)	(4)
Profit Before Tax		745	324
Income tax expense	3	-	-
Profit After Tax		745	324
Other Comprehensive Income			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation of assets	1(b)	2,519	2,247
Total Comprehensive Income For the Year		3,264	2,571
Profit / (Loss) Attributable To:			
Owners of the Group		1,008	78
Outside equity interests		(263)	246
		<u>745</u>	<u>324</u>
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		3,394	2,174
Outside equity interests		(130)	397
		<u>3,264</u>	<u>2,571</u>

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	444	181
Trade and other receivables	5	135	32
Financial assets	6(a)	13,044	10,968
Total Current Assets		<u>13,623</u>	<u>11,181</u>
Non-current Assets			
Investment properties	7	31,600	31,600
Total Non-current Assets		<u>31,600</u>	<u>31,600</u>
TOTAL ASSETS		<u>45,223</u>	<u>42,781</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	682	929
Current tax payable	9	62	55
Borrowings	10	10,725	17,725
Total Current Liabilities		<u>11,469</u>	<u>18,709</u>
Non-current Liabilities			
Borrowings	10	7,000	-
Other financial liabilities	11	6,500	6,485
Total Non-current Liabilities		<u>13,500</u>	<u>6,485</u>
TOTAL LIABILITIES		<u>24,969</u>	<u>25,194</u>
NET ASSETS		<u>20,254</u>	<u>17,587</u>
EQUITY			
Share capital	12	13,792	14,599
Retained earnings/(accumulated losses)		432	(576)
Reserves		4,677	2,291
Parent Interest		<u>18,901</u>	<u>16,314</u>
Non-controlling interest		1,353	1,273
TOTAL EQUITY		<u>20,254</u>	<u>17,587</u>

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

	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 2014	14,599	(576)	2,291	16,314	1,273	17,587
Profit for the year	-	1,008	-	1,008	(263)	745
Other comprehensive income	-	-	2,386	2,386	133	2,519
Cancellation of shares	(807)	-	-	(807)	-	(807)
Issue of WRV units	-	-	-	-	500	500
Transactions with outside equity interests	-	-	-	-	(290)	(290)
Balance at 30 June 2015	13,792	432	4,677	18,901	1,353	20,254
Balance at 1 July 2013	15,276	(654)	195	14,817	175	14,992
Profit for the year	-	78	-	78	246	324
Other comprehensive income	-	-	2,096	2,096	151	2,247
Cancellation of shares	(677)	-	-	(677)	-	(677)
Transactions with outside equity interests	-	-	-	-	701	701
Balance at 30 June 2014	14,599	(576)	2,291	16,314	1,273	17,587



Consolidated Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash Flows From Operating Activities			
Receipts from customers		3,761	3,798
Payments to suppliers		(1,659)	(1,887)
Dividends received		37	55
Interest paid		(1,405)	(1,585)
Interest received		10	32
Income tax refund received		6	-
Net Cash Flows From / (Used in) Operating Activities	15	750	413
Cash Flows From Investing Activities			
Proceeds from sale of investments		642	869
Proceeds from sale of Woods PIPES Fund		100	-
Returns of capital from BWR		654	234
Net proceeds / (repayment) of loans with related parties		250	(5)
Payments for purchase of financial assets		(2,174)	(1,826)
Payments for capital expenditures		(7)	(473)
Net Cash Flows From / (Used in) Investing Activities		(535)	(1,201)
Cash Flows From Financing Activities			
Proceeds from issue of WRV units		500	500
WRV Returns of capital		(290)	-
Net proceeds / (repayment) of preference shares		(85)	485
Share buy backs		(77)	(369)
Repayment of borrowings		-	(350)
Net Cash Flows From / (Used in) Financing Activities		48	266
Net Increase / (Decrease) in Cash Held		263	(522)
Cash and cash equivalents at the beginning of the year		181	703
Cash and Cash Equivalents at End of the Year	4	444	181

Notes to the Financial Statements

For the Year Ended 30 June 2015

1.	Revenue	2015	2014
		\$'000	\$'000
	(a) Revenue		
	Property rental income	3,443	3,008
	Investment income:		
	- Dividends	37	55
	- Finance income	41	63
	Gain on disposal of assets	366	366
	Other Income (APW legal settlement)	-	400
	Total	3,887	3,892
	(b) Unrealised gain on revaluation under comprehensive income		
	Financial assets	2,101	1,213
	Investment properties	418	1,034
		2,519	2,247
2.	Expenses	2015	2014
		\$'000	\$'000
	Business operating expenses:		
	Director & consultants fees	311	306
	Administration expenses	219	393
		530	699
	Depreciation expenses - buildings	426	414
	Finance costs	1,453	1,633
3.	Income Tax Expense	2015	2014
		\$'000	\$'000
	Current tax	-	-
	Deferred tax	-	-
	Total	-	-
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)	224	97
	Add / (less) tax effect of:		
	- Gain on sale of assets	(110)	(110)
	- Tax losses not brought into account	(114)	13
		-	-
	Unused tax losses for which no deferred tax asset has been recognised @ 30%		
	- available to tax consolidation group excluding WRV	953	1,188
	- available to WRV	564	410

