Consolidated Annual Financial Report

Year Ended 30 June 2020

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PELORUS PRIVATE EQUITY

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Directors' Report

Pelorus is an unlisted public investment company. The company is a significant investor in the ASX listed BlackWall Property Trust (ASX:BWR) and has a substantial holding in the unlisted WOTSO WorkSpace business. In addition, the company has an investment in a retail mixed use property located in Penrith, NSW and an entertainment precinct in Villawood, NSW. Pelorus also periodically takes small positions in start-up businesses. The company has 158,161,465 shares on issue and NTA of $0.16 per share. No dividends were paid or declared for the year ended 30 June 2020 (2019: $nil).

Investment Portfolio

BlackWall Property Trust (ASX Code: BWR)

Pelorus holds a substantial investment in BlackWall Property Trust, an ASX-listed real estate investment trust managed by BlackWall Limited (BWF). As at June 2020 BWR had $346 million of gross assets and net tangible assets of $1.47 per unit. Pelorus holds 11,000,000 of the 142,150,000 units on issue in BWR (7.7%).

BWR owns, or has an interest in, 11 commercial properties across 5 Australian states and territories. These properties are home to a diverse group of small, medium and large retail, commercial, bulky good and industrial businesses. Where appropriate, BWR looks to increase the income of each property by undertaking works that improve a property's appearance, layout, structure or facilities.

WOTSO

WOTSO is a provider of flexible workspace solutions for all business types. In just six years WOTSO has grown to 16 sites across 5 Australian states and territories and 1 site in Malaysia. The business has taken advantage of the rapid development of technologies that facilitate remote working and increased workforce flexibility. 70% of WOTSO's revenue is derived from the leasing of private office space on monthly terms and the remainder resulting from memberships that grant access to open plan, coworking spaces. WOTSO's network of suburban spaces has traditionally catered to small to medium sized enterprises, however, it is now experiencing increased interest from larger businesses who see WOTSO's offering as an alternative to their employees working from home. Pelorus participated in a placement early in the new year and has also purchased other shares in WOTSO during the year resulting in a holding of 8% of total shares on issue at an average cost of 34cps. At June these shares have been valued at 37cps which equates to a WOTSO enterprise value of $30 million.

120 Mulgoa Road, Penrith

Penrith is a mixed use property located at 120 Mulgoa Road, Penrith, in Western Sydney. Its tenants include Barbeques Galore, Boating Camping Fishing, Rashay's Restaurant and a Bliss Early Learning Centre. Tru Ninja and Factory Plus have recently taken over the majority of the space previously occupied by Toys R Us leaving a small 230sqm vacancy. This asset is owned by Planloc and as such, is subject to the stapling proposal described below. It has been independently valued twice during the year. It moved from last year's value of $21 million to $22.8 million in December, pre-COVID 19 (COVID). Following COVID the value dropped to $21.5 million.

WRV - 850 Woodville Rd, Villawood (The Woods)

Pelorus owns approximately 49% of the WRV Unit Trust, which owns The Woods. The property is an entertainment precinct in Sydney's west, approximately 28 kilometres from Sydney CBD. The property has great exposure to Woodville Road and is home to 8 different tenants including Zone Bowling, Chipmunks Playland, Sydney Indoor Climbing Gym, Jump Swim School, Flip Out and Cross Fit Bawn. Units in the trust are owned by Planloc and as such, is subject to the stapling proposal described below. It was independently valued in September 2020 at $21.9 million.

Kirela-C Unit Trust

The Kirela-C Unit Trust is an investment trust that ultimately holds various positions in BlackWall controlled investments. The trust has exposure to key assets such as the listed BWR and BWF as well as interest in properties located at 55 Pyrmont Bridge Rd NSW, 743 Military Rd Mosman NSW, and a commercial property in North Strathfield.

Private Equity Investments

Pelorus from time to time looks at opportunities to invest in private equity ventures. During FY20 Pelorus invested $75,000 in Li-S Energy Limited, who are involved in the manufacture of lithium sulphur batteries. These batteries have greater energy density, faster charging, increased cycles and safety, lower cost and weight, and flexible form when compared to normal batteries.

A conservative approach has been taken in relation to the Company's investments in other start-up entities and the choice has been made to write down the value of these investments. The overall impact of COVID on these entities is yet to be seen as revenue losses and recoveries continue to play out in the current volatile economic conditions.

COVID and its impact

COVID has impacted each of Pelorus' investments differently.

BWR has been subject to softening property valuations and falling domestic and international share markets. The lack of comparable property transactions has made it difficult to accurately evaluate the impact of COVID on BWR's property portfolio. BWR's revenue for FY20 was down around $700,000, largely due to the mandatory code issued by the federal government that regulated the conduct between commercial landlords and their tenants. However, this has meant that no tenant of BWR has vacated their premises as a result of COVID. Despite this, BWR's final distribution was maintained at 3.5 cents per unit.

Similarly, the valuations of the Penrith and Villawood properties have decreased from $22.8m to $21.5m and from $22.3m to $21.9m respectively. While this decrease was expected due to COVID, the lack of activity in the commercial property market has made it difficult to assess the recovery timeline. There has also been some rent waivers and deferrals (as a result of the mandatory rent relief code discussed above) at both the Penrith and Villawood properties, which has impacted the revenue of these sites.