Notes to the Financial Statements

For the Year Ended 30 June 2015

4. Current Assets - Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at bank	444	181
Total	444	181

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

5. Current Assets - Trade and Other Receivables

	2015	2014
	\$'000	\$'000
Trade receivables:		
- Related parties	-	24
- Other parties	104	7
	<u>104</u>	<u>31</u>
Other receivables	31	1
Total	135	32

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 2015 (2014: \$nil).

6. Current Assets - Financial Assets

	Note	2015	2014
		\$'000	\$'000
(a) Financial Assets			
Financial assets	6(b)	12,354	10,059
Loans and receivables	6(c)	690	909
Total		13,044	10,968
(b) Financial Assets			
		2015	2014
		\$'000	\$'000
Listed - BlackWall Property Trust	(i)	8,997	6,632
Listed - BlackWall Property Funds		68	670
Unlisted - BlackWall Opportunities Fund	(ii)	406	595
Unlisted - Pelathon Pub Group	(iii)	2,883	2,162
Total		12,354	10,059

(i) BlackWall Property Trust (BWR)

BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. Pelorus holds 16% of BWR units.

(ii) BlackWall Opportunities Fund (BOF)

In July 2014, BlackWall Opportunities Fund made an in-specie distribution of approximately 1.4 units in BWR for every BOF unit held.

Notes to the Financial Statements

For the Year Ended 30 June 2015

(iii) Pelathon Pub Group

The Group owns the following Pub Group units. The Preferred units are now fully paid to 6 cents per unit.

	2015	2014
	\$'000	\$'000
26,704,601 Ordinary Units	1,923	1,762
13,333,333 Preferred Units	960	400
Total	2,883	2,162

(c) Loans and Receivables

	2015	2014
	\$'000	\$'000
Loans - related parties	690	1,509
Provision for impairment	-	(600)
Total	690	909

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

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
30 June 2015			
Balance at the beginning of year	17,600	14,000	31,600
Capital improvements	1	7	8
Revaluations	155	263	418
Depreciation	(156)	(270)	(426)
Balance at the end of year	17,600	14,000	31,600
30 June 2014			
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

Refer to the 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. 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. The property is fully let with gross income of around \$1.9 million p.a. Tenants include Toys R Us, Boating Camping Fishing, Barbeques Galore, Little Learning School and Rashay's Pizza Pasta Grill.

The Woods Action Centre is an entertainment precinct in Villawood, Sydney. In March 2015, the property was independently valued at \$14 million using a 10% cap rate. Tenants include AMF Bowling, Kartatak Raceway,

Notes to the Financial Statements

For the Year Ended 30 June 2015

Sydney Indoor Climbing Gym and Chipmunks Play Centre. BlackWall has recently launched a new investment fund known as Woods PIPES Fund, secured against the property. Further details can be found in Other Financial Liabilities note.

8. Current Liabilities - Trade and Other Payables

	2015	2014
	\$'000	\$'000
Trade payables:		
- Related parties	339	558
- Other parties	295	264
	<u>634</u>	<u>822</u>
Sundry payables and accrued expenses	31	45
Rental income in advance	17	62
Total	<u>682</u>	<u>929</u>

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

9. Current Liabilities - Current Tax Payable

	2015	2014
	\$'000	\$'000
Current tax payable	62	55
Total	<u>62</u>	<u>55</u>

10. Current and Non-current Liabilities - Borrowings

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
30 June 2015			
Borrowings - current	10,725	-	10,725
Borrowings - non-current	-	7,000	7,000
	<u>10,725</u>	<u>7,000</u>	<u>17,725</u>
30 June 2014 (current)			
Borrowings	10,725	7,000	17,725
	<u>10,725</u>	<u>7,000</u>	<u>17,725</u>

The Penrith and the Woods properties' borrowings are due for renewal in August 2018 and May 2018 respectively. The Penrith and the Woods facilities are subject to a margin of 1.95% per annum (2014: 2.2% per annum) and 1.8% per annum (2014: 2.35% per annum) over BBSY, respectively. Refer to the Financial Risk Management note for a sensitivity analysis.

While the Penrith property's borrowings are shown as a current liability in the balance sheet, they were renewed in August 2015 for a further three years, reclassifying them as a non-current liability at that point. There is one \$7 million swap over the Woods property at 2.99% p.a. that will expire in December 2019. The 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 2015

11. Non-current Liabilities – Other Financial Liabilities

	2015	2014
	\$'000	\$'000
Preference Shares	1,900	1,985
BlackWall Penrith Fund No 3	4,500	4,500
Woods PIPES Fund	100	-
Total	6,500	6,485

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.