WOTSO responded to COVID by offering all members immediate, no penalty suspensions to their membership. 65% of WOTSO's membership base took up this offer. In contrast to the above trends, WOTSO was back to 90% of its pre-COVID occupancy by August 2020. Of interest is the 755 additional desks that WOTSO has sold to new members since the onset of COVID which may indicate WOTSO's realisation of the growing trend of remote and flexible working. At 30 June we assessed the value of WOTSO through a discounted cashflow model of the business and now hold it at 37 cps which as disclosed previously equates to an enterprise value of $30 million. Pelorus has an average cost base of 34 cents per WOTSO share.

It has been difficult to quantify the impact of COVID on the balance of Pelorus' portfolio of investments. Each venture has been presented with its own unique set of challenges and opportunities as a result of the pandemic and until the 'dust settles' the full impact (whether positive or negative) remains to be seen.

Proposed stapling and the future

In July 2020 BWF and BWR announced a proposal where BWR would acquire WOTSO along with certain real estate assets held by Planloc (a wholly owned subsidiary of Pelorus). If approved, a stapled structure will be formed between BWR, WOTSO and Planloc, and is expected to be finalised in early 2021.

Planloc's assets comprise:

- the mixed-use retail property at 120 Mulgoa Rd, Penrith, NSW; and
- a 49% interest in the WRV Unit Trust, which owns the 'entertainment precinct' property at 850 Woodville Rd, Villawood, NSW.

The proposed stapling will see these final 'hard' property assets move out of the Pelorus structure. The future strategy of Pelorus is to focus on being an opportunistic investment entity. This focus gives the Company direction to become a true private equity investment vehicle that is able to seize new opportunities as they arise. The Company will continue to have a healthy mix of traditional investments (such as its interest in BWR and WOTSO) and more speculative ventures (such as investments in start-up businesses).

Dividends

There were no dividends paid or declared for the period ended 30 June 2020 (2019: $nil).

Financial Statements

Statement of Financial Position

As at 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	2	45	36
Trade and other receivables	3	26	13
Financial assets	4	1,166	821
Loans	5	8,788	1,203
Total current assets		10,025	2,073
Planloc assets held for disposal (current asset)	16	26,112	-
Non-current assets			
Financial assets	6	22,881	21,156
Investment properties	7	-	21,000
Property, plant and equipment		68	-
Total non-current assets		22,949	42,156
TOTAL ASSETS		**59,086**	**44,229**
LIABILITIES			
Current liabilities			
Trade and other payables	8	54	491
Borrowings	9	5,295	11,150
Current tax payable	10	62	62
Total current liabilities		5,411	11,703
Planloc liabilities held for disposal (current liability)	16	25,602	-
Non-current liabilities			
Other financial liabilities	11	-	6,366
Deferred tax liabilities	17	2,359	3,685
Total non-current liabilities		2,359	10,051
TOTAL LIABILITIES		**33,372**	**21,754**
NET ASSETS		**25,714**	**22,475**
EQUITY			
Share capital	12	10,641	10,146
Retained earnings		1,584	2,606
Reserves - Pelorus		9,974	9,723
Reserves - Planloc		3,515	-
TOTAL EQUITY		**25,714**	**22,475**
Number of shares on issue		158,161,465	154,866,465
NTA per share		$0.162	$0.145

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Statement of Profit or Loss

For the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
REVENUE			
Investment income	13	167	115
Other income		3	-
Gain on disposal of assets		3	152
Total Revenue		**173**	**267**
EXPENSES			
Finance costs		(34)	(12)
Business operating expenses	14	(521)	(343)
Other expenses		(9)	(20)
Impairment	15	(303)	-
Total Expenses		**(867)**	**(375)**
Loss Before Tax		**(694)**	**(108)**
Income tax expense	17	-	-
(Loss) / Profit After Tax from continuing operations		**(694)**	**(108)**
(Loss) from discontinuing operations - Planloc	16	(328)	(481)
(Loss) from discontinued operations - WOTSO Franchise	16	-	-
(Loss) for the Year		**(1,022)**	**(589)**

Statement of Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	June 2020 $'000	June 2019 $'000
(Loss) for the year		**(1,022)**	**(589)**
Other Comprehensive Income/ (Loss)			
Items that may be reclassified to profit or loss			
Unrealised gain on revaluation of financial assets		3,070	561
Unrealised gain (loss) on revaluation of investment properties		699	(1,875)
Deferred tax		(3)	720
Other Comprehensive Income/ (Loss) for the Year	13	3,766	(594)
Total Comprehensive Income/ (Loss) for the Year		**2,744**	(1,183)
Total Comprehensive Income/ (Loss) Attributable To:			
Owners of the Group		2,744	**(1,120)**
Outside equity interests		-	(63)
		2,744	**(1,183)**

The accompanying notes form part of these consolidated financial statements.

PELORUS PRIVATE EQUITY

Financial Statements

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities (continuing)			
Dividends received		82	100
Interest received		85	14
Payments to suppliers		(851)	(793)
Interest paid		(33)	(12)
Net Cash Flows Used in Operating Activities (continuing)		**(717)**	**(691)**
Cash Flows from Investing Activities (continuing)			
Returns of capital		787	1,036
Proceeds from sale of shares and units		3,178	2,154
Payment to acquire Bin 24 net of cash received		(1,573)	-
Payments for purchase of financial assets		(5,965)	(1,920)
Deconsolidation of WRV		-	(14)
Net Cash Flows from Investing Activities (continuing)		**(3,573)**	**261**
Cash Flows from Financing Activities (continuing)			
Net proceeds from related party loans		(3,913)	(995)
Proceed from issue of shares		495	-
Net Cash Flows Used in Financing Activities (continuing)		**(3,418)**	**-**
Net Decrease in Cash Held (continuing)		**(7,708)**	**(430)**
Net Decrease in Cash Held (discontinued)		**7,851**	**392**
Cash and cash equivalents at the beginning of the year		36	74
Cash and Cash Equivalents at End of the Year		**179**	**36**
Cash Flow Information - Discontinued			
Net Cash Flows from / (used in) operating activities		(363)	250
Net Cash Flows from / (used in) investing activities		(636)	(503)
Net Cash Flows from / (used in) financing activities		8,850	236
Net Decrease in Cash Held (discontinued)	16	**7,851**	**(17)**

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Attributable to Owners of the Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at 1 July 2019	**10,146**	**2,606**	**9,723**	**22,475**	**-**	**22,475**
Profit (loss) for the year	-	(1,022)	-	(1,022)	-	(1,022)
Other comprehensive income	-	-	3,766	3,766	-	3,766
Issue of new shares	495	-	-	495	-	495
Balance at 30 June 2020	**10,641**	**1,584**	**13,489**	**25,714**	**-**	**25,714**
Balance at 1 July 2018	**12,823**	**3,195**	**10,317**	**26,335**	**3,031**	**29,366**
Profit for the year	-	(508)	-	(508)	(81)	(589)
Other comprehensive income	-	-	(612)	(612)	18	(594)
Buy-back of share capital	(2,677)	-	-	(2,677)	-	(2,677)
Deconsolidation of subsidiary	-	(81)	18	(63)	(2,968)	(3,031)
Balance at 30 June 2019	**10,146**	**2,606**	**9,723**	**22,475**	**-**	**22,475**

Notes

1. COVID Impact

COVID has impacted each of Pelorus' investments differently.

BWR has been subject to softening property valuations and falling domestic and international share markets. The lack of comparable property transactions has made it difficult to accurately evaluate the impact of COVID on BWR's property portfolio. BWR's revenue for FY20 was down around $700,000, largely due to the mandatory code issued by the federal government that regulated the conduct between commercial landlords and their tenants. However, this has meant that no tenant of BWR has vacated their premises as a result of COVID. Despite this BWR's final distribution was maintained at 35 cents per unit.

Similarly, the valuations of the Penrith and Villawood properties have decreased from $22.8m to $21.5m and from $22.3m to $21.9m respectively. While this decrease was expected due to COVID, the lack of activity in the commercial property market has made it difficult to assess the recovery timeline. There has also been some rent waivers and deferrals (as a result of the mandatory rent relief code discussed above) at both the Penrith and Villawood properties, which has impacted the revenue of these sites.

WOTSO responded to the COVID by offering all members immediate, no penalty suspensions to their membership. 65% of WOTSO's membership base took up this offer. In contrast to the above trends, WOTSO was back to 90% of its pre-COVID occupancy by August 2020. Of interest is the 755 additional desks that WOTSO has sold to new members since the onset of COVID which may indicate WOTSO's realisation of the growing trend of remote and flexible working. At 30 June we assessed the value of WOTSO through a discounted cashflow model of the business and now hold it at 37 cps which as disclosed previously equates to an enterprise value of $30 million. Pelorus has an average cost base of 34 cents per WOTSO share.

It has been difficult to quantify the impact of COVID on the balance of Pelorus' portfolio of investments. Each venture has been presented with its own unique set of challenges and opportunities as a result of the pandemic and until the 'dust settles' the full impact (whether positive or negative) remains to be seen.

2. Current Assets - Cash and Cash Equivalents

	2020 $'000	2019 $'000
Cash at bank	45	36
Total	**45**	**36**

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

3. Current Assets - Trade and Other Receivables

	2020 $'000	2019 $'000
Trade receivables:		
- Related parties	8	9
- Other parties	18	4
Total	**26**	**13**

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 2020 (2019: $nil).

4. Current Assets – Financial Assets

The Company has investments in various listed and unlisted investments which are held for trading from time to time and as a result are classified as current assets. The details are as follows:

Financial Assets	Note	2020 $'000	2019 $'000
Listed - BlackWall Limited		470	45
Unlisted - Pelathon Pub Group		347	262
Unlisted – Narraweena Pty Ltd *	(i)	168	-
Unlisted - IndigoBlack *	(iii)	72	-
Unlisted – Pelorus Private Equity		-	80
Unlisted Startup – Li-S Energy Limited		75	-
Unlisted Startup - Lake Road Project		34	34
Unlisted Startup - Sportility	(ii)	-	300
Unlisted Startup – Tilt & Co	(ii)	-	50
Unlisted Startup – Primary Market	(ii)	-	50
Total		**1,166**	**821**

* These entities are not equity accounted despite owning more than 20 percent of the issued capital as Pelorus does not exercise significant influence or control over those entities.

(i) Narraweena is an investment company that currently holds 28.878 million shares in Pelorus.

(ii) Investments in Sportility, Tilt & Co and Primary Market have been written down to nil due to the negative impact and uncertainty driven by impacts of COVID-19.