BlackWall has launched a new investment fund known as Woods PIPES Fund. Woods PIPES Fund is a hybrid property investment vehicle commencing in the 2016 financial year with a \$5,000,000 interest in the Woods property secured by a second mortgage. The current interest rate is 8% per annum. Investors are offered the opportunity to invest in the Woods Action Centre in Villawood. At as 30 June 2015, investors have subscribed for 100,000 units in Woods PIPES Fund (refer to Directors' Report for number of units owned by investors at the time of release of these financial statements).

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

12. Share Capital

(a) Summary Table

	2015	2014
	\$'000	\$'000
186,307,581 (2014: 202,481,427) Ordinary	13,792	14,599
Total	13,792	14,599

(b) Movement in shares on issue

	2015	2014
	No.	No.
At the beginning of the year	202,481,427	218,051,256
Cancellation of shares	(16,173,486)	(15,569,829)
At the end of the year	186,307,581	202,481,427

During the year, the Company cancelled 16,173,486 ordinary shares. A total cost of \$807,000 (in a combination of \$77,000 cash and \$730,000 worth of BWR units) was deducted from ordinary shareholder equity.

13. Auditor's Remuneration

	2015	2014
	\$'000	\$'000
Remuneration of the auditor of the Group for:		
-Audit and other audit related services	42	52
-Tax compliance services	10	13
Total	52	65

Notes to the Financial Statements

For the Year Ended 30 June 2015

14. Commitments and Contingencies

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

	2015	2014
	\$'000	\$'000
Receivable within 1 year	2,513	3,339
Receivable within 2-5 years	6,444	7,051
Receivable more than 5 years	5,705	4,599
Total	14,662	14,989

There are no other commitments and contingencies as at 30 June 2015 (2014: Nil).

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

	2015	2014
	\$'000	\$'000
Profit for the year	745	324
Non-cash flows included in profit:		
Finance income	(31)	(31)
Depreciation	426	414
Net gain on disposal of investments	(366)	(366)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(104)	79
Increase/(decrease) in trade payables and accruals	80	(7)
Net cash flows from / (used in) operating activities	750	413

16. 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.

17. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2015 %	2014 %
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	49

Notes to the Financial Statements

For the Year Ended 30 June 2015

18. Parent Entity Information

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

	2015 \$'000	2014 \$'000
Results:		
Profit after tax	425	755
Comprehensive income	2,101	1,213
Total comprehensive income after tax	2,526	1,968
Financial position:		
Current assets	12,643	10,463
Non-current assets	10,442	10,442
Total assets	23,085	20,905
Current liabilities	(4,362)	(3,901)
Non-current liabilities	-	-
Total liabilities	(4,362)	(3,901)
Net assets	18,723	17,004
Share capital	13,792	14,599
Reserves	2,375	274
Retained earnings	2,556	2,131
Total equity	18,723	17,004

The parent entity had no contingencies or capital commitments at 30 June 2015 (2014: Nil).

19. 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 the 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

	2015	2014
	\$'000	\$'000
Revenue:		
- Interest received	16	54
- Dividend and returns of capital received	691	289
Expenses:		
- Consulting and management fees paid	262	266
- Directors' fees	240	240
- Interest paid	604	554
Outstanding balances:		
- Trade receivables - current	-	24
- Loan receivables (net of impairment) - non-current	690	909
- Trade and loan payables - current	(339)	(558)
- Financial liabilities - non-current	(6,500)	(6,485)

(b) Interests in Related Parties

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

Entity	Holdings (No.'000)		Returns of Capital / Dividend Received (\$'000)	
	2015	2014	2015	2014
BlackWall Property Trust *	7,375	6,699	654	234
BlackWall Property Funds	205	2,680	37	55
BlackWall Opportunities Fund	4,519	2,586	-	-
Pelathon Pub Group	40,038	40,038	-	-
			691	289

Further details refer to Financial Assets note.

* BWR holdings as at 30 June 2014 were restated based on post 10:1 unit consolidation.