(iii) IndigoBlack is a start-up construction company located in Sydney.

5. Current Asset - Loans

	Note	2020 $'000	2019 $'000
Related party loans (unsecured):			
Loan - Narraweena		4,332	-
Loan - Tidy Harold		2,008	-
Loan - Other		7	3
Loan - Bin 24		-	1,200
		6,347	1,203
Rockahula and employee related loans (secured):		2,441	-
Total		**8,788**	**1,203**

As a result of the restructure of the group new loans have been made to Narraweena and Tidy Harold (a subsidiary of KIrela-C). Narraweena has a substantial investment in Pelorus, and Tidy Harold has significant positions in BlackWall controlled investments. The Bin 24 loan is no longer reported separately as a result of the Bin 24 entity becoming a fully owned subsidiary of the Pelorus group.

The Rockahula and employee related loans are secured by BWR units and BWF shares. All loans are repayable at call and are charged interest at a margin of 3.0% over the RBA cash rate.

6. Non-current Assets – Financial Assets

The Company has investments in various listed and unlisted investments which are held as long term investments and are not intended for trading. The details are as follows:

Financial Assets	**Note**	**2020 $'000**	**2019 $'000**
Listed - BlackWall Property Trust	(i)	15,620	14,445
Unlisted – Kirela-C Unit Trust	(ii)	4,860	3,808
Unlisted - WOTSO Limited	(iii)	2,401	-
Unlisted - WRV (classified as discontinuing in current year)	(iv)	-	2,903
Total		**22,881**	**21,156**

(i) *BlackWall Property Trust (BWR)*
BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. Pelorus holds 11 million BWR units (2019: 10.7 million BWR units). This represents 7.7% of BWR issued units (2019: 7%).

(ii) *Kirela-C Unit Trust*
The Kirela-C Unit Trust is an investment trust that holds various positions is BlackWall controlled investments via a wholly owned subsidiary, Tidy Harold Pty Ltd. Its major investments include the listed BWR and BWF entities as well as holdings in 55 Pyrmont Bridge Rd and properties at The Bakehouse Quarter known as Buildings L and M.

(iii) *WOTSO Limited*
WOTSO commenced operations in 2014 as a subsidiary of BlackWall Limited until it demerged and formed its own consolidated group on 8 January 2020. WOTSO operates flexible workspaces, largely targeted towards small to medium enterprises in suburban or regional locations. WOTSO's revenue is largely derived from the use of private offices on monthly terms with the remainder being through memberships in open plan co-working environments, events, meeting rooms and other additional services.

The demerger was completed by way of an in-specie distribution, issuing BWF investors with one WOTSO share for each BWF share held. Pelorus subscribed for a further 4.25 million shares on 23 January 2020 at a price of 47.5 cents per share indicating a WOTSO pre-money valuation of $35 million at the end of January 2020.

Since the initial investment made in January WOTSO operations have been negatively impacted by COVID-19. Revenue for WOTSO was down on average 60% for the months of April 2020 to June 2020. Subsequent to June 2020 WOTSO has seen a strong recovery to over 90% of its pre-COVID-19 revenue. In order to assess the impact of these economic changes, WOTSO carried out a valuation of the business in August 2020. It used a discounted cash flow model which relied on several key assumptions regarding desk prices and the time required to achieve site maturity. The valuation outcome was an entity value of $30 million which is equivalent to a 5.1 x EBITDA multiple, based on FY2021 EBITDA projections

At reporting date Pelorus owns 6.49 million WOTSO shares (8%), and the investment held in these accounts has been fair valued using the $30 million valuation, which equates to 37 cps. Pelorus has an average cost base of 34 cents per WOTSO share. Please also refer to Note 26(e)(iv) for sensitivity analysis.

BWF and BWR released a joint ASX statement on 24 July 2020 announcing the intention to proceed with a transaction whereby BWR would acquire WOTSO to form a stapled security structure.

(iv) *WRV*
The investment reflects a 49% holding of WRV Unit Trust which owns the property known as the The Woods. The Woods is a family entertainment centre in Western Sydney, located at 850 Woodville Rd, Villawood. Tenants include Zone Bowling, Chipmunks Playcentre, Sydney Indoor Climbing Gym, Cross Fit Bawn, The Woods Pantry and Jump Swim School. A trampoline centre, Flipout, has recently commenced trading on a 10 year lease. There is further information in the Discontinued operations note.

7. Investment Property

The Company has a significant property investment located in Penrith Sydney. The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith. The property has been valued in June 2020 at $21.5 million reflecting market yield of 6.85%. The property has gross income of around $1.7 million p.a. Tenants include Boating Camping Fishing, Barbeques Galore, Little Learning Child Care, Tru Ninja, and Rashay's Pizza Pasta Grill. The amount of vacant space is minimal.

The investment property has now been disclosed as a discontinuing operation - refer note 16.

8. Current Liabilities - Trade and Other Payables

	2020 $'000	**2019 $'000**
Trade payables:		
- Related parties	29	197
- Other parties	25	273
	54	470
Rental income in advance	-	21
Total	**54**	**491**

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

9. Current Liabilities - Borrowings

	2020 $'000	**2019 $'000**
Borrowings - Alerik	3,300	-
Borrowings - Planloc	1,995	-
Borrowings - BWR	-	11,150
Total	**5,295**	**11,150**

The loan from Alerik is a new loan received in the current year and is related to the restructure of the group.

The loan from Planloc was previously eliminated on consolidation of the Planloc subsidiary. The opposite side of the loan has been disclosed as a loan receivable in the Planloc discontinuing operation.

The loan from BWR has been partly repaid and at reporting date has decreased to $10 million. This loan is payable by Planloc and has been disclosed in the Planloc discontinuing operation.

The borrowings are subject to interest at a margin of 2.0% over the RBA cash rate. The loans are repayable on call and as such are classified as a current liability.

10. Current Liabilities - Current Tax Payable

	2020 $'000	2019 $'000
Current tax payable	62	62
Total	**62**	**62**

11. Non-current Liabilities – Other Financial Liabilities

	2020 $000	2019 $'000
BlackWall Penrith Fund No 3	-	4,116
Provision for Performance Fee – BlackWall Penrith PIPES No3	-	900
Provision for Performance Fee – BlackWall Fund Services	-	1,350
Total	**-**	**6,366**

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. The fund is also entitled to 20% of any property value uplift over initial cost $16.5 million, plus any capex expenditure on the maturity of the fund in December 2020. The Penrith property was valued in June 2020 at $21.5 million, which is down from $22.8 million in 2019. The investors' capital is returned together with a bonus equating to 20% of capital growth at the maturity date in December 2020.

The fund's manager, BlackWall Limited is entitled to a performance fee of 30% of value uplift over $16.5 million plus any capex expenditure. An amount of $433,000 accrued in FY2018 was paid in June 2020. The remainder of $598,000 will be paid out when the fund terminates in December 2020.

All of the above amounts have been disclosed in the Planloc discontinuing operation for the current year.

12. Share Capital

(a) Summary Table

	2020 $'000	2019 $'000
158,161,465 (2019: 154,866,465) Ordinary shares	10,641	10,146
Total	**10,641**	**10,146**

(b) Movement in shares on issue

	2020 No.	2019 No.
At the beginning of the year	154,866,465	176,452,513
Buy-back of shares	-	(21,586,048)
Issue new shares	3,295,000	-
At the end of the year	**158,161,465**	**154,866,465**

13. Revenue

(a) Revenue		2020 $'000	2019 $'000
Investment income:			
- Dividends		85	101
- Finance income		82	14
		167	**115**

Note that BWR distributions of $787,000 are treated as return of capital due to the tax position of BWR, and are not included in the income.

(b) Unrealised gain (loss) on revaluation under other comprehensive income			
Financial assets		3,070	561
Investment properties		699	(1,969)
Deconsolidation of subsidiary		-	94
Deferred tax on unrealised gain	17(a)	(3)	720
		3,766	**(594)**

14. Expenses

	2020 $'000	2019 $'000
Business operating expenses:		
Director & consultants fees	290	265
Administration expenses	231	78
	521	343

15. Acquisition of Subsidiary ($'000)

On 31 July 2019 Pelorus acquired all the shares of Bin 24 Pty Ltd for $1.58 million in cash and scrip. Bin 24 has a direct holding of shares in BWF and a loan book to related parties (the loan book is secured by various BWF shares and BWR units).

The net asset acquired from Bin 24 were fair valued at $1.28 million, resulting in goodwill of $0.3 million. The goodwill has been written off as impaired at acquisition.

Assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash and cash equivalents	6
Receivables and other assets	105
Loan book (secured)	3,190
Investment in BWF	989
Trade and other payables	(12)
Loans payable	(2,790)
Deferred tax liability	(213)
Net assets acquired	1,275
Add: goodwill on acquisition	303
Total purchase consideration	1,578

16. Discontinued operations

In the current financial year, the Group disposed of the WOTSO Franchise subsidiary and made the decision to dispose of the Planloc subsidiary within the next twelve months. The financial information in relation to both of these subsidiaries has been presented as discontinued (discontinuing) operations in the note below.

WOTSO Franchise Pty Limited - Discontinued

BWR Franchise Unit Trust was a newly established entity created to manage the WOTSO sites located at Fortitude Valley QLD, Gold Coast QLD, Dickson ACT, Symonston ACT, and Adelaide SA under a Franchise arrangement. The Franchisor is WOTSO and BWR Franchise Unit Trust is the Franchisee.

The entity achieved a break-even result to date of disposal with revenue of $2,572,000 and related operating expenses of $2,572,000. The subsidiary was disposed to WOTSO Limited on 8 January 2020 for nil proceeds as the net asset value was nil.

Planloc Pty Limited - Discontinuing

The Directors of Pelorus have made the decision to dispose of Planloc to BWR during FY20. This transaction will occur in conjunction with BWR acquiring WOTSO to form a stapled structure. An announcement to this effect was made to the ASX by BWF and BWR on 24 July 2020 (subject to the necessary approvals being obtained).

As required by AASB5 - Assets Held for Sale and Discontinued Operations the activities of Planloc have been reflected separately as a discontinued operation in these financial statements. The net loss from operations has been shown separately in the Statement of Profit or Loss (with comparatives restated), and Planloc balances disclosed separately as either assets or liabilities held for disposal in the Statement of Financial Position. Further details are set out below.