(c) KMP

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

	Balance at 30 June		Net change	Balance at 30 June	
	2014	2015		2014	2015
	No. '000	No. '000	No. '000	No. '000	No. '000
Joseph (Seph) Glew	54,737	34,899	(19,838)	54,737	34,899
Robin Tedder	20,000	20,000	-	20,000	20,000
Stuart Brown	5,369	5,369	-	5,369	5,369
Total	80,106	60,268	(19,838)	80,106	60,268

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

20. 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 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:

	2015	2014
	\$'000	\$'000
Financial Assets		
Financial assets	13,044	10,968
Financial liabilities		
Borrowings	17,725	17,725
Other financial liabilities	6,500	6,485

(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. The Group manages this risk 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 instrument's value will fluctuate as a result of changes in market interest rates and the interest rates on borrowings is as follows:

	June 2015		June 2014	
	Interest rate	Balance	Interest rate	Balance
	%	\$'000	%	\$'000
Borrowings – unhedged portion	4.04	10,025	5.01	12,000
Other financial liabilities	9.28	11,400	9.31	6,485

Sensitivity analysis

At 30 June, if interest rates on borrowings had moved (after hedging effects), as illustrated in the

Notes to the Financial Statements

For the Year Ended 30 June 2015

table below, with all other variables held constant, profit would have been affected as follows:

Consolidated	Net profit	
	Higher / (Lower)	
	2015	2014
Movement in interest rates	\$'000	\$'000
+ 1.0%	(100)	(120)
- 0.5%	50	60

(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 2015, i.e. \$1.22 per unit) would result in an unrealised loss of \$900,000 (to reserves).

(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 / 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 assets. 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 1 – 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
At 30 June 2015				
Financial assets				
Cash and cash equivalents	444	-	-	444
Trade and other receivables	135	-	-	135
Financial assets	13,044	-	-	13,044
	13,623	-	-	13,623
Financial liabilities				
Trade and other payables	682	-	-	682
Other financial liabilities	-	1,900	4,600	6,500
Borrowings	10,725	7,000	-	17,725
	11,407	8,900	4,600	24,907

Notes to the Financial Statements

For the Year Ended 30 June 2015

At 30 June 2014	Maturing within 1 year \$'000	Maturing 1 – 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
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	-	1,985	4,500	6,485
Borrowings	17,725	-	-	17,725
	18,654	1,985	4,500	25,139

(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 balance \$'000
At 30 June 2015				
Financial assets	9,065	-	3,289	12,354
At 30 June 2014				
Financial assets	7,302	-	2,757	10,059

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

(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 2015	
Balance at the beginning of year	2,757
Purchase	654
In-specie distribution received	(289)
Fair value movement	167
Balance at the end of year	<u>3,289</u>
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	<u>2,757</u>

21. Dividend

There were no dividends paid or declared for the year ended 30 June 2015 (2014: \$nil).

	2015	2014
	\$'000	\$'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2014: 30%)	<u>527</u>	<u>511</u>

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.

22. Segment Reporting

The Group currently operates in one business segment being investment in direct and indirect properties in New South Wales.

23. Group Details

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



Notes to the Financial Statements

For the Year Ended 30 June 2015

24. 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 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 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 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 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.

25. 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 liabilities arise from recovery of investment properties)

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 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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

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 Group has adopted this standard and there are no material changes to the Group's financial statements.

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 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. 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

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

BWR distributions 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 (refer to Investment Income paragraph below for more details). We have therefore adjusted 2014 comparatives by reallocating \$234,000 income from profit after tax to other comprehensive income. Total comprehensive income after tax remains the same.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Rent 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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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 the current reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

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.

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 2015 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, 29 September 2015



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 2015, the statement of profit or 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 controls as the directors determine is necessary to enable the preparation 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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 the fair value of swap derivatives
- recognition of changes in fair values of investment properties
- recognition of deferred tax assets and liabilities on revaluation of investments



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PELORUS PRIVATE EQUITY LIMITED AND CONTROLLED ENTITIES

For the year ended 30 June 2015 the financial impact of these departures is that Profit after tax is understated by:

	2015	2014
	\$	\$
Held for trading financial assets	2,100,507	1,212,559
Investment Properties	418,713	617,268
Movement in fair value of interest rate swap	(154,049)	(8,572)
Net unrecognised deferred tax liability	(361,635)	-
Total	2,003,536	1,821,255

Other comprehensive income is therefore overstated by \$2,519,220 (2014: \$1,821,255); and total comprehensive income is overstated by \$515,684. The departure has resulted in the fair value of these assets presented in the Statement of Financial Position at the reporting date to be overstated by \$515,684 (2014: \$8,572)

- 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.
- The mark to market valuations of interest rate swaps maturing on 3 December 2019 has not been recognised.
- 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.
- AASB 112 *Income Taxes* provides that the deferred tax assets and liabilities be recognised for all taxable temporary difference for assets carried forward at fair value.

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:

- giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Dated at Sydney the 30th day of September 2015.


ESV Accounting and Business Advisors


Tim Valtwies
Partner

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GLOSSARY

ASX	Australian Securities Exchange
BlackWall / BWF	BlackWall Property Funds Limited
BOF	BlackWall Opportunities Fund
BWR	BlackWall Property Trust
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
IFRS	International Financial Reporting Standards
KMP	Key management personnel
p.a.	Per annum
Outside equity interests / OEI	Non-controlling interests