Profit or Loss Information - Planloc

	2020 $'000	**2019 $'000**
Revenue		
Property rental income	1,478	2,625
Total Revenue	**1,478**	**2,625**
Expenses		
Property outgoings	(538)	(1,115)
Business operating expenses	(154)	(256)
Finance costs	(807)	(1,402)
Depreciation expense	(307)	(333)
Total Expenses	**(1,806)**	**(3,106)**
(Loss) from discontinuing operations	**(328)**	**(481)**

The comparatives for 2019 include Villawood property income and related property outgoings.

Asset and Liabilities Information - Planloc

	2020 $'000
Assets	
Cash and cash equivalents	134
Trade and other receivables	59
Financial assets	3,989
Loan receivable	1,995
Investment property	21,884
Deferred rent receivable	46
TOTAL ASSETS	**28,107**
Liabilities	
Trade and other payables	271
Loan from BWR	10,000
Loan from CBA	10,000
Loan from BlackWall Penrith Fund No3	4,500
Provision for Performance Fee - BlackWall Penrith Fund No3	687
Provision for Performance Fee - BlackWall Fund Services	598
Deferred tax liabilities	1,541
TOTAL LIABILITIES	**27,597**
NET ASSETS	**510**

WRV Unit Trust

The financial assets include a 49 percent investment in the WRV Unit Trust (WRV) and a small investment in BlackWall Penrith Fund No3. The investment in BlackWall Penrith Fund No3 was sold to BWR early in September 2020.

The loan receivable is due from Pelorus. This loan was previously eliminated on consolidation of the Planloc subsidiary. The opposite side of the loan has been disclosed as a loan payable in the borrowings note.

120 Mulgoa Road, Penrith

The property is a big box retail complex located at 120 Mulgoa Road, Penrith. The property has gross income of around $1.7 million p.a. Tenants include Boating Camping Fishing, Barbeques Galore, Little Learning Child Care, Tru Ninja, and Rashay's Pizza Pasta Grill. The amount of vacant space is minimal. The property has been independently valued at $22.8 million in December 2019, but due to the adverse impact of COVID-19 it was decided to conduct another independent valuation in June 2020. The June 2020 valuation was appraised at $21.5 million reflecting a market yield of 6.85%.

Deferred rent has been provided to tenants impacted by COVID-19 under the mandatory code of conduct between tenants and landlords. Tenants are required to repay these deferred amounts over a period whichever is the greater of 2 years or the term of the lease. The tenants will commence the repayment of these amounts commencing from October 2020.

The loan from BWR is repayable at call and is subject to interest at a margin of 2.0% over the RBA cash rate. The loan from CBA was taken out in January 2020 for a loan term of 3 years and is subject to interest at a margin of 1.9% over BBSY. The loan from Penrith Fund No3 is due to terminate in December 2020 when that Fund winds down. It is anticipated that the loan will be re-financed with BWR.

Provision for BlackWall Penrith Fund No3 performance fee – see Note 11.

Cash Flow Information – Planloc and WOTSO Franchise

	2020 $'000	2019 $'000
Cash flows from operating activities		
WOTSO Franchise receipts	2,572	-
Receipts from property customers	1,964	3,022
WOTSO Franchise payments	(2,786)	-
Payments to suppliers	(873)	(1,370)
Performance fees paid	(433)	-
Interest paid	(807)	(1,402)
Net Cash Flows (Used in)/ from Operating Activities	**(363)**	**250**
Cash Flows from Investing Activities		
Payments for capital expenditure	(636)	(503)
Net Cash Flows from Investing Activities	**(636)**	**(503)**
Cash Flows from Financing Activities		
Loan from BWR	(1,150)	10,961
Loan from CBA	10,000	-
Repayment of property loans	-	(10,725)
Net Cash Flows Used in Financing Activities	**8,850**	**236**
Net cash inflow / (outflow)	**7,851**	**(17)**

17. Income Tax Expense and Deferred Tax Liabilities

	2020 $'000	2019 $'000
(a) Income tax expense / (benefit)		
Current tax	-	-
Deferred tax expense / (benefit) through OCI	3	(720)
Total Income tax expense / (benefit)	**3**	**(720)**
Reconciliation of prima facie tax payable to income tax		
Loss from ordinary activities before income tax	(1,022)	(589)
Expected tax benefit at 30% (2019: 30%)	(306)	(177)
Adjusted for tax effect of amounts not taxable:		
Financial assets	309	(543)
Total Income tax (benefit) / expense	**3**	**(720)**
(b) Deferred tax liabilities		
Financial assets	3,663	2,931
Investment properties	1,577	2,145
Provision for performance fee	(385)	(675)
Tax losses	(955)	(716)
Planloc deferred tax	(1,541)	-
Total Deferred tax liabilities	**2,359**	**3,685**

Movements:

Balance at the beginning of the year	3,684	4,405
Charged / (credit) to the profit and loss	3	(720)
Deferred tax asset from Bin 24 acquisition	213	-
Planloc deferred tax	(1,541)	-
Total	**2,359**	**3,685**
Unused income tax losses @ 30% (2019: 30%)		
- available to tax consolidation group	955	716

18. Auditor's Remuneration

	2020	2019
Remuneration of the auditor of the Group for:	**$'000**	**$'000**
-Audit and other audit related services	53	39
-Tax compliance services	9	8
Total	**62**	**47**

19. Commitments and Contingencies

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

	2020 $'000	2019 $'000
Receivable within 1 year	1,850	1,393
Receivable within 2-5 years	4,689	4,138
Receivable over 5 years	3,283	3,165
Total	**9,822**	**8,696**

There are no other commitments and contingencies as at 30 June 2020 (2019: Nil).

20. Reconciliation of Profit/ (Loss) After Income Tax to Operating Cash Flows

	2020 $'000	2019 $'000
Loss for the year	(1,022)	(589)
Non-cash flows included in profit:		
Depreciation	308	333
Impairment	303	
Net gain on disposal of investments	-	(152)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(80)	33
Increase/(decrease) in trade payables and accruals	(590)	304
Net cash flows used in operating activities	**(1,081)**	**(71)**

21. Non-cash investing and financing activities

	2020 $'000	2019 $'000
Cancellation of share capital	-	2,678
	-	**2,678**

22. Subsequent Events

On 24 July 2020 BWF and BWR released a joint announcement to the ASX outlining a proposal for BWR to acquire the WOTSO WorkSpace business in addition to Planloc as already disclosed. This will take the form of a stapled security structure. The transaction will require various shareholder and court approvals and is expected to complete early in the new calendar year. 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.

23. Controlled Entities

Name	Country of incorporation	Percentage Owned	
Parent Entity:		**2020 %**	**2019 %**
Pelorus Private Equity Ltd	Australia		
Subsidiaries of parent entity:			
Planloc Pty Ltd	Australia	100	100
Bin24 Business Advisors Pty Ltd	Australia	100	-
RASP Investments Pty Ltd	Australia	100	100
Pelorus Pipes 5 Trust	Australia	100	100

24. 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:

	2020 $'000	2019 $'000
Results:		
Profit after tax	4,189	238
Other Comprehensive income	2,476	1,599
Total comprehensive income after tax	**6,665**	**1,837**
Financial position:		
Current assets	7,612	26,631
Non-current assets	27,936	3,511
Total assets	**35,548**	**27,142**
Current liabilities	(3,488)	(2,353)
Non-current liabilities	(2,328)	(2,215)
Total liabilities	**(5,816)**	**(4,568)**
Net assets	**29,732**	**22,574**
Share capital	10,638	10,146
Reserves	9,503	5,402
Retained earnings	9,591	7,026
Total equity	**29,732**	**22,574**

The parent entity had no contingencies or capital commitments at 30 June 2020 (2019: Nil).

25. 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.

	2020 $'000	2019 $'000
Revenue:		
- Dividend and returns of capital received	852	1,103
- Interest received	-	11
Expenses:		
- Interest paid	748	633
- Consulting and management fees paid	605	295
- Directors' fees	290	240
Outstanding balances:		
- Trade receivables - current	9	9
- Loan receivables – current	8,788	1,203
- Trade payables - current	(207)	(197)
- Loan payables – current	(13,300)	(11,150)
- Financial liabilities – non-current	-	(6,366)

(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)	
	2020	2019	2020	2019
BlackWall Property Trust	11,000	10,700	770	1,002
BlackWall Limited	1,325	50	48	1
WOTSO Limited	6,489	-	-	-
Kirela-C Unit Trust	165	159	-	-
WRV Unit Trust	1,975	1,975	-	-
Narraweena Pty Ltd	2	-	-	-
			818	**1,003**

(c) Key Management Personnel (KMP)

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

	Balance at 30 June 2019 No. '000	Net change No. '000	Balance at 30 June 2020 No. '000
Joseph (Seph) Glew	34,145	2,625	36,770
Paul Tresidder	30,999	670	31,669
Tim Brown	718	-	718
Jessie Glew	-	-	-
Stuart Brown	5,369	(5,369)	-
Total	**71,231**	**(2,074)**	**69,157**

26. 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 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:

	2020 $'000	2019 $'000
Financial Assets		
Financial assets	28,036	21,943
Loans	8,788	1,203
Financial liabilities		
Borrowings	23,300	11,150
Other financial liabilities	5,401	6,366

(b) Market risk

(i) Interest rate risk

The Group has exposure to market risk for changes in interest rates on borrowings. 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 2020 Interest rate %	Balance $'000	June 2019 Interest rate %	Balance $'000
Borrowings – unhedged portion (BWR)	2.25	10,000	3.25	11,150
Borrowings – unhedged portion (CBA)	2.05	10,000	-	-
Borrowings – unhedged portion (Alerik)	2.25	3,300	-	-
Other financial liabilities	9.00	5,401	9.00	6,366

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

Consolidated	Net profit Higher / (Lower)	
	2020	2019
Movement in interest rates	$'000	$'000
+ 1.0%	(233)	-
- 1.0%	233	-

(ii) Price risk

The major exposure is the Group's investments in financial assets. In relation to the investment in BWR units, a 10% decrease in the ASX trading price (from the price at 30 June 2020, i.e. $1.42 per unit) would result in an unrealised loss of $1,562,000 (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 2 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2020				
Financial liabilities				
Trade and other payables	323	-	-	323
Other financial liabilities	5,401	-	-	5,401
Borrowings	13,300	10,000	-	23,300
	19,024	**10,000**	**-**	**29,024**

	Maturing within 1 year $'000	Maturing 2 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2019				
Financial liabilities				
Trade and other payables	491	-	-	491
Other financial liabilities	11,150	6,366	-	17,516
Borrowings	-	-	-	-
	11,641	**6,366**	**-**	**18,007**

(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 2020				
Financial assets	16,090	-	7,957	24,047
At 30 June 2019				
Financial assets	14,490	-	7,453	21,943

(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:

	$'000
At 30 June 2020	
Balance at the beginning of year	7,453
Purchase	5,520
Sale	(3,178)
Return of capital	(16)
Fair value movement	2,167
WRV investment – held by Planloc (discontinued)	(3,989)
Balance at the end of year	**7,957**
At 30 June 2019	
Balance at the beginning of year	7,200
Investment in WRV (previously consolidated)	2,903
Purchase	330
Sale	(889)
Pelorus shares cancelled for share capital buy-back	(2,678)
Return of capital	(33)
Fair value movement	620
Balance at the end of year	**7,453**

(iv) WOTSO Limited

Pelorus investment in WOTSO of $2.401m is categorized as Level 3.

The below sensitivity analysis considers several key assumptions within the discounted cash flow and the impact of their movement on the fair value of Pelorus investment in WOTSO.

Assumption	Used in Valuation	Sensitivity	Impact $'000	Sensitivity	Impact $'000
Maturity Revenue as % of Target Revenue	85%	90%	300	80%	(300)
Maturity Date	Jun'22	Dec'21	580	Dec'22	(180)
Discount Rate	11.2%	9.5%	110	12.9%	(100)

27. Dividend

There were no dividends paid or declared for the year ended 30 June 2020 (2019: $nil).

	2020 $'000	2019 $'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2019: 30%)	**532**	**532**

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.

28. Group Details

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

29. 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.

30. 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)
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.

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.

Discontinuing operations

Planloc is held for disposal within the next twelve months and the results of Planloc are presented separately as discontinuing on the face of the statements of balance sheet, profit or loss and other comprehensive income, and cash flow.

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.

Despite the loss position of around $700,000 for the continuing operations of Pelorus for the year ended 30 June 2020, the entity is considered a going concern. The distribution from BWR of $770,000 is not included in the profit or loss due to the tax position of BWR and it being treated as a return of capital. This distribution is expected to be maintained and eventually will move to the revenue account. As a result the entity is expected to be cash flow positive before any other investing cash flows.

Presentation currency

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

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.

Investment Properties

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

Impairment of assets

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

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

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

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

Borrowing Costs

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

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.

Financial Assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Unrealised gains and losses arising from changes in the fair value of these assets are included in the reserves in the period in which they arise, unless they relate to reversal of previous unrealised loss, which were then recognised in profit or loss.

pt to the extent that the Group has an obligation or has made payments on behalf of the investee.

Financial liabilities

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

Fair value

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

Impairment

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

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

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

Impairment losses are recognised in the profit or loss.

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

Comparative Figures

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

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

Interest Bearing Borrowings

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

Revenue

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

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.

Accounting for deferred tax

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

Deferred tax calculation

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

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

Deferred income tax assets

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

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

Benefit brought to account

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

Tax consolidation

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

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

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

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

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

GST

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

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

New Accounting Standards and Interpretations

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.

The only new standard adopted in the current period is AASB 16 Leases, and there is no impact to the group upon adopting this standard.

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.

Name and Position	Experience
Joseph (Seph) Glew Chairman and Non-Executive Director	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. Seph is also a Director of the ASX-listed BlackWall Limited.
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.
Jessica (Jessie) Glew Joint Managing Director and COO	Jessie is Joint Managing Director and Chief Operating Officer of BlackWall Limited and its funds. Jessie has been with BlackWall since early 2011. Prior to her appointment as Joint Managing Director, Jessie was General Manager of Property at BlackWall. She has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney.

Timothy Brown Joint Managing Director and CFO	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 has a Bachelor of Commerce from the University of New South Wales and is a member of the Institute of Chartered Accountants of Australia. 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.
Alexander Whitelum Company Secretary (Appointed 23 April 2020)	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.
Richard Hill Non-Executive Director (Appointed 1 July 2020)	Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young and Associates. Richard has invested in the Group'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 and Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formally listed on ASX.
Sophie Gowland Company Secretary (Resigned 27 March 2020)	

Meeting Attendances

Director	Board Meetings
Meetings Held	2
Seph Glew	2
Paul Tresidder	2
Jessie Glew	2
Timothy 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 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 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.

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

Timothy Brown
Director
Sydney, 30 September 2020

Jessie Glew
Director
Sydney, 30 September 2020

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 2020 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
Director
Sydney, 30 September 2020

Jessie Glew
Director
Sydney, 30 September 2020

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 2020, 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 day of September 2020.

ESV

ESV Business advice and accounting

T. Burns

Travas Burns
Partner

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 2020, 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 6 to 35 , 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 2020 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 2020 the financial impact of these departures is that loss after tax is overstated by:

	2020	2019
	$	$
Held for trading financial assets	3,070,007	1,488,850
Investment properties	698,828	(1,969,048)
Net unrecognised deferred tax expense	(2,633)	720,491
Total	3,766,202	240,293

Other comprehensive income is therefore overstated by $3,766,202 (2019: $240,293).

- *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.
- *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 30 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 day of September 2020.

ESV

ESV Business advice and accounting

T. Burns

Travas Burns
Partner